

Pike River Coal Limited

New Zealand Registered Company Number 114243 – Australian Registered Body Number 119 304 148

Investment Statement

**Renounceable Rights Issue to Existing Shareholders of
58,571,429 New Shares at \$0.70 Each Together with
the Issue of a New Option for No Additional Consideration,
to Raise \$41,000,000**

(Entitlements are described in further detail in section 1.1 of Part B)



PIKE RIVER COAL

This document is important and requires your immediate attention

The renounceable Rights described in this Investment Statement will be issued to existing Shareholders on the register at the close of trading on NZSX on the Record Date for this Offer, being 30 March 2009. Entitlement to Rights for New Shares (and the New Options to be issued for no additional consideration) traded on ASX will be determined at close of trading on 30 March 2009 and existing Shares will be quoted on ASX “ex rights” from 24 March 2009 and on NZSX “ex-rights” from 31 March 2009. Special provisions apply to Shareholders with registered addresses outside of New Zealand and Australia. Such persons should read section 1.7 of this Investment Statement.

If you do not understand or are in any doubt as to how to deal with this document, you should contact your sharebroker, solicitor, accountant or other professional adviser immediately.

NZX Organising Participant: McDouall Stuart Securities Limited has been appointed as the NZX Organising Participant for the Offer.

***Underwriters:** McDouall Stuart Corporate Finance Limited (Lead Underwriter) and New Zealand Oil & Gas Limited are Underwriters of the Offer (see section 2(a) of Part A of this Offer Document for details of the underwriting arrangements).

This Offer Closes On 17 April 2009

This Offer Document has been prepared in accordance with the Securities Act 1978 and the Securities Regulations 1983 and, in respect of the New Options, the Securities Act (Right, Options, and Convertible Securities) Exemption Notice 2002.

IMPORTANT INFORMATION

(The information in this section is required under the New Zealand Securities Act 1978)

Investment decisions are very important. They often have long term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information in this document, important information can be found in the current registered prospectus for the investment (the Prospectus). You are entitled to a copy of that Prospectus on request.

Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by one or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include –

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

PIKE RIVER COAL LIMITED

New Zealand Registered Company Number 114243

Australian Registered Body Number 119 304 148

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Important Notes

Lodgement, listing and expiry date

This Offer Document is issued by Pike River Coal Limited (**Pike River**) and is dated 16 March 2009. A copy of this Offer Document, and the other documentation required to be lodged in compliance with chapter 8 of the Corporations Act 2001 (Cth of Australia) and the Corporations Amendment Regulations 2008 (No.2) (Cth of Australia), was lodged with the Australian Securities and Investments Commission (**ASIC**) on or about that date.

Application has been made to NZX Limited (**NZX**) for permission to list the Rights and New Options and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document (or the distribution of the advertisement) have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

The New Shares to be issued on exercise of the Rights, and the New Shares to be issued on exercise of New Options, have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

Further information as to quotation of the Rights, New Options and New Shares with the ASX is set out in section 1.8 of Part B of this Offer Document.

Important document

Persons receiving this Offer should read the full text of both Parts A and B of this Offer Document.

Before deciding to invest in Pike River you should consider the risk factors that could affect the financial performance of Pike River. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional adviser before deciding whether to invest.

In preparing this Offer Document, Pike River did not take into account the investment objectives, financial situation or particular needs of any particular person and, before making an investment decision on the basis of this Offer Document, you need to consider whether the Offer made pursuant to this Offer Document, including the terms of issue and the merits and risks involved, are appropriate in light of your particular investment needs, objectives and financial circumstances.

No representations

No person is authorised to provide any information or to make any representation in connection with the Offer described in this Offer Document which is not contained in this Offer Document. Any information or representation not so contained may not be relied upon as having been authorised by Pike River in connection with the Offer.

Offering restrictions

No action has been taken to register or qualify this Offer Document or otherwise to permit a public offering of the New Shares (together with the New Options) in any jurisdiction outside New Zealand and Australia. The distribution of this Offer Document in a jurisdiction outside New Zealand and Australia may be restricted by law and persons who come into possession of it (including nominees, trustees or custodians) should seek advice on and observe any such restrictions. The Offer is available only to persons who receive the Offer Document (including electronically) within New Zealand and Australia (other than Overseas Persons, see section 1.7 of Part B of this Offer Document) and does not constitute an offer in any jurisdiction outside New Zealand or Australia.

Applications for New Shares (together with the New Options to be issued for no additional consideration), pursuant to this Offer Document may only be made on an Entitlement and Acceptance Form that accompanies this Offer Document. The Entitlement and Acceptance Form will only be available with printed copies of this Offer Document.

Forward-looking statements

This Offer Document contains both historical and forward-looking statements in connection with Pike River. The forward-looking statements in this Offer Document are not based on historical facts, but rather reflect the current expectations of Pike River concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as 'believe', 'aim', 'expect', 'anticipated', 'intending', 'foreseeing', 'likely', 'should', 'planned', 'may', 'estimated', 'potential', or other similar words and phrases. Similarly, statements that describe Pike River's objectives, plans, goals or expectations are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either Pike River's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected. Applicants should review carefully all of the information, including the financial information, included in this Offer Document. The forward-looking statements included in this Offer Document are made only as of the date of this Offer Document. Neither Pike River nor any of the directors, officers, employees and advisers makes or gives any representation, assurance or guarantee to Applicants that any forward-looking statements will actually occur or be achieved and Applicants are cautioned not to place undue reliance on such forward-looking statements. Neither Pike River nor any other person warrants the future performance of Pike River or any return on any investment made under this Offer Document, except as required by law and then, only to the extent so required.

Subject to any continuing obligations under law or the Listing Rules, Pike River disclaims any obligation or undertaking to disseminate, after the date of this Offer Document, any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based other than to comply with legal obligations or the Listing Rules.

Electronic Offer Document

This Offer Document may be viewed online at www.pike.co.nz. Persons who receive the electronic version of this Offer Document should ensure that they download and read the entire Offer Document.

If you have received this Offer Document electronically, the information set out in the electronic version is in the original form of the Offer Document. Paper copies of the Offer Document may be obtained free of charge from the registered office of Pike River (see contact details in the attached Directory).

Defined terms

Terms and abbreviations used in this Offer Document are defined in section 6 of Part B of this Offer Document.

All references to \$ or dollars are to New Zealand dollars unless specified otherwise.

Entitlements

The renounceable Rights described in this Offer Document will be issued to existing Shareholders on the register at the close of trading on NZSX on the Record Date for this Offer, being 30 March 2009. Entitlement to Rights for Shares traded on ASX will be determined at close of trading on 30 March 2009 and existing Shares will be quoted on ASX as "ex-rights" from 24 March 2009.

Special provisions apply to Shareholders with registered addresses outside of New Zealand and Australia. Such persons should read sections 1.7 of Part B of this Offer Document.



IMPORTANT INFORMATION FOR AUSTRALIAN INVESTORS

- (a) This Offer to Australian investors is a recognised offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act 2001 and Regulations. In New Zealand, this is Part 5 of the New Zealand Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings) Regulations 2008.
- (b) This Offer and the content of the Offer Document are principally governed by New Zealand, rather than Australian, law. In the main, the New Zealand Securities Act 1978 and New Zealand Securities Regulations 1983 set out how the offer must be made.
- (c) There are differences in how securities and financial products are regulated under New Zealand, as opposed to Australian, law. For example, the disclosure of fees for managed investment schemes is different under New Zealand law.
- (d) The rights, remedies and compensation arrangements available to Australian investors in New Zealand securities and financial products may differ from the rights, remedies and compensation arrangements for Australian securities and financial products.
- (e) Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this Offer. If you need to make a complaint about this offer, please contact the Australian Securities and Investments Commission (ASIC). The Australian and New Zealand regulators will work together to settle your complaint.
- (f) The taxation treatment of New Zealand securities and financial products is not the same as that for Australian securities and products.
- (g) If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.
- (h) The Offer may involve a currency exchange risk. The currency for the security or financial product is in dollars that are not Australian dollars. The value of the security or financial product will go up and down according to changes in the exchange rate between those dollars and Australian dollars. These changes may be significant.
- (i) If you receive any payments in relation to the security or financial product that are not in Australian dollars, you may incur significant fees in having the funds credited to a bank account in Australia in Australian dollars.
- (j) If the security or financial product is able to be traded on a financial market and you wish to trade the security or financial product through that market, you will have to make arrangements for a participant in that market to sell the security or financial product on your behalf. If the financial market is a foreign market that is not licensed in Australia (such as a securities market operated by NZX Limited (NZX)) the way in which the market operates, the regulation of participants in that market and the information available to you about the security or financial product and trading may differ from Australian licensed markets.
- (k) As an entity listed on the NZSX, Pike River is required to notify NZX of information about specific events and matters as they arise for the purposes of NZX making that information available to the stock markets conducted by NZX. In particular, Pike River has an obligation under the NZSX Listing Rules (subject to certain exceptions) to notify NZX immediately of any information, which it becomes aware of, which a reasonable person would expect to have a material effect on the price or value of the Shares or Rights. This is commonly known as the continuous disclosure rules. Any such information disclosed will be available to the public and may be obtained from the NZX website at www.nzx.com.

