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## **PIKE RIVER COKING COAL MINE TO PROCEED**

New Zealand Oil & Gas ("NZOG") is pleased to announce that it is joining forces with Indian coking coal company Saurashtra Fuels Private Limited ("SFL"), to fund development of the Pike River coking coal mine.

SFL and NZOG will contribute \$40 million in equity funding and the Board of Pike River Coal Company Limited ("PRCC") has now made a formal decision to proceed with the mine development. Planning is in progress for an Initial Public Offering ("IPO") by PRCC by March 2006, and possibly earlier.

These arrangements will ensure NZOG retains a majority stake in PRCC during the time the mine is being developed and value is further enhanced.

The key elements are:-

SFL will acquire a 10.6% stake in PRCC and invest \$17 million, with NZOG and existing minority shareholders in PRCC committing the remaining \$23 million. Of this NZOG will immediately invest \$6.9 million. Remaining mine development costs are intended to be funded by debt and up to \$30 million equity from an IPO. NZOG's shareholding in PRCC will be approximately 65% after the \$40 million funding is concluded.

"These arrangements for funding of the Pike River mine represent the optimal approach for NZOG and the other shareholders in PRCC" said Mr Tony Radford who chairs both companies.

After evaluating a number of alternatives, it has become clear to NZOG directors that it is in the best interests of NZOG shareholders that we maintain a strong stake in Pike and have control over the company, at least through the development phase.

SFL are India's largest privately owned coke manufacturer. PRCC General Manager, Gordon Ward said "As a substantial trade investor SFL are a good strategic fit with PRCC. SFL will purchase at least 150,000 tonnes per annum of high quality Pike coking coal for the entire mine life at market price." SFL will appoint a director to the Board of PRCC, and will assist in marketing Pike coal in India.

PRCC is now working on listing as a separate public company on the New Zealand Stock Exchange with a target date for an IPO by March 2006 and possibly earlier. At this stage a significant portion of any shares offered to the public will be reserved for NZOG shareholders.

Appropriate stock exchange waivers have been received permitting NZOG to enter these transactions.

### **FOR FURTHER INFORMATION PLEASE CONTACT:**

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NZOG stock symbols:		NZX shares – NOG ASX shares – NZO

news release