

# news release

12 December 2023

## CEO ADDRESS TO ANNUAL MEETING OF SHAREHOLDERS

**10am Tuesday, 12 December 2023**  
**Front + Centre, Corner Tory & Tennyson Streets**  
**Wellington NZ, and online / virtually**

Andrew Jefferies  
Chief Executive

Tena koutou, Mwerre, Greetings and G'day.

I'm Andrew Jefferies your Chief Executive

I am honoured to appear before you today to present a detailed overview of our company's journey over the past year, a period marked by strategic growth, operational excellence, and resilience in the face of global challenges. We will walk through how we are working on sustainability, where we think our markets are going, hence where we will be investing for the future.

Here are some important words, but I'll not run through them in detail, the presentation will be available to you on our website and the ASX and NZX so please download and read at your leisure.

This past year has been one of significant achievement. We witnessed an 18% increase in revenue, reaching an impressive NZ\$99 million. This is a testament to our team's hard work and our strategic decisions in both the domestic and international markets. Our production increased by 7% year-on-year, demonstrating our commitment to efficient and effective operations. Palm Valley gas and Mahato oil production are particularly noteworthy, up 49% and 36% respectively.

Our operating cash flows have shown an increase to NZ\$32.5 million. This is a crucial aspect of our financial health, providing us with the resources to pursue further growth and development. Despite the decrease in net profit after tax to NZ\$19 million, our underlying financial strength is evident in the continued growth in our Operating Cashflows.

These are great numbers but don't provide context, a time base does. The acquisition we made in the Amadeus boosted our and subsidiary Cue's revenues taking Australia from zero to our biggest revenue stream. It also placed us in a much stronger position in terms of gas vs oil balance, we will come to this later, as gas has a key role in terms of future proofing our business in a transitional world.

This is an overview of where our assets are and which segment of our business they are covered by. We have activities in Australia, New Zealand and Indonesia held by New Zealand Oil and Gas and by our Melbourne based ASX listed subsidiary Cue Energy. We have oil and gas production, with development and exploration opportunities. Now let's take a dive into these segments.

In the couple of years since we acquired the Amadeus assets, they have performed strongly. These are well-established fields, with excellent infrastructure that has spare capacity. They have some of the oldest producing rocks in the world, laid down prior to land based vegetation. We are working with our JV partners to unlock the potential, undertaking a number of data gathering and rock studies this year. These scientific studies will help us to optimise production, as well as drilling better wells. There is certainly scope to drill more particularly at Mereenie and Palm Valley. These are huge structures visible from space with room for more wells and a hungry gas market. Our new PV12 well continues its strong performance, demonstrating the gas is there for the drilling.

We are also moving forward looking at Helium recovery at Mereenie, a very valuable commodity and would be Australia's only domestic supply. As well as options for compression at Dingo which I'll mention later in the piece.

Kupe in South Taranaki New Zealand remains a key piece of the country's energy infrastructure, it has been reliable, and a gift that keeps giving. Last week we reached depth on our development well, confirming a gas column, and it'll be completed as the fields 4th producer starting to flow in the new year. It will boost production as well as providing vital insights into opportunities in the field.

One interesting future opportunity is a potential onshore wind development. I have said before that "we are not a wind company, but we will take advantage of renewables where it makes sense". Here it makes sense on initial review: we have a significant land position; top shelf wind characteristics; a good relationship with our neighbours; a need for electricity for plant compression; and are down at the tail end of the grid.

On a smaller scale: upgrades to the Kupe platform were made while we have the drilling rig out there, they enable moving it from diesel generation to solar/wind/battery with diesel for backup. The Joint Venture is moving forward in realistic transitional steps that make economic sense.

Brings us to the Perth Basin exploration blocks. The map shows in red the discovered gas fields those in Orange are our prospects, note the trend, some of the hottest gas real estate in Australia. We are looking forward to wrapping up seismic interpretation of the prospects and putting holes in a couple. As the slides say this could kick off sooner rather than later, long lead material is purchased, the various approvals, contracts and such in place or being sought. Next year promises exciting times in the Wild Wild West.

Our partnership with Cue has been a significant contributor to our success. We continue to provide Cue with the resources it needs to succeed, keeping costs down maximising synergies, and boosting profitability. The collaboration has led to substantial increases in production, particularly in the Mahato PSC in Sumatra, Indonesia.

Our sustainability strategy includes reducing emissions, improving efficiency, and investigating sensible, near field renewable energy opportunities. We have been using the Task Force for Climate Disclosure guidelines since 2019 and reporting on sustainability since well before then. Our carbon emission intensity has been dropping as we move to more gas.