THE OFFER

- One New Share for every 5 existing Shares¹ held as at the Record Date
- Issue price of \$0.70 per New Share
- Each New Share is issued together with a New Option to be issued for no additional consideration, which can be exercised at \$1.25 for a new ordinary share at any time until 5pm on 24 April 2011

KEY DATES *

	Key Dates
Record Date to determine entitlements	30 March 2009
Offer opens	31 March 2009
Offer closes	17 April 2009
Allotment of New Shares and New Options	24 April 2009

*Please refer to page 11 of this Offer Document for a detailed timetable.

¹ Rounded down from the actual entitlement ratio of 1 Right for every 5.015281102 fully paid Shares.



Managing Director's Letter

Dear Pike River Investor,

Pike River is offering Shareholders the opportunity to subscribe for New Shares on a pro rata basis of one New Share for every 5 fully paid Shares².

The price for each New Share is New Zealand \$0.70. This Offer to raise approximately \$41 million is fully underwritten. Every New Share will be issued with a New Option to be issued for no additional consideration. Each New Option will entitle the holder to subscribe for one new ordinary share in Pike River at \$1.25 during the period of two years from their date of issue.

Pike River made the breakthrough to its premium hard coking coal during the half year ended 31 December 2008 and has now completed all surface infrastructure needed for mining.

Most recently, work has been required to remedy an unexpected rockfall in the lower portion of the ventilation shaft. The timing was unfortunate coming just as Pike River was about to commence its ramp-up of coal production and has led to a three month delay to coal production and sales receipts.

This rights issue is to provide the working capital needed due to the delay in cashflow from coal production and to meet the shaft rectification costs.

On the international front, the hard coking coal market appears to be in reasonable shape despite the widespread economic downturn. Self-restraint exercised by major coal producers in cutting back production and signs of recovery in China are expected to support coal prices at levels significantly higher than forecast at the time of Pike River's 2007 initial public offer.

Once the shaft is remedied the company will ramp-up to full production using the high pressure water cutting system (hydro-monitor mining) by the quarter ended 31 December 2009.

You may apply for additional New Shares in excess of your entitlement.³

Full details and conditions of the Offer are set out in this Offer Document. Information about Pike River is also contained in its Interim Financial Statements for the six months ended 31 December 2008, Annual Review 2008 and Financial Review 2008 and continuous disclosure releases to the stock exchanges conducted by the NZX and ASX respectively. There are necessarily risks involved in a mining project. Please read this document carefully, particularly the section entitled "What are my risks?" in section 6 of Part A of this Offer Document.

Your directors commend this Offer to you.

On behalf of the directors

Gordon Ward

Managing Director

² Rounded down from the actual entitlement ratio of 1 Right for every 5.015281102 fully paid Shares. The basis on which Pike River ESOP members may participate is described more fully in section 1 of Part A of this Offer Document

³ Applicants should also refer to section 2.4 of Part B of this Offer Document for the procedure relating to dealing with entitlements. Shareholders who are "Related Parties" of Pike River Coal within the meaning of the Listing Rules cannot participate in any excess subscription facility for additional New Shares.

Current Position, Outlook and Risks Summary

Position

Pike River owns and operates the Pike River mine located north of Greymouth, on the West Coast of New Zealand's South Island (the **Mine**).

The Mine holds the largest-known deposit of high value hard coking coal in New Zealand and has scheduled extraction of 18 million tonnes over 18 years.

Miners broke through to coal on 17 October 2008 after two years of tunnelling beneath the Paparoa Ranges to reach the Brunner seam. The Mine was officially opened on 27 November 2008 by the Hon. Gerry Brownlee, Minister for Economic Development and of Energy and Resources.

By December 2008 the tunnel had been extended 80 metres to a northern point, where the mine ventilation shaft was successfully raise bored to the surface in January 2009. The construction contractor bolted and meshed the walls of the shaft and, working downward from the surface, stabilised the top 66 metres before a rockfall from the unsupported shaft walls affected a zone of nearly 30 metres near the bottom of the shaft. This rockfall has blocked ventilation from the mine via the shaft, delaying mining operations underground until ventilation is re-established. The shaft is critical to venting mine air and gases to the surface and providing fresh air to the mine face for mining to operate safely.

Pike River has reacted quickly and taken all steps it considers necessary to fix the shaft issue. The rockfall was unexpected by all parties including the contractor and its technical experts. The area identified as possibly problematic before raise boring was the top 35 metres. Cement was successfully injected to stabilize that area. To protect the top 66 metre section of the shaft, approximately 1,500 tonnes of concrete have been flown in by helicopter and piped down the shaft to fill a cavity at the top of the rockfall. As a result of these stabilization measures Pike River has no reason to expect there is any increased risk that another rockfall will occur.

The bottom part of the shaft is planned to be remedied by raising an angled drive from the tunnel using the "Alimak" method to intersect the main shaft at about 50 metres above its base. It is currently expected that an experienced Australian contractor will undertake this excavation. In the meantime, there is only enough ventilation for limited pit bottom development operations, although alternatives for getting more air into the mine are being investigated.

The first export coal shipment is now scheduled to be made to Japan in the third quarter of 2009.

This Rights Issue addresses Pike River's short term need for additional working capital until cashflow from coal sales has been received. The rights issue is to fund the final capital expenditure payments largely for hydro-mining equipment, provide some working capital and cover the estimated \$7 million cost to remedy the shaft, a portion of which may be covered by insurance.

As a first component of this planned fundraising, AMP Capital Investors (New Zealand) Limited (**AMP**) has entered into a subscription agreement with Pike River, under which, prior to the Record Date, Pike River will issue to AMP \$4 million of new ordinary shares at an issue price of \$0.70, which will include the corresponding number of options to be issued for no additional consideration. The new ordinary shares and options will be issued on the same terms and conditions as New Shares and New Options are issued under this Offer Document.⁴ Under this placement, 5,714,285 new ordinary shares

⁴ The New Options received by AMP will not carry the right to participate in the Offer. The New Shares will be entitled to participate in the Offer on the same terms as every other existing shareholder at the Record Date.



and 5,714,285 options will be issued by Pike River to AMP by 26 March 2009 and these new ordinary shares to be issued represent 1.98% of Pike River's ordinary shares on issue.

Funds received from the exercise of New Options will be used for Pike River's operations, including possible development of the Paparoa seam and other coal opportunities as they may arise. The Rights, Shares and New Options are not guaranteed by AMP Capital Investors (New Zealand) Limited.

Outlook

Future revenue will be shaped by international negotiations, now underway, between the major coal producers and steelworks for the benchmark Japanese fiscal year starting on 1 April 2009 (JFY 2009).

Broker reports are currently referring to premium hard coking coal prices around the US\$120 to US\$130/tonne mark for JFY 2009.⁵ If this eventuates, the price would be substantially higher than the price forecast of US\$95/tonne for this period at the time of the IPO.

The fall in the value of the New Zealand dollar exchange rate relative to the United States dollar by approximately 30 per cent since the IPO will boost New Zealand dollar revenues.

In terms of reduced international demand, and recognising there will always be market fluctuations, Pike River intentionally diversified its export markets and has long-term contractual commitments for 76 percent of its total coal output for the three years to March 2012. This includes 55 percent to Indian customers for the life of the Mine and 21 percent to Japanese customers.

Pike River is seeking to mitigate the effects of the delay and has appraised steel mill and coking plant customers on the status of the Mine and is in discussions on a revised shipment schedule. The customer's contracts allow some flexibility with schedules but the delay in coal shipments are likely to reduce the revenue that Pike River will receive for its early coal shipments.

When the contractual arrangements are factored together with the exceptional qualities of its coal, Pike River expects all coal mined to be sold.

