



8 December 2006

PIKE RIVER COAL UPDATE.

At the New Zealand Oil & Gas annual meeting in October, the company advised that a prospectus for the public listing of partly-owned subsidiary Pike River Coal Ltd ("PRCL") would be registered early next February; also that NZOG had determined that its shareholders will receive a firm entitlement in the Pike River float of one PRCL security for every eight NZOG shares then held.

To ensure these objectives are met in the most effective manner, NZOG has taken direct control of the process to float PRCL, as New Zealand's first publicly-listed coal company, in February of next year.

As a result of the resignations of Messrs G Duncan, D Wood and J Ogden for personal reasons the PRCL board has been reduced in size from seven to four.

"I think four directors is sufficient at this stage" said Prof. Ray Meyer, who has assumed the chairmanship of PRCL. "However, we are thinking of adding another director in the new year."

The PRCL board is currently made up of Prof. Meyer, Messrs Dipak Agarwalla (representing Indian investor Saurashtra Fuels Pvt Ltd) Gordon Ward (executive director) and Tony Radford (NZOG chairman).

Prof Meyer stated "The Pike River mine development is proceeding very well, with the tunnel advanced to 138 metres. The rate of advance has been increasing as the tunnel drives into the mountain. Other major contracts are well underway with coal mining equipment ordered and pipeline and electrical infrastructure construction well advanced. The design and contract for the coal preparation plant is also currently being finalised. There are now 20 staff employed by PRCL on project managing the contract works and developing for the future operation of the mine."

He added: "The mine construction budget remains at \$144 million, with Westpac Banking Corporation having been mandated to arrange a \$65 million project loan. It is an exciting project, which promises to be a long-life and profitable enterprise once into production"

The board is confident that the timetable established last October, for the Pike River float to occur next February, will be achieved." said Prof Meyer.

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NZOG stock symbols: NZX shares - NZO options - NZOOD
ASX shares - NZO options - NZOO