

news release

3 November 2021

CEO ADDRESS TO ANNUAL MEETING OF SHAREHOLDERS

10am Wednesday, 3 November 2021
Oaks Hotel 89 Courtenay Place,
Wellington NZ 6011, and online / virtually

Andrew Jefferies
Chief Executive

Tena koutou,
Tena koutou,
Tena koutou katoa.

Greetings and G'day.

I begin by acknowledging the Traditional Custodians of the land on which we are meeting today, and pay my respects to the elders past and present.

And I would like to welcome those of you who are joining in person in Wellington and by video, with a special acknowledgment to those joining from parts of the world where travel is not possible.

These strange times remind me of one of the founding stories of Australia.

The Dreaming, or Dreamtime, is the name for the 'time before time'. When Ancestor Beings emerged in darkness, they bought the sun with them. It flooded the Earth in light, and they created, water, air, earth, fire, and lastly the moon and stars.

Their work done; the Ancestors returned into the earth.

You can hear an echo of their spirits and mirages in the songs of the Aboriginal people

One of those songs ends with the words:

"I am this land

And this land is me."

I remind us of this because now, we have become a part of Australia.

In this past year, our company embarked on one of our most significant stories. We have stepped into the Northern Territory and made ourselves part of the place.

It has spirit of place, it's one of the harshest, but also most beautiful places in Australia.

It's landscapes are captured in some of Australia's most iconic art.

It was home to Albert Namatjira. Internationally renowned and in his time, perhaps the most famous Aboriginal person throughout the continent.

The complex way he depicts light and contours is unique. They curve around the landscape and create the illusion of shadows.

At the time he painted, he was thought to be painting European style landscapes. Later, it was realised that he was working the stories of spirits and shimmering mirages into his paintings.

The slide I'm showing you is one of his most famous. It's called Palm Valley: the same Palm Valley where we are now a partner.

So, I am proud that a beautiful thread of art, history, and stories connects us to this place in the red centre of Australia.

We started this year with a set of strategic goals to grow value in the company: Navigate Covid safely, deliver Ironbark, acquire production with upside potential, deliver the Kupe compression project, and add value at Cue.

This strategy has been delivered.

Covid has been navigated without serious interruption. Because we are Wellington-based, we have long been preparing for an earthquake, and moving to working from home was seamless.

Ironbark was an excellent frontier prospect, in a good neighborhood with paths to market available. We safety, drilled it, and ... bugger not the result we hoped for.

The Amadeus transaction completed in October. It is a transformational step up in our production and revenues, with upside as well.

We have been working closely with the operator, Central Petroleum, for months. Four planned well re-completes and 2 infill wells have already been undertaken. The graphic shows the effect these activities have had and will have as we contract out this newly available gas.

The Amadeus assets are the right size for us. The market is right. The partner is right.

The right size because we can absorb the purchase leveraging our strong balance sheet.

The market is right for us. Gas from Mereenie and Palm Valley is connected by pipeline into the Northern Territory with markets in power, mining and minerals; then on into eastern Australia, where the market connects to the global LNG market, there is also a tidal wave of renewables replacing coal and they need backup. Prices are high. Demand is strong.

Amadeus also has the right partner. Central Petroleum is a similar sized company. They have an appetite for development spending that matches our own. They are a quality operator, and they listen to our views.

At Kupe, we announced last month that the inlet compression project had completed. Kupe was in decline. Now because of this compression project capacity is back at 77TJ per day and should be maintained there for next couple of years.

Looking at our wider business, our Cue subsidiary continues to keep costs constrained, with the support of New Zealand Oil & Gas, and experienced a significant success in Indonesia.

The Mahato discovery was swiftly brought onto production. It is benefiting from higher levels of production as new wells are drilled, we are experiencing higher oil prices, and enjoying the cost recovery phase of our production sharing contract. This has been a successful project for Cue.

Cue's Sampang JV is also working through the plan of development for the Paus Biru discovery. Sampang itself has performed steadily through the year following a successful compression project and provides gas into a dedicated power plant providing power to that Coal dependent nation.

In addition, Cue joined us in the Amadeus basin purchase on a 70/30 basis.

Let's look at impact on our business of this delivery of our strategy.

First, in terms of reserves, that's the foundation our business is built on.

We nearly balanced production through FY21 with small additions on our existing Kupe, Sampang and Maari fields.

We then added a big chunk of reserves with the Amadeus assets - Mereenie, Palm Valley and Dingo, this is dominated by Mereenie, where those well recompletions and new wells were drilled. Cue added more with Mahato, which is currently being further developed.

This adds up to about a 500% increase, that's delivery.

So let's see how that then equates to revenues. Looking at what sales revenues might be like going forward.

If we take last year's group sales and add our expectation of 9 months of the Amadeus sales onto this, we would be seeing about a 65% increase. That is again significant delivery. In FY23 we will of course be adding 12 months of Amadeus revenues.

The conversion of revenue into positive cash flows will take some time because of the exciting investment opportunities that came to us as part of the Amadeus acquisition.

We expect these Investments to materially add value to the assets and look forward to the time a couple of years down the road when this is reflected in strengthening cash flows.

With COP-26 just beginning in Glasgow I would like to mention Environmental Social Governance (ESG).

