

## Highlights

- Pike River hard coking coal sold at US\$128 per tonne
- Ventilation restored to mine
- Production ramp-up underway
- First coal shipment delayed to mid November
- Hydro mining scheduled to start November

## Production RAMP-UP UNDERWAY



Stockpiles of premium hard coking coal are now building at Pike River's coal preparation plant. Normal mining operations were able to recommence on 8 June 2009 following successful restoration of mine ventilation and the production ramp-up is underway.

Two heavy cutting machines, the roadheader and a continuous mining machine, have been used since 8 June. A drill and blast crew has also been introduced to create roadways in stone in the pit bottom area. To assist with mine planning an underground "in-seam" drilling unit is drilling ahead of planned roadways in the pit-bottom area and also towards the first hydro-mining panels.

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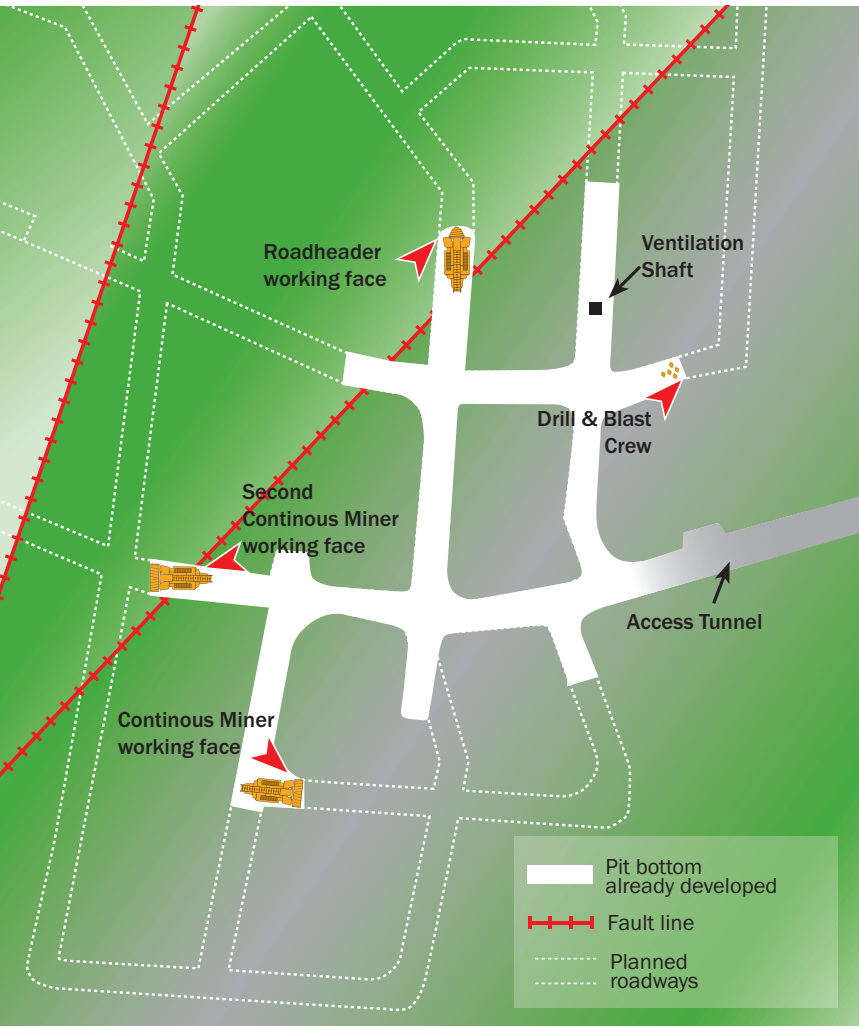
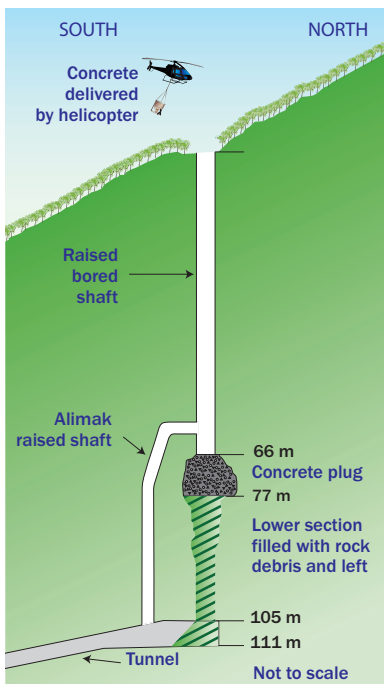


Diagram above showing the Pit Bottom development

Diagram below showing location of the Alimak raised shaft



Roadway development in pit-bottom has been slowed by some teething issues experienced with the continuous miner and roadheader.