Major Achievements

Pike River has substantially completed its capital and operational commitments and de-risked the Mine with achievements including:

- cutting a 2.3 kilometre access tunnel through difficult mining conditions, including the Hawera Fault;
- completing essential infrastructure including a \$20 million coal preparation plant, a \$12 million coal loadout facility at Ikamatua, and purchasing heavy coal cutting machinery including two \$5 million continuous miners and a \$4 million roadheader;
- widening the pit bottom as the working base for extracting coal, installing the necessary infrastructure, and bringing in an in-seam drilling rig to probe ahead to map the best routes for the coal cutting machines;
- instituting best practice health and safety procedures for staff and visitors, with no significant accidents or incidents since work began; and
- minimising environmental risks by ensuring Pike River set new standards for developing a coal mine with least damage to the natural environment and benefit through predator control programmes.

⁵ Report dated 12 March 2009 issued by McDouall Stuart Securities Limited, which is available at www.pike.co.nz.

Once the Mine is in full production, which is expected to be from the fourth quarter of 2009, its high quality coal and assurance of forward supply contracts, are expected to place the Company in a strong position.

Source and use of funds

The remaining expenditure to be incurred by Pike River to achieve full production from hydro monitor mining operations and the source of funding is set out below:

<i>Use of Funds</i>	<i>\$million</i>
Remaining Mine development capital expenditure*	50
Expenses related to this Offer	1
Working capital requirements (including net interest & lease payments)	32
Total funds required	83

<i>Source of Funds</i>	<i>\$million</i>
Opening bank and cash on deposit at 31 January 2009	12
Gross capital raising under this Offer and the placement to AMP	45
Existing undrawn debt finance facilities	26
Total funds**	83

* This sum could be reduced by \$2-3 million if the insurance claim relating to the ventilation shaft is successful.

** These figures exclude any additional funds which may be raised by the exercise of New Options.

Pike River is committed to developing the Mine to its full potential and, as a term of the Offer, is placing an expenditure cap on itself for items unrelated to its existing mining operations. In this regard Pike River will not, without the prior consent of an ordinary resolution of its shareholders, undertake (whether through one transaction or a series of related or unrelated transactions) any expenditure the value of which, in aggregate, exceeds \$10 million and is not used in connection with the ordinary course of business in developing and operating the Mine. This restriction will remain in place until such time as Pike River has returned to its shareholders by way of distributions \$30 million from the date of the Offer Document. This cap is in addition to a similar expenditure cap agreed with Liberty Harbor LLC as a term of the issue of US\$27.5 million of convertible bonds in March 2008.



SUMMARY OF IMPORTANT DATES*

Announcement of Offer, registration with the Companies Office of the Ministry of Economic Development, Lodgement with ASIC of the Notice of Intention to Make the Offer (which includes the Offer Document) and Appendix 7 to be released to the market	16 March 2009
Existing Shares quoted on an "ex-Rights basis" by the ASX and Rights trading commences on ASX	24 March 2009
Record Date for the Rights Issue (to determine entitlements)	30 March 2009
Opening date and despatch of Investment Statement (together with Entitlement and Acceptance Form) to Eligible Shareholders at the Record Date	31 March 2009
Rights trading commences on NZSX	31 March 2009
Rights trading on ASX ends	8 April 2009
New Shares and New Options quoted on ASX on a deferred settlement basis	9 April 2009
Rights trading on NZSX ends	15 April 2009
Closing date for receipt of acceptances and renunciations with payment due (5pm)	17 April 2009
Allotment of New Shares and New Options and despatch of holding statements and FASTER statements	24 April 2009
Trading commences for New Shares and New Options on NZSX	27 April 2009
Normal trading commences for New Shares and New Options on ASX	27 April 2009

* All dates are **indicative only** and may be varied by Pike River, subject to the Listing Rules, without prior written notice. Any changes will be announced on the NZSX and the ASX and any such announcements will be deemed to be notice to subscribers under the Offer. The Offer Period has, by virtue of a waiver from NZX Listing Rule 7.10.2, been reduced from 18 business days to 11 business days.

Part A. INVESTMENT STATEMENT DATED 16 MARCH 2009

1. WHAT SORT OF INVESTMENT IS THIS?

This information should be read in conjunction with other information relevant to an investment in New Shares and New Options contained in this Offer Document, in particular the risks in investing in Shares detailed in section 6 of Part A of this Offer Document.

This Offer Document relates to a pro rata renounceable Rights Issue by Pike River of 58,571,429 New Shares at an issue price of \$0.70 per New Share to Eligible Shareholders. Each New Share will be issued together with a New Option to be issued for no additional consideration. The issue price for the New Shares is payable in full by Eligible Shareholders on acceptance of the Offer.

- The New Shares are being offered to Shareholders on the basis of 1 New Share for every 5 fully paid Shares^(see note 6) held on the Record Date (other than Pike River ESOP participants).
- Each New Share will be issued together with a New Option to be issued for no additional consideration. Each New Option entitles the holder to subscribe for one new ordinary share in Pike River for \$1.25 at any time up until 5pm on 24 April 2011 (**Option Expiry Date**).

Shareholders who hold partly paid Shares issued under the Pike River ESOP should note the following in relation to the Rights attaching to these Shares:

- Shareholders who holds partly paid Shares are entitled in relation to such Shares to the same number of Rights as if their Shares were fully paid;
- Shareholders who hold partly paid Shares may exercise the Rights attaching to such Shares; and
- If a Shareholder who holds partly paid Shares does not wish to exercise all Rights attaching to such Shares then the Shareholder should advise Pike River accordingly and, as long as Pike River receives this notification prior to the Closing Date, Pike River will then offer the Rights for sale through NZSX or ASX and hold the proceeds of any sale as a benefit to vest in the Shareholder in the event that the relevant Shares are fully paid up (the terms of the ESOP do not permit a holder of partly paid Shares issued pursuant to the ESOP to themselves sell any Rights issued in relation to such Shares).

Each Right entitles you to acquire a New Share (together with a New Option to be issued for no additional consideration) from 31 March 2009 up to 5pm (local time) on 17 April 2009 at which time it lapses. Local time is determined with respect to the place of the register on which your Shares are registered.

The allocation and allotment of New Shares and New Options will be made on 24 April 2009 based on applications received by 17 April 2009 and for which payment has cleared prior to the Allotment Date. No allotment will be made in respect of Applications for Additional Shares prior to the Closing Date.

Each New Share will provide the holder with the right to:

- (a) one vote on a poll at a meeting of Shareholders;
- (b) an equal participation with all other Shares in any dividend declared after the issue of the New Shares;
- (c) an equal participation with all other Shares in the residual assets on a liquidation of Pike River;
- (d) be sent reports, notices of meetings and other information sent to Shareholders; and

6 This figure is rounded down from 5.015281102.



(e) any other rights as a Shareholder conferred by the Constitution and the New Zealand Companies Act 1993.

Full details of the terms of the Rights, New Shares and New Options are set out in section 1 and section 5 of Part B of this Offer Document.

Special provisions apply to Overseas Persons outside New Zealand and Australia as set out in section 1.7 of Part B of this Offer Document. In addition Australian investors are advised to read the section headed “Important Information for Australian Investors” on page 5.

2. WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Offer is being made by the issuer, Pike River Coal Limited, whose registered office is at Level 7, Perpetual Trust House, 111 Customhouse Quay, Wellington, New Zealand.

The principal activities of Pike River are the development and operation of the Mine and investment in other coal mining activities. Pike River has carried on those activities since 1982.

(a) Underwriters

The issue of New Shares under this Offer has been fully underwritten by McDouall Stuart Corporate Finance Limited (**McDouall Stuart**), as the Lead Underwriter, and New Zealand Oil & Gas Limited (**NZOG**) as Underwriter, for their respective commitments as follows:

NZOG Underwriting

- NZOG will procure that NZOG Services Limited (**NZOG Services**) takes up 17,022,270 New Shares at \$0.70 per New Share (in accordance with NZOG Services’ entitlement under the Offer) pursuant to the NZOG Underwriting Agreement; and
- In the event of a shortfall in subscriptions for New Shares at the Closing Date under the Offer, NZOG has undertaken to take up a portion of that shortfall (alongside McDouall Stuart, who will also take up a portion of that shortfall) up to the point at which NZOG subscribes for a further 2,558,948 New Shares at \$0.70 per New Share⁷; and
- If there remains a shortfall in subscriptions after NZOG has taken up those additional New Shares (and McDouall Stuart has also taken up a portion of the shortfall), then, subject to Pike River obtaining the consent of its Shareholders approving a further allotment to NZOG, NZOG has undertaken to subscribe for a further 1,012,480 New Shares at \$0.70 per New Share. A meeting of Pike River Shareholders will be held for the purpose of seeking this approval in the manner required by Rule 7(d) of the Takeovers Code. The New Shares in respect of this final portion of the underwritten amount will be allotted when the outcome of the Shareholders’ meeting is known. The timing of this allotment will not have any material impact on Pike River’s cashflow; and
- NZOG’s maximum commitment under the NZOG Underwriting Agreement is 19,581,218 New Shares or, if the final additional allotment referred to above is approved by Pike River’s Shareholders, then 20,593,698 New Shares.

