

30 October 2012

## Chairman's Annual Meeting Address

**Tony Radford**  
**NZOG Annual Meeting,**  
**Intercontinental Hotel, Wellington**  
**Tuesday, 30 October 2012**

Ladies and gentlemen,

As you know from the results already published, the past financial year again delivered strong cash flows and profits from NZOG'S participation in the Kupe and Tui projects. These profits are the reason that NZOG can now confidently pay dividends, and they also generate cash for our exploration activities.

Kupe and Tui combined represent about two-thirds of the company's tangible assets. NZOG's other substantial hard asset is in the form of cash, which stood at a net NZ\$162.4million at 30 June 2012.

A strong cash position is something which the company has enjoyed for a few years now. It is recognised that the rate of return from our cash holdings is low, particularly on US dollar holdings. In this industry some cash 'buffer' (whether in cash reserves and/or via a banking facility) does however give capacity to meet unexpected contingencies, which do occur from time to time. As you would expect, the Board regularly reviews the company's approach to capital management.

The deployment of surplus cash into additional, higher yielding, oil and gas production is the key 'end objective' for our CEO, Andrew Knight, and the stronger team he has built since taking up his position 11 months ago. The Board has approved a significant budget for 2012/13 in support of those efforts.

I will leave it to Andrew Knight to give you a full presentation of the activities carried out and being pursued to meet this core objective.

As previously announced to the market, there have been changes to the board as well as executive management since we last met. The Board was strengthened with the appointment of Mark Tume and Rodger Finlay last February. Your board is also progressing to add another person possessing strong senior experience in a mid-size oil and gas company. We will deal with director re-elections later in the meeting.

Also, at the close of this meeting, there will be a phase change when Peter Griffiths becomes non-executive chairman. I will remain on the Board.

As to the geographical spread of NZOG's operations, the chances of making new commercial discoveries, to add to our Kupe and Tui projects are to some extent dependent on the number of exploration wells that we drill. The supplementing of NZ activity with prospects in Indonesia and Tunisia, has assisted this and the first Indonesian (onshore Sumatra) well is to spud very soon.

However, in my view NZOG should be true to its name and concentrate most of its efforts on expanding within New Zealand. And I'm pleased to note that the company is set to drill some new high-potential exploration targets within Taranaki and hopefully in other NZ areas. NZOG is to be operator of two offshore wells, which is an activity we have not undertaken for some years.

Ladies and gentlemen, in closing, I point out that NZOG is the only significant listed oil exploration and production company headquartered in New Zealand. The company has strong production cash flows from Kupe and Tui here in New Zealand, and both of these projects have potential for enhanced value through increases in reserves or rates of production. Further, NZOG has a range of exploration interests aimed at delivering additional returns to shareholders. And, as previously noted, the company continues to hold substantial cash reserves.

I will now hand over to our CEO Andrew Knight for his presentation.

**Tony Radford**  
Chairman