

4 November 2020

## CHIEF EXECUTIVE'S PRESENTATION

2020 Annual Meeting of New Zealand Oil & Gas Limited

Held online

10.00am Wednesday, 4 November 2020.

Tena koutou

Tena koutou

Tena koutou katoa

To our shareholders on NZX side of the ditch

And a very special G'day to our new ASX shareholders in the western islands

Like me New Zealand Oil & Gas again straddles the Tasman,

Ladies and gentlemen,

None of us have been through a year like the one we've just had. We've been tested.

It is evidence of our company's quality that we came through this year intact.

We are fortunate to be in Wellington, remote from large population centers. The pandemic has caused far less disruption for businesses here than in many cities. We were well prepared. We know Wellington is vulnerable to natural events like earthquakes, and so we were set up to work from home.

[Slide - working from home.]

The switch over was smooth and we continue our work with little disruption. Our production facility in Taranaki, Kupe, was deemed an essential service, and kept operating throughout lockdown.

"Essential service" is an important point to remember when we come to discuss the future of oil and gas in New Zealand later.

Because we kept operating, we were able to continue to generate revenue.

[Slide - Finance Slide]

Our consolidated cash balance increased across the year, from \$105.6 million to \$110.8m at 30 June 2020.

Revenue for the year was \$37.3 million, down from \$43.3million last year, and the group overall recorded a loss of \$0.7 million, which was a marked improvement from the loss of \$2.9 million a year previously.

What that story can't tell you is that we significantly increased our reserves, which is another way of saying: The underlying value of the company grew.

[See our announcement on the NZX for all the usual disclaimers].

We will turn those increased reserves to cash and to profits in the future.

Shareholders sometimes ask me why we incur costs at head office - what do our people do all day? Those reserves upgrades are the answer.

One of our top strategic priorities is to optimise the performance of our assets - getting more juice from the orange. A reserves upgrade is what optimisation looks like.

[Slide - Sampang]

Start with Sampang in Indonesia.

Improvements at Sampang led to an increase in production adjusted 2P reserves from 1.04 million to 1.09 million barrels of oil equivalent. 1P reserves were up by 35 per cent.

[Slide-Paus Biru]

In the same production license as Sampang, a field development plan was approved for the recent Paus Biru discovery nearby.

This can be simply tied into the existing infrastructure in these shallow waters using a small wellhead platform, a couple of wells and a pipeline back to the Wortel field.

It will add further to our reserves there.

As will the Mahato light oil discovery in Southern Sumatra.

[Slide Mahato location]

While there have been some JV disputes along the way, as Cue reported at their AGM last week, progress is being made on resolving these and we are taking part in the field's development.

The field is being readied for production sales any day, putting Indigenous light oil into existing systems, with existing refinery connections. This will help Indonesia's people, and growing economy as well as benefiting the planet.

What do I mean by that? Local light oil provides a source of easy to refine crude, avoiding the environmental load of transporting crude internationally, as well reducing the world's dependence on the more than half of our discovered resources that lie in Oil Sands and Bitumen's. That's right Greenpeace are correct it is better that those heavy crudes stay in the ground, and the world discovers and uses more local lighter hydrocarbons to meet the needs of society while we transition away from fossil fuels.

But Indonesia is just the starter. The main course is our Kupe prize.

We have been able to announce an increase in Kupe reserves from a 1.84 million barrels of oil equivalent to 2.26 million, net.

[slide - reserves graph]

Kupe earned us \$15.5 million in revenue for our 4 per cent share in the year to June 2020, and it will continue to produce for many years yet.

We have felt for some time that Kupe well performance could be improved through extra perforations - extra holes in the well.

A perforation campaign was executed over summer. It restored Kupe to plateau production.

We also recommended to our partners that a well compression project would be profitable - 'compression' is like squeezing the orange harder.

Our partners agreed. The well compression project is underway. It will finish sometime next year. Production will then move to a higher decline curve.

The combined effect of these projects is a 23 per cent increase in 2P reserves.

For shareholders who have been in New Zealand Oil & Gas for a decades-long ride, Kupe has long been a strong performer. Kupe was one of the targets the company was formed to hunt. New Zealand Oil & Gas discovered the field in 1984.

In this financial year it will out-produce its originally sanctioned reserves.

[Slide – AJ talking head picture]

I'm proud of the contribution this asset makes to our community, to our economy --and to our environment.

Kupe provides significant volumes of gas, LPG, and light oil for export. It adds value to the economy, provides high tech, well-paid jobs - and provides energy that keeps showers hot, homes warm and dry, and cooks our salmon and sausages on the summer BBQ.

Kupe gas makes our renewable energy system viable. When it is shut in for maintenance, as it was a year ago, electricity generators have to use coal.

Now there's talk of using a pumped hydro scheme to provide back up when the sun doesn't shine, and the wind doesn't blow. That is advertised as a \$4 billion project. Many professionals believe it would cost billions more. For all that expense, for all the flooding of sensitive wetlands, the reduction in river flows, and all the carbon dioxide produced in building concrete dams, it would produce 8PJ of energy.