Those of you who have read our annual report will see that we have gone to great lengths to make meaningful contributions, for an organization of our size, as well as to report out on our environmental and social performance. To underline that focus I provided my CEO letter at the start of this section of the annual report. The market, our financial partners and other companies are scrutinising our ESG performance these days. It has become routine due diligence and reporting.

With ESG and climate change in mind let me provide some thoughts on our relevance in a transitioning world, specifically as regards the three corners of the energy trilemma.

First sustainability

This past year, New Zealand has used more coal to generate electricity than ever before at any time in its history. New Zealand also recently introduced an EV purchase subsidy, the marginal electron being produced is by coal, these new EVs are running on coal.

I can tell you how we could overnight achieve the greatest emissions reductions in our history. No new technology required. Not expensive. Not an energy source where billions of dollars needs to be invested over decades to get up to speed and will rely on future rainfall that no one can predict.

It's available today.

Natural Gas is something our company delivers to customers in New Zealand, Indonesia, and now Australia. By replacing coal, the gas we produce has the same effect each year as taking 231,000 petrol powered cars off the road or keeping them on the road and replacing 346,000 of them with EVs...that is a shade over 10% of the light vehicle fleet of New Zealand.

Next security

In August, the lights went out for thousands of homes and industrial plants in New Zealand, ultimately because the electricity system was sailing close to the margins due to a lack of rain. Our successful Kupe compression project will help keep those lights on here.

Looking across to our new Amadeus purchase, we see a perfect example of the transition in progress.

Our Dingo field is close to Alice Springs, being a sunny sort of place, the Alice gets over 40% of its electricity from Solar Panels. The Dingo field feeds a dedicated gas-fired power station with new stabilisation battery. Precisely the power you need to back up solar.

I'll let you in on why that's important:

In 2017, Alice Springs had what was called 'a minor weather event'. Truly minor. They had a cloudy afternoon.

To quote the ABC news story:

"An afternoon cloud drifted by causing a drop in output from the solar farm and rooftop solar." The older power plant couldn't start quickly enough and the power tripped.

"The outage affected 12,000 customers for up to 10 hours, including the hospital, vulnerable elderly people, and remote communities such as Haasts Bluff almost 230 kilometres away."

What their solar-powered energy system needs is fast-start gas for those tricky afternoons when it gets cloudy. Freezers don't stay frozen without power in the heat of the Australian summer.

Our Dingo gas is providing that great support for solar today.

Finally affordability

World LNG prices are skyrocketing because countries like the UK and Germany, with a high penetration of renewables, need the gas. This effects gas prices in LNG producers like Australia, and consumers like New Zealand, if it must import as looks likely.

Businesses can't bear costs and uncertainty, they will walk, and with them will go high paying interesting jobs for our Whanau (families), cutting edge research opportunities, the taxes and exports that balance government books.

Finally, to add insult to injury local power and gas prices will rise and for the less well off the choice will be to "Heat or Eat", we are seeing this in Europe today, we will be seeing the same sometime soon.

So if you look at the energy Trilemma

We can see the importance of cheap, secure energy, with half the emissions of Coal. Gas is vital to back up renewables until we bridge the gap between the unreliability of wind, sun and rain and our needs for clean, cheap and reliable power ... We can't build that bridge with political promises, nebulous pathways or unobtainium.

In the coming year we are planning for exploration in Amadeus, testing deeper levels present at Palm Valley and Dingo fields.

That successful work campaign at Mereenie we talked about has thrown up several opportunities, including in the Stairway formation where Central have identified over 100 PJ of 2C Contingent Resource.¹ This will be something we investigate over the next year, as well as the potential for additional Mereenie infill wells.

There are areas in the Kupe field that may have been left poorly or un-drained by the current wells. There are also undrilled prospects in the block. The joint venture is investigating a drill at Kupe, which could occur as early as 2023.

In addition, market conditions are right to look for additional acquisition opportunities at value, and we will be seeking those.

It has been a busy year this year, but our foot will not come off the gas.

I started out by referring to the story of the Australian Dreamtime.

Another, related, story concerns the Rainbow Serpent.

It is often depicted as a rainbow like a snake across the clear sky, red orange, green blue and indigo mirrored by darkness, a being that can give life and take it away if people are foolish.

The Rainbow Serpent is said to come from beneath the ground and creates the mountains and gorges, the rivers, creeks, and waterholes. Without the serpent the rains would stop, and the lands would dry up.

We are in the business of science. There is an echo in the story of the Rainbow Serpent with the geological narratives around the mountains, gorges, rivers and wetlands of the ancient past which form the underground we explore today.

And so, in the spirit of traditional storytelling, I have my own tradition of sharing a haiku to summarise our year.

Despite the virus

Our strategy, Delivered

Flow red center gas.

For further information please contact the Company on:
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¹100% participating interest share referred to. Note 2C resources are as per the New Zealand Oil & Gas Notice of Special Meeting Proposed Acquisition of 24 May 2021, see the Reserves and Resources Statement on pages 22–27. New Zealand Oil & Gas confirms it is not aware of any new information or data that materially affects the information included in that Notice of Meeting and all the material assumptions and technical parameters underpinning the estimate continue to apply and have not materially changed.