

17 October 2011

Insurance payment received

NZOG (New Zealand Oil & Gas Limited) advises that it has received payments totaling \$38.3m from the Receivers for Pike River Coal Ltd (In Receivership), with a further \$3m to be received shortly.

The payments result from an agreement reached with PRCL's insurers and a subsequent part-payment scheme for unsecured creditors proposed by NZOG and the Receivers.

Earlier this month the Receivers received a payment of \$80m in full and final settlement in respect of material damage and business interruption insurance claims associated with the tragic events of 19 November 2010.

Approximately \$6.3m has been paid to the owners of leased mining equipment arising from their priority rights, leaving approximately \$73.7m to put towards PRCL's debts.

The Bank of New Zealand was a first ranking secured creditor owed approximately \$23.7m and has been paid in full.

As the other first ranking secured creditor, NZOG had legal priority to all of the remaining monies. However, NZOG recognises the huge and ongoing impact the tragic events have had on the West Coast community.

It is a very complex situation that has gone well beyond a normal receivership. NZOG therefore supported the Receivers using some of the insurance payout to make a voluntary early payment to all unsecured creditors – a decision which supports the sales process and the prospects of the mine re-opening.

NZOG is pleased that unsecured creditors have voted unanimously in favour of the proposal, under which they will receive a payment of the first \$10,000 of their claim - or their full claim if less than \$10,000 - and up to 20c in the dollar for any balance above that amount, up to a capped aggregate amount of \$10.5m.

NZOG understands that over 240 creditors will be paid in full and over 220 creditors will receive a part-payment. Unsecured creditors were not asked to reduce their total claim and will still be entitled to claim for the full remaining balance, once the Receivers complete the sales process.

NZOG has now received \$38.3m from the Receivers in part payment of the secured PRCL debt held by NZOG. Under the early payment plan, NZOG will in coming weeks receive \$3.0m as part payment of its unsecured debt.

For further information please contact:

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NZOG stock symbols:

NZX shares – NZO
ASX shares – NZO

In the past month, NZOG has advanced the Receivers further funding under a short term loan facility to fund their ongoing work - including stabilisation and recovery of the access tunnel.

Since December 2010 the Receivership has been funded by the balance of the \$12m that NZOG advanced to PRCL following the November 2010 explosion.

Last month the Receivers advised NZOG that the available working capital had nearly been exhausted. Rather than the Receivers retaining funds from the insurance settlement process for working capital purposes, NZOG executed a \$5m short term loan agreement with the Receivers on terms similar to the previous short term loan to PRCL.

As a loan direct to the Receivers, this loan has priority rights over other secured and unsecured debt. To date the Receivers have drawn down \$4.3m from this facility.

NZOG is now owed a total of \$22.6m in secured debt (including the new advance) and \$15.3m in unsecured debt (which will be reduced by the \$3.0m due from the early payment plan). NZOG also has a 29.4% shareholding in PRCL.

Chief Executive David Salisbury says NZOG, as a secured creditor, has always sought to have a constructive influence.

“NZOG acknowledges the widespread impact this tragedy has had, and that the support of the local community is crucial if the sales process is to realise the full value of the assets and the mine is to be safely reopened.”

David Salisbury says NZOG is pleased that the Receivers are working with PRCL staff and an Expert Panel to advance a plan to reclaim the access tunnel, which is a necessary precursor to any move to safely re-enter the mine or to attempt to recover the men's remains.

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