



15 November 2006

NEW ZEALAND OIL & GAS ANNOUNCES MAJOR FUNDING INITIATIVES

Highlights

- 1 **\$135 million Kupe bank finance**
- 2 **\$17.5 million share placement**
- 3 **Pro rata rights issue to all shareholders**
- 4 **Pike River Coal prospectus to be registered February 2007**

New Zealand Oil & Gas Limited (NZOG) today announces \$175 million of equity and bank financings to progress its oil and gas developments and to rapidly advance the search for additional reserves within its permit areas.

Kupe Bank Finance

At its 26 October 2006 Annual Meeting, NZOG signaled that an announcement would soon be made on finance for the Kupe gas/oil project. The company now advises it has mandated and agreed terms (subject to usual conditions precedent) with Westpac Banking Corporation to project fund the majority of NZOG's 15% investment in the Kupe project. Under these terms Westpac will arrange a \$125 million loan facility, together with a \$10 million letter of credit facility to support contractor guarantees. These bank facilities are additional to the \$20 million cost overrun facility available to NZOG from Genesis Energy. Together with a further \$25 million equity contribution by NZOG, these financings will fully fund the company's budgeted share of the Kupe development costs.

Share Placement

NZOG has made a placement of 17.5 million new shares and 5.83 million June 2008 options to New Zealand-based institutional and other investors, at an issue price of \$1 per share. The options were issued for no additional charge at a rate of 1 option for every 3 shares and are of the same class as existing June 2008 options. This placement raises \$17.5 million (prior to brokerage).

Pro-Rata Rights Issue to all Shareholders

NZOG announces a 1:10 rights offer of shares with a June 2008 option attached to each share issued. The shares will be issued at \$1 each, with no additional charge for the options. The rights offer will raise up to \$23 million (excluding proceeds from the exercise of any associated options). Participants in the abovementioned placement will qualify for inclusion in the rights offer. The share/options package represents a discount of approximately 17% to the latest combined prices on NZX and is the company's first ever rights issue of shares.

The record date for entitlement will be 8 December 2006 and offer documents will be sent to all shareholders after that date.

Rights will be renounceable i.e. shareholders will be able to trade rights on the stock exchanges. Neither the share offer nor the exercise of options has been underwritten. Qualifying members of NZX/ASX will be entitled to receive a 1% handling fee for applications lodged through them.

The sponsoring broker for the issue is McDouall Stuart Securities Limited.

As provided in their terms of issue, holders of existing 2008 options may exercise their options on or prior to the record date of 8 December in order to participate in this rights issue in relation to their option holding.

Pike River Listing

A prospectus for the public offer of Pike River Coal Limited (PRCL) securities will be registered in early February 2007. NZOG shareholders will receive entitlements to a substantial portion of the float, at a ratio of 1 PRCL security priced at \$1/share, for each 8 NZOG shares held at the relevant date. It was previously announced in October 2006 that a major Australasian bank had been mandated to arrange a \$65 million project loan, of which \$60 million is to be available for capital expenditures. Westpac Banking Corporation was appointed to arrange the project facility on the basis of an agreed terms sheet.

From the Chairman

"We are encouraged that Westpac Banking Corporation has recognised the quality of NZOG's Kupe and Pike River Coal development projects and has been awarded a mandate to project finance both developments" said Executive Chairman Tony Radford.

"NZOG's 1:10 rights offer to all of its shareholders is being made at a time when the company is well on the way to achieving oil production from the Tui Area with the *Ocean Patriot* moving into position to commence drilling in the Taranaki Basin. The Kupe gas/oil development is progressing well and has recently seen ground broken in Taranaki as earthworks begin at the site of the onshore production station. At the Pike River coking coal mine development, the major construction activity, the tunnel excavation, is making headway and will be substantially progressed at the time of the public offer in February 2007."

FOR FURTHER INFORMATION PLEASE CONTACT:

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