

12 April 2017

SPECIAL MEETING – CEO'S ADDRESS

Andrew Jefferies

CEO

**Te Wharewaka Function Centre,
Odlins Square, 109 Jervois Quay, Wellington
10am Wednesday, 12 April 2017.**

Good morning folks

I am enthusiastic about our Canterbury permit, I would love to see it drilled and open up a new North Sea in the South.

If a prospect like Barque were to be successfully drilled, then the value would be transformational for a company of our size – in fact for the entire Canterbury region.

At the petroleum conference in Taranaki last month an international consultancy presenting on the world's top oil and gas targets put our Barque prospect number 9 globally.

The number one on that list: the Ironbark prospect off West Australia that is held in our Cue Energy subsidiary, and which BP has just farmed into.

We gave Barque a renewed push at a major trade show in London this year, at the New Zealand conference in New Plymouth, and we will show the flag at Singapore and Australian conferences in April and May.

We have more than a handful of potential partners studying the data.

So they are allocating resources and time to looking at our work and seeing if an entry to New Zealand is right for them.

There are several reasons why we would want to bring in a partner.

The first is the expertise of an experienced operator.

The second is that it is a good check on own analysis. If we can persuade someone else to farm in to the well, it is a vote of confidence in the quality of our work.

The third reason is that we want to manage our investment risks appropriately, and so we take larger slices of smaller prospects and smaller slices of large ones.

We are looking at assets that are right for our size.

We will look to get through a well without requiring substantial new investment, perhaps by recovering our back costs and selling down our current interest.

The board has confirmed that if we bring a partner into the Barque prospect and commit to drill, we could be willing to put more of our own capital into well costs, but we will not be reckless about it.

Our exposure will be sensible for our size.

We will be leaner as a company following the capital return and our costs are considerably reduced.

For example, next month we are moving into new premises, we have cut the size of our head office, Cue is much leaner and both companies have reigned in exploration spending to meet the new economics.

Therefore our rate of cash burn will be a lot lower than it has been in past years.

However, we have retained the capability to look at acquisitions, and our talented subsurface experts who added to the Kupe reserves are hard at work.

We are seeing some quality assets coming to market but they have to meet our high investment thresholds.

We need to be able to see a way we can make better returns from the asset than the seller can.

As the chairman puts it, we want a dollar for seventy cents.

This is the kind of under-valued potential our subsurface expertise can identify.

We want a diversified mix.

Before we sold Kupe, most of our revenue stream came through a single offshore platform, a single pipeline, a single umbilical, and sold into a single gas market.

We want to spread that risk.

We are looking at markets we understand - so, New Zealand is easier for us, and the further we go the bigger the prize needs to be.

And we have a preference for gas because we see the price of gas assets has come down alongside oil assets - yet gas prices have not declined as much and look relatively more stable. Gas will underpin the world's transition to a lower carbon future, which is already boosting demand.

There is upside potential in gas.

We are looking to access certain larger assets as part of consortia, and we have identified potential partners.

We are looking at how we can accelerate progress in our Indonesian portfolio.

I spent some time in Houston last week talking to potential partners, with the new Minister of Energy and Resources, as part of a trade delegation promoting the benefits of New Zealand as an investment destination.

Her strong support for a sensible approach to our industry is very welcome.

The government has recently released a new offer of exploration blocks. We have specialist expertise in New Zealand's subsurface and this country's basins are under-explored.

So we are going to scrutinise the offer and if we like what we see we will bid for new acreage.

So that is a busy and exciting programme of work. We have made progress and I hope to make announcements before our annual meeting.

Ladies and gentlemen: We can advance this work programme adequately with the funds we will have available after the return of \$100 million of your capital.

I can tell you with complete conviction that management would love to have a large pile of your cash to rest on. It makes our lives much easier... that is not why this company exists. Our job is to earn outstanding returns for you. It's your money, your investments.

Your team are working hard to create those returns for you, and I want you to know we have exciting plans to do that with the capital we will have after May.

For further information please contact:

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