McDouall Stuart Underwriting

- In the event of a shortfall in subscriptions for New Shares at the Closing Date under the Offer, McDouall Stuart will, as Lead Underwriter, after NZOG Services has taken up the first 17,022,270 New Shares, take up a portion of that shortfall at \$0.70 per New Share (alongside NZOG who will also take up a portion of that shortfall) until NZOG has taken up an additional 2,558,948 New Shares; and

⁷ If NZOG was required to subscribe for a total of 19,581,218 New Shares, its holding of voting rights would be 30.26% of the total voting rights existing at that date, being the maximum percentage of voting rights that it may hold without obtaining the approval of Pike River’s shareholders.

- If there remains a shortfall of subscriptions after McDouall Stuart has taken up those additional New Shares (and NZOG has also taken up a portion of the shortfall), and Pike River does not obtain the consent of its Shareholders for a further allotment to NZOG, then McDouall Stuart will take up to a further 1,012,480 New Shares at \$0.70 per New Share. As noted above, the New Shares in respect of this final portion of the underwritten amount will be allotted when the outcome of the Shareholders' meeting is known. The timing of this allotment will not have any material impact on Pike River's cashflow.
- McDouall Stuart's maximum commitment under the McDouall Stuart Underwriting Agreement is 37,977,731 New Shares or, if the Shareholder approval for the purposes of Rule 7(d) of the Takeovers Code referred to above is not approved by Pike River's shareholders, then 38,990,217 New Shares.

While each underwriting agreement operates independently of the other, the respective obligations of NZOG and McDouall Stuart have been negotiated so that the full amount of \$41,000,000 sought through the Offer is underwritten.

The underwriting arrangements are subject to a number of conditions precedent including NZX and ASX granting approval to list the Rights, the New Options, and the New Shares (to be issued on exercise of the Rights or exercise of the New Options).

The New Shares to be issued on exercise of the Rights or exercise of the New Options have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

An application for admission of the New Shares and New Options (that will be issued on exercise of the Rights) to quotation on ASX has been made by Pike River. All the requirements of ASX relating to such an application that can be complied with on or before the date of this Offer Document have been, or Pike River expects will be, duly complied with. The New Shares and New Options (that will be issued on exercise of the Rights) are therefore expected to be quoted on ASX upon completion of allotment procedures.

The Underwriting Agreements contain certain termination rights that may be exercised by the Underwriters. Pike River has agreed to give certain warranties and undertakings to the Underwriters, usual in a transaction of this nature.

On or before the allotment of the New Shares, each Underwriter may terminate its Underwriting Agreement in circumstances where a termination event occurs, including a material breach of a warranty or undertaking given by Pike River, a 'material adverse event', a decline in the NZX50 of 15% or more, a decline in the NZX50 of 10% or more over any three consecutive business days (or if that decline occurs during the last three business days that level is maintained until the Closing Date), a material or fundamental change in national or international financial, currency, banking, economic, or political conditions that constitutes a material adverse event, an insolvency event occurring in respect of Pike River, the share registrar not providing relevant information in adequate time, or Pike River extending the Offer for more than five working days without the Underwriters' consent.

An underwriting fee is payable to the Underwriters in respect of this Offer calculated as being 2.5% (for McDouall Stuart as the Lead Underwriter) and 2.25% (for NZOG as Underwriter) of their respective underwritten amounts (in each case these are the full amounts underwritten, irrespective of any amounts by which those commitments are reduced pursuant to the provisions referred to above). In addition, a Lead Manager's fee of \$175,000 is payable to the Lead Manager and NZX Organising Participant for the Offer, being McDouall Stuart Securities Limited.

None of McDouall Stuart Corporate Finance Limited, New Zealand Oil & Gas Limited, NZOG Services Limited, McDouall Stuart Securities Limited, nor any other person, guarantees any return on the Rights or the New Shares.

**(b) Waivers**

Pike River has been granted a waiver by NZX from NZSX Listing Rule 7.10.2 so that the closing date for applications under the Offer may be 11 Business Days after the mailing of letters of entitlement and Offer Documents to Shareholders. This waiver has been granted subject to the following conditions:

- the reduced trading timetable in New Zealand is clearly noted by Pike River within its announcement of the Offer; and
- the letter of entitlement and Offer Document are sent by fast post to eligible Shareholders who are resident outside of Auckland, where Pike River's share register is based.

Pike River has also been granted a waiver by NZX from NZSX Listing Rule 7.10.5 to enable Pike River to give Shareholders the right to apply for more New Shares (together with the New Options to be issued for no additional consideration) than their entitlement, to the extent of any shortfall in the Offer. This waiver has been granted subject to the following conditions:

- that any shortfall in the Offer, which at the discretion of the Board, in consultation with McDouall Stuart (as the Lead Underwriter), is to be allocated to the excess subscription facility, is divided up between all those who apply for additional New Shares in direct proportion to the number of Shares held by the Applicants as at the Record Date; and
- that the Offer Documents record this waiver and details the conditions of the waiver.

Pike River has been granted approval by NZX pursuant to NZSX Listing Rule 8.1.4 to make a \$4 million placement to AMP Capital Investors (New Zealand) Limited (**AMP**) before the record date at \$0.70 per New Share (which will come together with the corresponding number of New Options to be issued for no additional consideration), being the same price as is offered under the Offer. The Rights, Shares and New Options are not guaranteed by AMP Capital Investors (New Zealand) Limited.

Pike River has been granted a waiver from NZX from NZSX Listing Rule 8.1.6 to allow the options AMP Capital Investors (New Zealand) Limited will receive within the pre Offer placement to confer the right to participate in a future rights issue (excluding the rights issue within the Offer) without the need to be exercised before the respective record date, notwithstanding that these options will be issued without shareholder approval or as part of a pro rata offer under NZSX Listing Rule 7.3.4. (These are the same rights that will apply to the New Options received by persons who subscribe for New Shares.)

Pike River has been granted waivers by NZX from NZSX Listing Rule 9.2.1 to enable NZOG, being a related party of Pike River, to provide its underwriting commitments and to enable McDouall Stuart to enter into sub-underwriting agreements with related parties of Pike River (excluding NZOG) in relation to the Offer.

These waivers have been granted subject to the following conditions:

- that the Pike River Directors who are not Associated (as defined in the Listing Rules) with NZOG or McDouall Stuart certify that the:
 - terms of the Underwriting Agreements with McDouall Stuart and NZOG were negotiated on an arm's length and commercial basis, are fair and are in the best interests of Pike River Shareholders that are not associated with NZOG;
 - Directors of Pike River who are Associated (as defined in the Listing Rules) with NZOG did not influence the promotion of the proposal to enter into the underwriting agreements or the setting of the terms of the Offer, or any allocation decision; and

- John Dow certifies that the negotiation of the terms of, and decision to enter into, the underwriting agreements occurred prior to the negotiation of sub-underwriting agreements with related parties of Pike River; and
- NZX receives a certificate from two of the directors of McDouall Stuart, certifying that;
 - when seeking persons to sub-underwrite the offer and negotiating the terms of the sub-underwriting, McDouall Stuart has followed a procedure that ensures that all potential sub-underwriters had been identified and given the opportunity to participate and that related parties of Pike River have had no greater opportunity to participate in the process than any other persons; and
 - the negotiation of the terms of, and decision to enter into, the underwriting agreement occurred prior to the negotiation of, and the decision to enter into, sub-underwriting agreements with a related party of Pike River; and
- a solicitor's opinion is provided to NZX confirming that in the opinion of the solicitor:
 - the terms of the underwriting agreement are consistent with the terms of an arm's length underwriting transaction and there are no material differences between the principal terms of the agreements with NZOG and McDouall Stuart; and
 - the terms of the sub-underwriting agreements are consistent with the terms of an arm's length transaction and there are no material differences between the principal terms of the sub-underwriting agreements with related parties of Pike River and those with other sub-underwriters.

3. HOW MUCH DO I PAY?

(a) Rights

Eligible Shareholders at the Record Date will be entitled to the Rights at no cost.