This is the first real opportunity to put these new machines through their paces and some electrical and mechanical issues were identified. Recent modifications made to the machines together with additional training and increasing familiarity by the mining crews is already seeing significantly improved performance. The second continuous miner is being introduced underground in the next week, which means all three coal cutting machines will then be mining for the first time.

At pit bottom most of the basic infrastructure was completed during the June 2009 quarter and commissioned. Raw coal was successfully transported through the mine's collection, crushing and coal slurry transport system. All coal is now being transported from the pit down the coal slurry pipeline 10 kilometres to the coal preparation plant at the foot of the Paparoa mountain range.

At the coal preparation plant itself, initial commissioning tests have been run and adjustments made in readiness for receiving, washing and sorting the coal, and using the long conveyors to stack coal ready for trucking to the rail head.

Twenty kilometres away at the small farming centre of Ikamatua, the new rail load out facility will be fully test run in the next month using Pike River coal and Solid Energy contracted rail wagons to transport first coal to Port Lyttelton.

## Ventilation SUCCESSFULLY RESTORED

Ventilation to the mine was fully restored in early June allowing work to proceed with pit bottom infrastructure installation and the production ramp-up.

The rock fall in February 2009 that blocked the lower level of the 108 metre ventilation shaft was successfully bypassed by an Alimak raised shaft. This involved an around-the-clock drill and blast job by a specially trained mining team from Australia. As the Alimak shaft was created rockbolts, mesh and shotcrete were used to secure the shaft walls and maintain stability to a "life-of-mine" support standard.

The restored main shaft together with a 600mm 'slimline' shaft completed in mid-May 2009, provides the fresh air needed for miners and machines working in the Brunner seam. The Alimak raised shaft and slimline shaft were completed within budget<sup>1</sup>.

<sup>1</sup> An insurance claim by Pike River is being assessed by insurance underwriters. The claim is for approximately \$3.0 million.



## Pike River HARD COKING COAL PRICE SETTLED

Pike River has settled sales prices for its premium hard coking coal with its Japanese steel mill and Indian shareholder customers<sup>2</sup> at US\$128 per tonne<sup>3</sup> for deliveries in the current Japanese Fiscal Year ended 31 March 2010.

Settlement at this level was anticipated and matches prices reported for benchmark premium hard coking coal achieved by major Australian coal producers.

China imported 8.2 million tonnes of coking coal (hard, semi-hard and semi-soft qualities) in the 5 months to May 2009, up 250% for the same period last year. With industry analysts predicting China will import a record quantity of hard coking coal in calendar year 2009, as much as 17 million tonnes, an increase in coking coal prices is looking more likely for next year.

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## First Coal Shipment AND HYDRO MINING IN NOVEMBER

Hydro monitor pumps are nearing completion and the other hydro mining equipment has either been delivered to mine site or is on schedule. Underground storage areas for clean water used for hydro mining, are currently being constructed in the area immediately to the south of pit bottom.

Based on experience to date and the need for a reasonable level of work in stone over the next couple of months, Pike River has extended the time to complete the production ramp-up. The scheduled date for the first 60,000-tonne export shipment to Japan has been put back approximately six weeks to mid November 2009. Pike River has sufficient funding in place to accommodate this delay.

To overcome the impact of this slower ramp-up, the mine plan has been altered to access the first hydro mining (high pressure water cannon) extraction panels closer to pit bottom. First hydro coal is scheduled for November.

