

30 September 2010

## Funding Support for Pike River Coal

New Zealand Oil & Gas Ltd (NZOG) has agreed to provide a short-term working capital facility to Pike River Coal Ltd of up to NZ\$25 million.

The new facility will sustain the development of the underground mine and the acquisition of additional mining equipment, while protecting NZOG's significant investment in Pike River and providing a healthy return on investment for NZOG shareholders.

The short-term facility has an interest rate of 13%, establishment and monitoring fees totaling \$600,000 and is repayable in full on 15 December 2010.

Pike River will also ask its shareholders to approve a one year extension to NZOG's coal option. This option was put in place in April 2010 when NZOG provided a replacement convertible bond facility for US\$28.9 million. The extension, if granted, will allow NZOG at any time up until March 2013 to enter into an offtake agreement to purchase Pike coking coal at market prices to be negotiated annually. The maximum volumes which may be purchased under the offtake agreement would be the currently uncontracted coal quantities for the first three years and up to 30% of annual coal production for the remaining life of mine.

NZOG Chief Executive David Salisbury says the new arrangements are in the best interests of both companies.

"Pike River is now producing its highly valued coking coal and the first two shipments have been exported. But with the underground mine roadways still being developed and hydro-mining equipment in the commissioning phase, Pike River currently requires further working capital.

"Pike River has in NZOG a supportive investor providing the short-term funding it needs, allowing Pike River to focus on ramping up to full production. The new facility is value creating for NZOG and is a continuation of our strategy of managing this investment in the interests of our shareholders."

NZOG is the largest shareholder in Pike River Coal Ltd, with 29.4% of the issued capital.

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**For further information please contact:**

David Salisbury, CEO & Managing Director OR; Chris Roberts, Corporate Affairs Manager  
Telephone: +64 4 495 2424 Toll Free: 0800 000 594 (NZ)

**NZOG stock  
symbols:**

NZX shares – NZO  
ASX shares – NZO