Application has been made to NZX for permission to list the Rights and New Options and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document (or the distribution of the advertisement) have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

The New Shares to be issued on exercise of the Rights or exercise of the New Options have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

An application for admission of the New Shares and New Options (that will be issued on exercise of the Rights) to quotation on ASX has been made by Pike River. All the requirements of ASX relating to such an application that can be complied with on or before the date of this Offer Document have been, or Pike River expects will be, duly complied with. The New Shares and New Options (that will be issued on exercise of the Rights) are therefore expected to be quoted on ASX upon completion of allotment procedures.

The price for the Rights will be affected by a number of factors including the supply and demand for Rights at any particular time.

It is important for Applicants to note that the entitlement to New Shares (together with New Options), under the Rights will lapse if the Applicant fails to make payment for the New Shares by 5pm (local time) on the Closing Date.

(b) New Shares

New Shares, (together with the New Options which will be issued for no additional consideration), are to be issued for \$0.70 each, which is payable in full on application.



YOU MAY APPLY FOR NEW SHARES BY COMPLETING THE ENTITLEMENT AND ACCEPTANCE FORM ATTACHED TO OR ACCOMPANYING THIS OFFER DOCUMENT AND SENDING IT, TOGETHER WITH PAYMENT OF \$0.70 PER NEW SHARE IN NEW ZEALAND CURRENCY BY CHEQUE OR BANK DRAFT MADE OUT TO “PIKE RIVER COAL LIMITED” TO PIKE RIVER’S SHARE REGISTRAR IN NEW ZEALAND OR AUSTRALIA USING THE POSTAGE PAID ENVELOPE ENCLOSED.

The address of each share registrar is set out in the attached Directory. Your completed Entitlement and Acceptance Form and payment must be received by the relevant share registrar by no later than 5pm (local time) on the Closing Date. Alternatively, the Entitlement and Acceptance may be lodged with any Primary Market Participant, the Organising Participant or any other channel approved by NZX (in that order) in time to enable forwarding to Pike River’s share registrar in New Zealand or Australia prior to the Closing Date.

You may also apply for New Shares in excess of your entitlement by completing the Application for Additional Shares section of the Entitlement and Acceptance Form (except if you are a Shareholder who is a “Related Party” of Pike River within the meaning of the Listing Rules, in which case you cannot participate in any excess subscription facility for additional New Shares).

The Board of Pike River will deal with Applications for Additional Shares in a fair and equitable manner and in accordance with the condition to the waiver from NZSX Listing Rule 7.10.5 outlined at section 2(b) of Part A of this Offer Document. In this regard the Board will, in consultation with McDouall Stuart (as Lead Underwriter), determine, in the Board’s discretion, the portion of the shortfall which will be allocated to the excess subscription facility and the portion which will be allocated to underwriters (which is likely to be equal) and will then allocate the Shares allocated to the excess subscription facility between those who made Applications for Additional Shares in direct proportion to the number of Shares held by the Applicants at the Record Date. Where required, scaling will occur if the aggregate value of the Applications for Additional Shares received exceeds the size of the allocated excess subscription facility. To the extent Applications for Additional Shares are not successful, the relevant application monies will be refunded, without interest. Applicants should also refer to section 2 of Part B of this Offer Document for the procedure relating to dealing with entitlements.

(c) New Options

The New Options will be issued for no additional consideration upon allotment of the New Shares. Each New Option entitles the holder to subscribe for one new ordinary share in Pike River for \$1.25 at any time up until the Option Expiry Date.

Any New Options not exercised prior to the Option Expiry Date will automatically lapse at that time. The full terms of the New Options are set out in section 1 of part B of the Offer Document.

4. WHAT ARE THE CHARGES?

You are not required to pay for Rights. The only amounts you are required to pay for the New Shares and to exercise the New Options are set out above in sections 3(b) and 3(c) respectively, being \$0.70 for each New Share and \$1.25 to exercise each New Option. No brokerage is payable by you for the issue to you of New Shares and New Options.

No charges are payable to Pike River in respect of any sale of Rights, although you may be liable to pay charges to other persons, such as brokerage fees payable on the sale and purchase of Rights, New Shares and New Options.

Issue expenses (including brokerage and lead management fees, underwriting fees, share registry expenses, legal fees, advertising costs, printing costs, postage and courier costs relating to this Offer) are estimated in aggregate to amount to \$1,140,000. Brokerage is payable to NZX participant firms and other financial intermediaries pre-approved

by the Lead Manager at a rate of 0.50% (up to a maximum of \$1,500 on any one application) of the aggregate issue price of all New Shares allotted pursuant to valid applications bearing their stamp. No material payment of costs have been made as at the date of this Offer Document. Pike River will pay all expenses associated with the Offer.

5. WHAT RETURNS WILL I GET?

(a) Returns on Rights

There are no returns payable to you for holding Rights, other than the market price which may be available to you from time to time if you decide to sell them on a stock exchange. There is no guarantee that the Rights will have any value or will be able to be sold.

(b) Returns on Shares

If you were to exercise any Rights to acquire New Shares, your returns will be:

- dividends or other distributions, if any, that may subsequently be made by Pike River (in this regard see also section 5.1 of Part B of this Offer Document);
- the market price which may be available to you from time to time if you decide to sell the New Shares on a stock exchange; and
- the right to participate in all new pro rata cash issues of securities and bonus shares which are granted to you.

(c) Returns on New Options

There are no returns payable to you for holding New Options, other than the market price which may be available to you from time to time if you decide to sell them on a stock exchange. There is no guarantee that the New Options will have any value or will be able to be sold.

If you were to exercise any New Options to acquire New Shares, your returns will be:

- dividends or other distributions, if any, that may subsequently be made by Pike River (in this regard see also section 5.1 of Part B of this Offer Document);
- the market price which may be available to you from time to time if you decide to sell the New Shares on a stock exchange; and
- the right to participate in all new pro rata cash issues of securities and bonus shares which are granted to you.

General factors

The key factors which may determine your returns on Rights or New Shares include the success or otherwise of the development and operation of the Mine and Pike River's investment in other coal mining activities. Further information about the business of Pike River is set out in section 5 of Part B and the Current Position, Outlooks and Risks Summary Section of this Offer Document. Other key factors that will determine your returns on Rights or Shares are:

- the financial performance of Pike River;
- market prices for Rights and the Shares;
- the Board's decisions in relation to distributions on Shares; and
- applicable taxes.

At the date of this Offer Document, the dates on which, or frequency with which, the returns (if any) on Shares will be paid is unknown.

The information set out in this section should be read in conjunction with the information set out in the section



entitled “What are my risks?” in section 6 of Part A. Nothing contained in this Offer Document should be construed as a promise of profitability, and Pike River can give no assurance about the level of dividends, if any, the level of New Zealand imputation credits or the level of supplementary dividends. These levels will depend upon a number of factors, including those discussed under the heading “What are my risks?” in section 6 of Part A. The factors described in that section could reduce or eliminate the returns intended to be derived from holding the New Shares.

Taxes may affect your returns. Dividends will be subject to withholding and final taxes, but the investor’s liability in respect of such taxes may be reduced or satisfied to the extent the dividends have New Zealand imputation credits attached. Where possible, dividends paid by Pike River are generally expected to have New Zealand imputation credits attached. In addition, in some cases gains on the sale of New Shares may be taxable.

The above comments and the descriptions referred to are of a general nature only. They do not constitute tax or legal advice. Persons considering the purchase, ownership or disposition of New Shares should consult their own tax advisers concerning the tax consequences of owning New Shares, in light of their particular situation.

Neither Pike River nor any other person guarantees or promises the return of capital or any amount of any returns in relation to the Offer or the New Shares.

6. WHAT ARE MY RISKS?

There are risks associated with any investment in the market. In addition, there are a number of risk factors specific to Pike River and the business environment in which it operates. These factors may affect the future operating and financial performance of Pike River and the value of an investment in it.

Some of these factors can be mitigated by the use of safeguards and appropriate commercial action. However, many are outside Pike River’s control and cannot be mitigated.

Prior to making an investment in Pike River you should carefully consider the following risk factors and other information contained in this Offer Document. Applicants should consider their personal circumstances, including their financial and taxation circumstances, and, if they consider it appropriate, seek appropriate legal, investment advisory or other professional advice before deciding whether to invest. The following summary should not be regarded as exhaustive.

Principal Risks

The principal risk to Applicants is that you could lose some or all of the money you pay to exercise Rights to acquire New Shares. This could occur for a number of reasons, including if:

- (a) the price at which you are able to sell your New Shares is less than the price you have paid for them due to market volatility or for other reasons;
- (b) you are unable to sell the New Shares at all;
- (c) the financial performance of Pike River is worse than expected and it is unable to make distributions; or
- (d) Pike River is placed in receivership or liquidation.