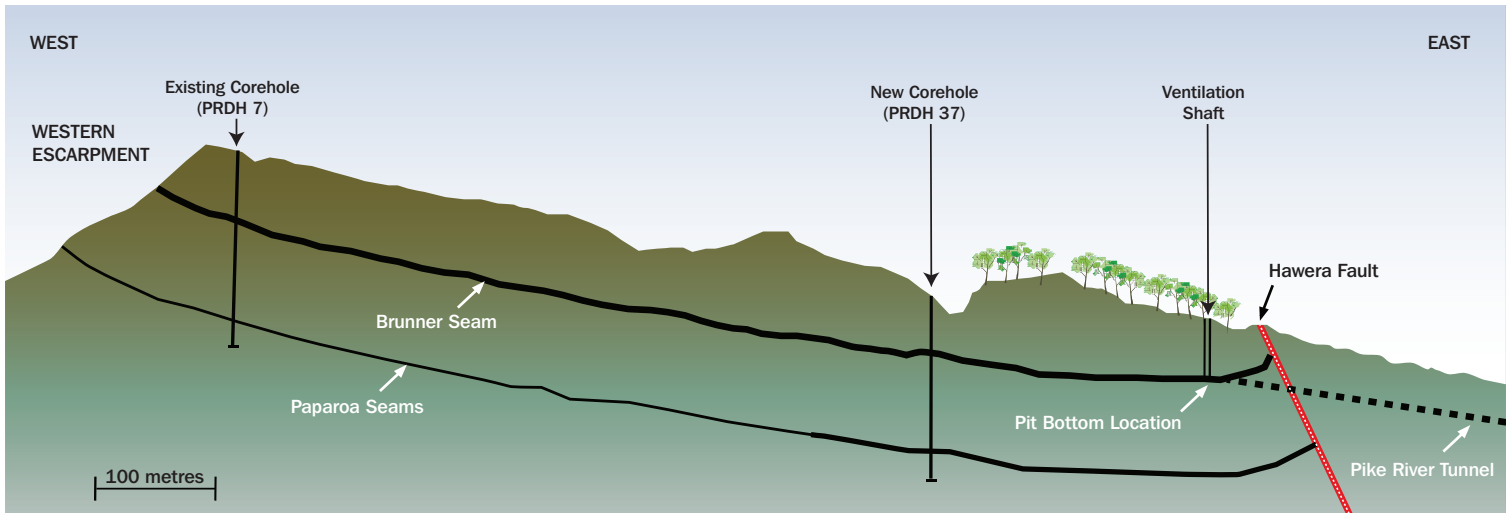
Pike River is on track to meet the Liberty Harbor convertible bond condition that "first steady state" production is achieved by 30 November 2009. This requires Pike River to be capable of producing 800,000 tonnes of coal in the 12 months to 30 November 2010 (average of 66,700 tonnes per month). The mine infrastructure is in place and once hydro-mining commences the Pike River mine will be capable of producing in excess of 1 million tonnes per year.

## Paparoa SEAM TESTS

Initial testing of coal quality from drillhole PRDH 37 into the three meaningful Paparoa coal seams beneath the main Brunner seam, has confirmed that the sulphur content is low at less than 0.5 percent, and the ash content at a reasonable level ranging from 4.0 to 7.5 per cent. Pike River is waiting for coking tests from laboratories in New Zealand and Australia to more accurately assess the coal's coking characteristics.

<sup>2</sup> Coal sales prices agreed with Gujarat NRE Coal (NSW) Pty Limited and Saurashtra Fuels Private Limited are subject to receipt of an NZX waiver or shareholder approval.

<sup>3</sup> US\$127.90 per tonne is for 1.2% sulphur coal product.



**Diagram showing the Brunner and Paparoa coal seams**

Prior indicative estimates suggest a potential for up to 8 million tonnes of recoverable coal from the Paparoa seam.

## Recruitment, SAFETY & TRAINING

Pike River won professional recognition for its part in developing a process, now adopted for the whole of New Zealand, to recognise overseas miner's skills without retraining.

Pike River was the test bed for Greymouth's Tai Poutini Polytechnic which won the "quality improvement" title at this Year's Institutes of Technology and Polytechnics of New Zealand Awards. Local shortages meant Pike River needed to recruit overseas and found that, whilst applicants did not immediately comply with specific New Zealand unit standards, their full range of mining skills allows them to qualify after assessment.

Recruitment of 150 mining and support staff is well on the way to being completed by the time full ramp-up is achieved later this year. So far, 134 staff have been recruited including 37 in the last quarter, requiring extensive induction and training programmes.

## Environmental

Pike River self-reported a minor discharge of coal through the water discharge pipeline to Big River to regulatory authorities. An independent consultant confirmed environmental effects from the discharge which occurred during commissioning were minor in nature and duration and the relevant equipment has been corrected.

Efforts to create a safe haven for native birds in the mine area continue with 107 rats and 4 stoats killed during April before the trapping season ended for winter. For the entire August-April 2008/09 season, 322 rats and 51 stoats were killed.



**Pike River's Safety & Training Manager Neville Rockhouse, who actively promoted and managed development of the scheme, with the award certificate.**

### For Further Information

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**Pike River website: [www.pike.co.nz](http://www.pike.co.nz)**

### For Electronic Reports

If you wish to help reduce environmental impact investors should register at [www.pike.co.nz/shareholder-section/electronic-notices-reports](http://www.pike.co.nz/shareholder-section/electronic-notices-reports) to receive all company announcements via email on the day released.