I want to put that in perspective, it is about 40% of Kupe's annual production, or one fortieth of the reserves remaining at Kupe.

When you run the economics, you get a clear idea of why Kupe, and other gas fields, are so important today, and will be tomorrow in the transition to a net zero carbon economy. This is an issue our recently re-elected government will have to deal with. There are alternatives but gas is by far superior.

[Slide natural gas vs electricity]

The gas industry in New Zealand outputs 70% more energy than our entire hydro-electricity system. (430PJ to 250PJ).

Most of it is turned into methanol that creates export earnings and helps to displace high carbon coal and heavy oil in Asia.

As I mentioned at the outset, the pandemic showed us that gas is an essential service.

I don't mean any of this to suggest we should not take the impact on our climate seriously. My argument is that production of natural gas helps to reduce emissions. First, it helps by raising our living standards, which gives us options. And second, it helps by displacing higher emitting fuels in areas where there are no cheap alternatives.

In our annual report, we have comprehensively reported on our climate impact.

[slide TCFD]

The Taskforce on Climate-related Financial Disclosure, or TCFD, proposes a standard for disclosing climate related risks.

The idea is that, as investors, you should be fully informed about risks: Stranded assets, reduced access to capital markets, falling oil and gas prices, and physical threats from extreme weather events. We have fully disclosed all of these.

We found the disclosure added little to our knowledge. We always apply sensitivity testing to our economic models. Our engineering always assesses risks from extreme weather events. We weigh risks methodically.

It is relevant that many industries were caught unprepared for a pandemic, for example. We were ready because we perform thorough risk analysis.

The government has signaled that TCFD reporting is likely to become mandatory. Investors are entitled to ask for disclosure. We already comply.

But I would like to repeat my comments from our sustainability report: Plants such as Kupe produce natural gas as ethically as just about anywhere on earth. Labour standards and environmental performance compare favourably to third world coal mines or the world's lithium and cobalt sources, from which electric batteries are sourced.

Revenues from Kupe do not fund terrorism, criminal enterprises or political corruption. We do not harvest the private data of millions of people, enable democracy to be damaged or extremists to congregate. We pay our taxes and observe the rules and laws of the places where we work.

Our activities make the world a better place. The gas we produce reduces coal burning with the same CO<sup>2</sup> reduction as replacing 120,000 average cars with electric cars, a real benefit happening today. In addition, we planted 3,564 trees to offset our emissions, and we were the first nz oil and gas company to get a rainbow tick.

The re-elected government believes it too is making the world a better place. So, we respect that, even though its policy means exploration in New Zealand can't be the core of our business.

The government is not going to change its policy settings. So we will look elsewhere for places where we can do business in a way that is consistent with our values.

We haven't given up on production in New Zealand. I hope more production will come to market here. As someone who has spent their whole career in the oil patch in various parts of the world, I know many companies that have stretched too far or have assets at the wrong point in the cycle. I feel for them, but these conditions will produce deals that will multiply in value over time.

We have a team that can find the right assets at the right price, and when we do, we have capital on our balance sheet to deploy. Given all the uncertainty, we will move prudently. We won't overpay.

The ideal assets are those that we can manage with our existing resources, in Australia or New Zealand, and with upside where we see value we can add.

We were able to do that by bringing the Ironbark deal together.

[slide Ironbark]

That was a complex transaction, which was made possible because of the heft we were able to add to Cue. As we meet today, the drill bit is turning in the Ironbark-1 well, 170 kilometres offshore from Karratha in Western Australia.

We have a month and a bit to wait before we find out if there is a discovery there. If it is a success, it will be a company changer.

[Slide – AJ]

I hope we can bring you more exciting prospects that reward your investment.

They will be made possible by the skills that brought you Ironbark, the talents that increased your reserves, and the effort that has kept your ship afloat in an extraordinary year.

This company has returned hundreds of millions of dollars of value to shareholders in the past decade, it has offered investors multiple options to cash out, or stay. We have not stood still in the last 4 years, nor shied away from difficult decisions, and I am proud to be able to bring you positive news from our exploration and production activities.

We have a few resolutions to debate later in this meeting. It's certainly appropriate to debate the issues at an annual meeting - that's what these meetings are for.

[Slide]

I would like to go off-piste a tad before we do with a personal comment...

Our Ofer Global shareholders brings incredible analytical skills and business networks that span the globe, Ironbark would not be happening without them.

Our independent directors represent your interests faithfully and bring technical skills and experience in, HSE, operations and Reservoir Engineering that few possess globally, but are vital to governing what your company does. I see the value they add to board discussions.

Our Board provides me with excellent insights and experience. The mix of skills that they have and apply to your business, reduces risks, while creating opportunities for growth and returns.

[Slide – AJ]

I hope it continues and I am looking forward to bringing you further progress in the coming year,

In the viral year  
drill most pivotal well  
deliver Christmas

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For further information please contact New Zealand Oil & Gas +64 4 495 2424