We do sensible pragmatic things that are cost effective but make a difference. We are going to gather and compress the flare gas at Mereenie to sell it. I've talked about what we are doing at Kupe. We support research into increasing carbon going into soils through genetic engineering at the

Salk Institute– the harnessing plants initiative. We support the Dunedin Curtain bank. It is successful, and it not only helps real people who need the help, it also reduces the use of heating, hence carbon emissions. We also promote Science and Engineering in schools through various competitions.

Now let me bring you to my fireside... This is the bit where I try to answer the question I get consistently at Xmas BBQs “As a Petroleum Engineer how long do you think you’ll have a job?” I know investors have that same question, so I like to provide a piece of the puzzle.

The world is moving towards renewable power. With New Zealand well ahead of the pack, Australia playing catch up and the rest of the world steadily building .... Have you asked yourself why? I know this is a complex graphic but bear with me as the message is simple. It shows the unit cost of various energy sources over time. Let me simplify. They are getting cheaper.

Onshore wind and solar have made amazing reductions in cost. That means in the right place at the right time they can out-compete traditional power sources, and without emitting as much CO<sub>2</sub>. Beaut sign me up.... But what about when the wind doesn’t blow, and the sun doesn’t shine...it needs backup as this Queensland data shows. To provide proportion each of the scales on these graphs is about the amount of power New Zealand consumes. A gap means energy that needs to be filled through backup and you want the cheapest reliable (or dispatchable as the electricity industry calls it) backup you can get.

To backup wind and solar you need to come online in the range of minutes and be able to last for days, so variable. You want it be safe and you want it to be clean. Let’s run through these criteria looking at the most widely available power sources that can fill those gaps. Combined cycle gas is cheap its reliable, efficient, safe and pretty clean. It has a gas turbine (or jet engine), a radiator that makes steam from the exhaust heat, a steam turbine to use it, then a generator. All that takes a while to come up to temperature and has a small operating band, not so variable.... Hours to start up and tens of minutes to change rates.

My survey says....no.

Coal is reliable, not as efficient, not so safe, and not so clean producing twice the CO<sub>2</sub> of gas and lots of particulates. The coal must be conveyed, crushed, milled, blown into a big furnace to make steam to turn a massive steam turbine hence a generator. All that takes a while to come up to temperature and has a small efficient operating band, not so variable. So, hours to start up and also tens of minutes to change.

My survey says....no

Nuclear is very reliable, it uses so little fuel efficiency doesn’t really matter so it can be variable, it is the safest form of reliable power, and the cleanest. However unpalatable to the average voter.

My survey says.... non ... except in France of course.

That really leaves the Gas Peaker (or Open Cycle for the engineers out there). They are not as efficient as their waste heat is not used. They are mostly jet engines as you know from sitting in a plane they can run up in minutes and cope well with a variable load.

And my survey says....YES.... It’s the only practical option currently available that fits the criteria.

We know from our Dingo Gas Field near Alice Springs. As I’ve mentioned before. With Alice Springs 43% solar when a cloud comes over or the sun sets, a 5MW battery holds the grid for the minutes the Peakers require to come online. It is real it is operating. So, I say “Gas is a three-letter word for

transition.” It will be needed globally to make a renewable future viable: keeping the lights on; and energy costs under control. It also makes sense for cooking our sausages, heating our homes, processing critical minerals, as well as being exportable to help other nations clean up their acts.

So, the answer to that original question is “I think I’ll have a bit to do for a wee while yet”. So, let’s look at what we will be up to in 2024.

Looking ahead, we have an exciting lineup of activities planned for the 2024. With a cash balance of NZ\$36 million, we are strategically positioned to fund our development opportunities and exploration programs. It’s a busy program of compression to suck harder on existing wells, new wells in our existing reservoirs, appraisal wells in our discovered but not yet tapped reservoirs, as well as the exciting exploration activities. Our careful financial planning ensures we can continue to grow in a way that fits our financial capacity.

Finally looking at our program in a reserves and resources view you can see mountain we are climbing. Building production from an excellent high value base, accessing contingent resources through appraisal, and hunting out those exploration resources.

Growing our reserve base in developed markets that need the products, at a time when the advantages of indigenous production are being realised by governments around the world, in terms of affordability, balance of payments, and security of supply.

I look at this drone photo of our majestic Palm Valley gas field and look forward to our future, with confidence and optimism. I hope you now understand why. The focus is delivering sustainable value to our shareholders, providing reliable and environmentally responsible energy solutions, and contributing positively to the global energy landscape.

I want to express my deepest gratitude to our shareholders for your ongoing support, to our team for their relentless dedication, our Board for their wisdom, and to our partners for their collaboration. Together, we are not just navigating the present; we are shaping a promising future for New Zealand Oil & Gas.

"Next year looms large,  
wells to drill, all hopes renew,  
winter gas harvest."

Thank you.

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