If Pike River is placed in liquidation, the residual value of the assets of Pike River may not be sufficient for you to recover the full value of \$0.70 per New Share.

You should be aware that there is no guarantee that you will receive the returns described in the section “What returns will I get?” in section 5 of Part A of this Offer Document.

The future operational and financial performance of Pike River may be affected by a number of risk factors which are set out below. Although the Directors have in place risk management strategies to counter each of these risks, the Directors cannot give any guarantee or assurance that the strategies in place will mitigate this.

Risks of Investing in Rights

The market price of Rights is likely to fluctuate. There is no guarantee that the Rights will have any value or will be able to be sold.

Risks of Investing in New Shares

The risk that could adversely affect your investment in New Shares is that you could lose some or all of the money you pay to exercise Rights to acquire New Shares.

Other factors outside of Pike River's control that may affect your investment in New Shares are economic conditions in New Zealand, investor sentiment and local stock market conditions, changes in law or government policy.

You cannot be forced to exercise Rights – it is entirely at your discretion.

You will not be liable to pay any money to any person if Pike River becomes insolvent other than the price for any New Shares that you have applied for but not paid for. Claims of Pike River's Shareholders would rank behind all of Pike River's secured and unsecured creditors and preferential claims provided by the Companies Act 1993 and other legislation. Holders of New Options have no right to claim where Pike River becomes insolvent.

If Pike River was to be liquidated after a period of losses, it is reasonably foreseeable that you will receive less money than you paid to Pike River for the New Shares.

Business Risk Factors

(a) Coal prices

The majority of Pike River's sales and profits will be derived from the sale of coal. Coal prices are negotiated annually by major international coal producers and buyers and these prices set the benchmark price which smaller producers, such as Pike River, typically seek to use in their contract negotiations. Coal prices are affected by changes in international coal supply and demand, international freight costs and foreign government regulation which may restrict the use of coal or the likely volume of sales or pricing.

A fall in the New Zealand dollar equivalent of US dollar coal prices will adversely affect Pike River's coal sales revenues and cash flows. While US dollar coal prices are influenced by changes in the AU\$:US\$ exchange rate (which generally has a similar relationship to the NZ\$:US\$ exchange rate), there are often timing differences, which can result in sustained periods of low or high Australian and New Zealand coal prices.

The link between US\$ coal prices and changes in the AU\$:US\$ exchange rate arises because Australia (the world's largest coal exporter) has historically been able to achieve coal price increases when the AU\$ strengthens against the US\$. Conversely, coal prices have previously dropped when the AU\$ has weakened.

Pike River has little ability to mitigate coal price risk in sales contracts as pricing is linked to international benchmark prices.

(b) Exchange rates

Pike River's coal sales are expected to be priced in US\$. To the extent that the NZ\$:US\$ cross-rate moves in response to external market fluctuations there is the potential for Pike River's revenues to fluctuate. The majority of Pike River's operating costs post-production commencement will be denominated in NZ\$ but will remain subject to fluctuation in line with global demand for production inputs.

As the Convertible Bond Facility issued to Liberty Harbor LLC in March 2008 is denominated in US\$, exchange rate



movements could result in Pike River having to pay more than the current NZ\$ equivalent of US\$27,500,000 when redeeming the Convertible Bond Facility (to the extent that such redemption is required) or when paying interest.

(c) Operating risks and costs

The Mine is a new mine operation and the first development undertaken by Pike River. A new mine operation has no operating history on which to base estimates of future operating costs and capital requirements. Unforeseen geological, geotechnical, seismic and mining conditions (including significant geological faults which have not already been identified) or breakdown of equipment could also adversely affect mining and transport operations and result in increased operating costs or, in the extreme, closure of the Mine. Industrial accidents, labour disputes, extreme weather conditions, changes to customs duty, increases in the cost of fuel and other expenses which are outside Pike River's control and delays in importing materials and equipment could also adversely affect Pike River's operations and financial results. Pit bottom construction may take longer and be more expensive than scheduled if underground conditions vary materially from predictions based on surface mapping and bore holes.

(d) Coal production rates

Pike River has completed detailed production modelling as part of its Mine design and planning process. This modelling has been based on corehole drilling, sampling, geographic mapping and modelling, surface mapping and other geographic surveying of the coal seam to be mined by Pike River, as well as detailed Mine operation design and equipment utilisation planning. While Pike River is confident in its production modelling, there is the potential for actual production to be different to that modelled as a result of geological conditions being different to those expected or mining equipment and processes not achieving the expected development or production rates. In particular, there is a risk that Pike River's production ramp up could be longer than modelled, or for actual coal production rates to be different than modelled. This would impact Pike River's production profile and therefore Pike River's revenues and financial performance. In addition, delays in Mine pit bottom development, may impact the timing of coal production and, consequently, the achievement of Pike River's target production profile.

(e) Resource and reserve estimates

Estimates of coal reserves, qualities, recoveries and operating costs are, to a large extent, based on the interpretation of geological data obtained from drill holes and other sampling techniques. Pike River has undertaken feasibility studies which derive estimates of operating costs based on resource and reserve estimates, anticipated qualities of coal, expected recovery rates, operating costs and other forward-looking factors.

Resource and reserve estimates are expressions of judgment based on knowledge, experience and industry practice. Often these estimates were appropriate when made, but may change significantly when new information becomes available. There are risks associated with such estimates, including that coal mined may be of a different quality or tonnage from the estimates or that significant geological faults are encountered which have not already been identified. Resource and reserve estimates are necessarily imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate and require adjustment. Adjustments to resources and reserves could affect Pike River's development and Mine plans. Pike River anticipates that limited coal recovery from the northern area under the Paparoa National Park will occur in due course, provided there is no adverse effect on the surface above the Mine. There is a risk that access to this area may be delayed or denied by the Department of Conservation (DOC) meaning that coal could not be mined.

(f) Resource consents and access agreements

Pike River's mining operation must comply with the terms and conditions of numerous resource consents. Continued access to the Mine is dependent on satisfying certain environmental and other requirements (including with respect to subsidence and water quality thresholds) under the terms of Pike River's access agreements with

third parties (including the Crown). Failure to satisfy such requirements could lead to delays in Mine development or Mine operations, the loss or non-renewal of resource consents or, in the extreme, the loss of access rights to the Mine.

Under the access agreement entered into by Pike River with DOC, the consent of DOC is required before Pike River may commence any mining operations in the area under the Paparoa National Park. Certain additional resource consents, or amendments to existing resource consents, are also required in respect of any such operations. Pike River's Mine plan incorporates some coal from under the Paparoa National Park which could not be mined if these consents were not obtained (the Mine plan currently envisages 4,600,000 tonnes being extracted from the area under the Paparoa National Park). However, Pike River believes that it is likely to obtain such consent provided it demonstrates that such mining operations would have a low environmental impact.

It may be necessary for Pike River to also apply for additional consents or vary or renew existing consents as it proceeds with the development of the Mine in order to access the full coal volumes included in the Mine plan. When Pike River applies for additional consents, or applies to vary or renew existing consents, there is a risk that onerous conditions may be attached to such consents or that necessary approvals may not be granted.

Pike River is party to a deed of easement with the Crown. That easement is necessary for the access road, amenities area, slurry pipeline and electricity lines. There will be a deemed assignment of the easement requiring Crown consent where more than 50% of the shareholding of Pike River is held by a person who was not a shareholder as at 14 September 2001. The issue and allotment of New Shares in the Offer will not trigger the deemed assignment clause in this deed of easement.

(g) Outsourced contractors

In developing and operating the Mine, Pike River will be dependent on a number of external service providers for, among other things, the construction of mining plant and equipment. Pike River will also be dependent on contractors providing transport, port and shipping services. Pike River will therefore be exposed to the performance and the ongoing sustainability of a number of external contractors and service providers. There is a risk that such third parties may not satisfy their contractual obligations. To manage this risk Pike River is developing strategic relationships with the parties involved to ensure that they are aware of issues and are well placed to manage them as they arise. Those relationships will be backed up by contractual arrangements and performance measurement structures which help mitigate some of the risks. One mitigating factor is that Pike River has priority use of the rail and port services provided by Solid Energy for coal transport of up to 1,300,000 tonnes per year.

(h) Transport

Transport costs are a substantial portion of Pike River's total cost of providing coal to customers. In November 2007, Pike River signed a coal transport agreement (**CTA**) with Solid Energy New Zealand Limited (**Solid Energy**) for coal to be transported by rail to Lyttelton, Christchurch for export.

Risks associated with the coal transport chain include damage to the coal loader at Port Lyttelton, industrial action, road closures, dependency on contractors for coal transport and reliance on international shipping contractors to deliver coal to overseas customers (including the risk of termination of Solid Energy's contracts with Kiwi Rail and the Lyttelton Port Company).

The 18 year agreement signed with Solid Energy to use rail, supersedes previous transport arrangements with West Coast Coal Company Limited (**WCCC**) which were based on coastal shipping of Pike River sourced coal from the port at Greymouth to Port Taranaki for export.



The transport services agreement (**TSA**) with WCCC was terminated by Pike River for non fulfillment of the financing condition. WCCC has alleged that Pike River unlawfully terminated the TSA and WCCC and/or its proposed subcontractors may claim entitlement to recover other alleged losses, costs or expenses incurred by them prior to, or as a result of, termination and, to date, have advised a claim of approximately \$2 million additional to the indemnities given by Pike River. Pike River's view is that the TSA was lawfully terminated and WCCC does not have a valid legal basis to claim the majority of those costs. It has taken, and will continue to take, legal advice in relation to these matters.

(i) Recruitment and key personnel

Pike River will be recruiting up to an additional 37 mining personnel staged to align with the development of the Mine. There is a risk that Pike River may not be able to attract appropriately qualified mine personnel in all the requisite positions. This risk can be mitigated to an extent by hiring contract personnel, but this is likely to have a higher cost than direct employment. Pike River operates a small management team and is reliant upon key management, the loss of whom could cause disruption in the short term. While each of Pike River's key executives and employees are or will be party to an employment contract, under the terms of the contracts each executive and employee will be permitted to terminate the contract upon notice. To date Pike River has successfully recruited its management team and now employs, or contracts on a full time equivalent basis, 113 personnel.

(j) Access to resources

Access to resources is a potential risk to Pike River and the development of the Mine. Inability to source qualified staff or materials by Pike River or its contractors could inhibit Pike River's ability to deliver against its objectives and have a detrimental impact on costs.

(k) Underground mining

Underground mining involves inherent risks relating to seam gas, potential for spontaneous combustion, risk of roof collapse, windblast, fire, ventilation, different geology and different levels of subsidence at the surface and different levels of underground water than predicted. These risks occur, to varying extents, in all underground mines and are controlled by a mixture of comprehensive management plans, mine design and mining techniques. Different geological conditions can result in delays or less Mine productivity which Pike River will manage by the use of in-seam drilling and flexible mining techniques.

(l) Electricity

Mining and coal preparation activities at the Mine will use significant amounts of electricity. Pike River's mining operations may therefore be adversely affected by increases to the price of electricity after the three year term of the current electricity supply contract to March 2010 has expired and the reduction or loss of electricity supply. In New Zealand electricity is predominantly generated by hydro-electric dams. Electricity price increases or disruptions to supply may occur in dry years when the water levels of hydro-electric lakes are low. Pike River will consider managing this risk through appropriate hedging arrangements. Disruptions to supply may also occur as a result of damage to the infrastructure used to supply electricity to the Mine (whether as the result of adverse weather conditions, accident, or other unforeseen events).

(m) Major customers

A significant market for Pike River's coal will be manufacturers of steel who use coking coal in the manufacturing process. In supplying such customers, Pike River will be required by the terms of its supply contracts to meet certain technical specifications regarding the quality of the coal. Variations from those specifications may result in financial penalties, reductions in sales volumes or, potentially, the loss of the relevant contract. In addition,

changes in technology or industry standards in production by industrial users may result in Pike River no longer being able to supply coal that complies with a customer's updated specifications. There is a risk that coal customers do not renew sales contracts or default on their obligations and, should new contracts not be secured, that Pike River's financial results could be adversely affected. Specifically, while certain coal sales contracts have been entered into by Pike River with certain steel and coke manufacturers these are conditional with respect to such matters as annual pricing and, as a consequence, may not be able to be relied on by Pike River.

(n) Competition

Pike River will be competing with other coal producers based both in New Zealand and overseas. Some of those other producers may have greater financial and other resources than Pike River and, as a result, may be in a better position to compete for future business opportunities. A key factor in such competition is the quality of the coal that a producer can supply. Increases in production or new finds by other producers of coal with similar properties to that produced by Pike River will increase competition in Pike River's sector of the coal market. There can be no assurance that Pike River can compete effectively against those other producers.

(o) Steel input substitution

Certain end users of hard coking coal have potential substitutes for hard coking coal, including lower quality coals and scrap metal. The possible implementation of carbon taxes in other countries as compared to the Climate Change Response (Emissions Trading) Amendment Act 2008 (Climate Change Response Act) introduced in New Zealand (refer paragraph t) may affect the competitiveness of different carbon based products. Input substitution may also be associated with technological changes. As a result, any material increase in the price of delivered hard coking coal, or a change in the relativities between the delivered price of hard coking coal, or a substitute, may result in conversions to other input types, and may therefore have negative revenue implications for Pike River. At the date of this Offer Document, coal exports are not subject to the Climate Change Response Act.

(p) Environmental

Coal mining at Pike River is subject to numerous environmental regulations, conditions and controls. Failure to meet environmental regulations and conditions could lead to a halt or forfeiture of mining rights. In the event of certain discharges into the environment or other events of non-compliance, environmental laws may require Pike River to meet clean up costs and may also result in penalties being imposed on Pike River. Pike River endeavours to minimise environmental risks by striving for best practice environmental management. In addition, Pike River has lodged substantial financial assurances and bonds with DOC and local authorities to provide financial protection to remedy possible environmental issues in the event that detailed mining plans, controls and management practices are not wholly effective.

(q) Health and safety

Health and safety regulation affects Pike River's activities. Coal production and underground mining is a potentially hazardous activity. If any injuries or accidents occur in the Mine this could have financial implications for Pike River including potential production delays or stoppages. Pike River is required to meet various standards regulating aspects of health and safety, and will be subject to penalties and other liabilities if it violates such standards. Pike River takes its obligation to ensure a safe working environment very seriously. Pike River endeavours to minimise health and safety risks by taking steps to ensure compliance with all applicable laws and regulations.

(r) Industrial action

Industrial action by contractor personnel, unrelated third parties or Pike River employees has the potential to disrupt development of the Mine and mining operations and adversely affect Pike River's financial results.



(s) Insurance

Pike River maintains insurance for typical insurable industry risks in accordance with access agreements. Insurance of mining operating risks is not always available, and sometimes not at an acceptable cost. In respect of some insured risks, Pike River may carry a large insurance deductible. Pike River's financial results may be adversely affected if insurance cannot be arranged for future operations at an acceptable premium, and an uninsured loss is incurred.

(t) Climate Change Response (Emissions Trading) Amendment Act 2008

The Climate Change Response Act was enacted on 25 September 2008 and commenced with effect on 1 January 2009. Obligations for the stationary energy sector commence from 1 January 2010. Pike River will not be subject to obligations under the Climate Change Response Act for exported coal, but would be subject to obligations for fugitive methane gas emissions. The potential cost to Pike River will depend on the results of a review of the Climate Change Response Act currently underway. Assuming the Act is not amended, none of the fugitive methane is captured and a CO₂e price of NZ\$24 per tonne⁸, the cost to Pike River would amount to a carbon tax of NZ\$1.78 per tonne of coal mined each year. There is a risk that operational costs will rise due to the involvement of the liquid fossil fuel sector (transport costs) and the energy sector (electricity costs) in the Carbon Emission Trading Scheme.

(u) Change of laws and regulations

Coal mining is subject to a number of laws, regulations and policies at different levels of government in New Zealand. The regulation of employment and the workplace, the environment, transport, energy, and the mining of minerals are of particular importance to Pike River. The introduction of new policies, regulations or legislation might adversely affect Pike River's operations. A change in the interpretation, administration or enforcement of such sources of regulation could have similar adverse effects. There is also the risk of ongoing and increasing costs of compliance, which Pike River monitors and seeks to manage cost effectively.

The fact that a significant part of Pike River's coal production will be exported will also expose Pike River to regulatory risk in those countries to which Pike River will export. Changes in regulation in export markets could have negative effects on the demand for coal from those markets.

(v) Finance

On 12 March 2008 Pike River issued Liberty Harbor LLC (**Liberty**) US\$30 million of convertible bonds (**Bonds**). The Bonds have a term of 3 years and are convertible to new ordinary shares in Pike River at any time by Liberty at the then applicable conversion price.

The Bonds were issued on terms and conditions which include a number of conditions and covenants which are common to facilities of this nature. They included covenants relating to debt service ratios and the ongoing assessment of budgeted cashflows and also a date by which Pike River's production must average in excess of 66,667 tonnes per month (which was originally stated as 1 July 2009 but which, as a result of recent negotiations with Liberty, has now been extended to 30 November 2009. As part of these arrangements, Pike River has agreed to a revised interest rate and has obtained a right, in certain circumstances, to repay the Bonds in full before their financial maturity date).

(w) Transaction Restrictions

As a term of the Offer the Board has agreed to place an expenditure cap on Pike River for items unrelated to the development and operation of the Mine. In this regard Pike River will not, without the prior consent of an ordinary resolution of its shareholders, undertake (whether through one transaction or a series of related or unrelated transactions) any expenditure the value of which, in aggregate, exceeds \$10 million and is not used in connection

⁸ Based on the New Zealand Treasury updated estimate for the price of Kyoto-compliant emission units of Euro11.13 (NZ\$24) released 18 December 2007. The previous estimate was US\$11.90 (NZ\$15) per unit.

with the ordinary course of business in developing and operating the Mine. This restriction will remain in place until such time as Pike River has returned to its shareholders by way of distributions \$30 million from the date of the Offer Document.

This cap is in addition to an expenditure cap agreed with Liberty as a term of the issue of the Bonds in March 2008. Full details of these Liberty restrictions can be viewed in the Information Memorandum which Pike River lodged with ASIC on 12 March 2008, but broadly speaking these restrict Pike River from acquiring shares in exploration and pre-development companies and development companies with values exceeding \$7.5 million and \$15 million, respectively, unless approval from Liberty has been obtained.

There is a risk that this cap may inhibit Pike River's ability to act quickly in relation to possible business opportunities unrelated to the Mine. However, Pike River is already subject to various major transaction caps by virtue of the NZSX Listing Rule, ASX Listing Rules, Companies Act 1993 and Corporations Act 2001 and as with those restrictions can seek shareholder approval for such transactions.

General Risk Factors

(a) Stock market fluctuations and economic conditions

There can be no guarantee that an active trading market for the Rights, Shares or New Options will develop or that the Shares will trade in the public market subsequent to the Offer at or above the Offer price. There may be relatively few, or many, potential buyers or sellers for the Rights, Shares or New Options on the NZSX or the ASX at any time.

All companies listed on a stock market have price and liquidity risks. Reasons for price movements of companies listed on the NZSX and/or the ASX generally and which might affect the market performance of the Rights or the Shares are varied, but include changes in investor sentiment in New Zealand and international stock markets (including as a result of recent developments in the sub-prime mortgage lending market), general stock market movements, domestic and international economic conditions and outlook, exchange rates, interest rates, inflation rates, employment, taxation, natural disasters, and changes to New Zealand, Australian and other foreign government legislation, regulation or policy, all of which are beyond the control of Pike River.

Factors which might affect the market performance of Pike River more specifically include a range of actual or possible events, including changes in Pike River's prospects or operating results, changes in overseas demand for coal products, changes in the available supply and/or pricing of coal products, the introduction or pricing of competing inputs into the steel manufacturing process, changes in market valuations of other listed coal or resource companies and other events or factors which will or may affect the operations, financial results or actual or perceived value of Pike River.

No prediction can be made as to the effect, if any, that future sales of Rights, Shares or the New Options or the availability of Rights, Shares or New Options for future sales, will have on the market price of the Rights, Shares or New Options from time to time. Sales of substantial numbers of Rights, Shares or New Options, or the perception that such sales may occur, may adversely affect prevailing market prices for the Rights, Shares or New Options.

(b) Wars, terrorism, political and environmental events

Acts of war, terrorism, civil disturbance and political intervention and natural events such as hurricanes, earthquake, flood, fire and bad weather may affect the world economy, the market for coal and/or Pike River's operations. Pike River has only a limited ability to insure against some of these risks and insurance related to local natural events and their impact on coal mining and transport may not be available at an acceptable cost. In addition to a possible decline in economic conditions worldwide or in a particular region, such events could also be a resultant material adverse effect on the business, financial condition and financial performance of Pike River.



(c) Changes in taxation

Any change to the rate or method of calculating company income tax has the potential to impact on returns. Changes to the rates of income tax applying to individuals and/or trusts, or to any double tax agreement, similarly have the potential to affect after-tax returns.

7. CAN THE INVESTMENT BE ALTERED?

The rights and obligations attaching to Shares (together with New Shares) can only be altered by special resolutions passed at a general meeting of Shareholders. The rights and obligations attaching to New Options can only be altered by special resolutions of Shareholders and New Optionholders, respectively.

8. HOW DO I CASH IN MY INVESTMENTS?

The offer of New Shares is renounceable, which means that Eligible Shareholders may sell or otherwise transfer their Rights to all or any part of their entitlement. To do so you should complete the steps on the reverse of the Entitlement and Acceptance Form. If both a renunciation and an acceptance are received in relation to the same Rights, the renunciation will take priority.

You may be able to sell your Rights through the stock exchanges once they are quoted on the NZSX and ASX, depending on the quantity you may want to sell. Rights trading is expected to commence on the NZSX on 31 March 2009 and the ASX on 24 March 2009 and cease on the NZSX on 15 April 2009 and on the ASX on 8 April 2009. New Shares cannot be applied for prior to 31 March 2009.

Further information as to the actions required by Applicants can be found at section 2 of Part B of this Offer Document.

There is an established market for the Shares on the NZSX and ASX.

Application has been made to NZX for permission to list the Rights and New Options and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document (or the distribution of the advertisement) have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

The New Shares to be issued on exercise of the Rights or exercise of the New Options have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

An application for admission of the New Shares and New Options (that will be issued on exercise of the Rights) to quotation on ASX has been made by Pike River. All the requirements of ASX relating to such an application that can be complied with on or before the date of this Offer Document have been, or Pike River expects will be, duly complied with. The New Shares and New Options (that will be issued on exercise of the Rights) are therefore expected to be quoted on ASX upon completion of allotment procedures.

While application has been made to NZX for permission to list the New Options (as outlined above), there is not an established market for the New Options.

No brokerage is payable by you for New Shares and New Options.

No charges are payable to Pike River in respect of any sale of Rights, although you may be liable to pay charges to other persons, such as brokerage fees payable on the sale and purchase of Rights, New Shares and New Options.

While there is no present intention to do so, Pike River's listing on the ASX could in the future be discontinued by the Directors without any requirement for prior approval by Shareholders.

Under the Companies Act 1993, Pike River may cancel its Shares, options and/or New Options under a reduction of capital, Share buy-back or other form of capital reconstruction. Subject to this, none of Pike River's Shareholders, the Optionholders, the New Optionholders, Pike River itself, or any other person has any right to terminate, cancel, surrender, or otherwise make or obtain payment of the returns from those Shares, options and/or New Options, other than as referred to under the section titled "What returns will I get?" in section 5 of Part A of this Offer Document.

9. WHO DO I CONTACT WITH ENQUIRIES ABOUT MY INVESTMENT?

(a) Enquiries as to activities of Pike River and generally:

Pike River Coal Limited

Level 7
111 Customhouse Quay
PO Box 25 263
Wellington
New Zealand
Telephone: +64 4 494 0190
Facsimile: +64 4 494 0219
Email: enquiries@pike.co.nz

OR **McDouall Stuart Securities Limited**

Level 6
Bayleys Building
28 Brandon Street
Wellington
New Zealand
Freephone (NZ): 0800 577 777
Telephone: +64 4 472 2719
Facsimile: +64 4 472 2716
Email: advisors@mcdouallstuart.co.nz

(b) Enquiries as to a transfer, or other questions about your holdings, contact the Share, Options and Rights

Registrar:

Computershare Investor Services Limited

Level 2
159 Hurstmere Road
Takapuna
North Shore City
Auckland
New Zealand
Freephone (NZ): 0800 467 335
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787

Computershare Investor Services Pty Limited

GPO Box 242
Melbourne
VIC 3001
Australia
Freephone (Australia): 1800 501 366
Telephone: +61 3 9415 4083
Facsimile: +61 3 9473 2500

10. IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

Please contact any of the persons set out in section 9 of Part A with your concerns. There is no ombudsman to whom complaints about the Rights, Shares (including New Shares) or New Options can be made.



11. WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

More information about Pike River, the Offer, the Rights, the Shares (including New Shares) and the New Options, is contained or referred to in this Offer Document.

An electronic copy of this Offer Document:

- can be obtained free of charge from Pike River until the Closing Date by contacting Pike River (contact details are set out in the Directory of this Offer Document);
- is available for download from the Pike River website – www.pike.co.nz; and
- is filed on a public register at the Companies Office of the Ministry of Economic Development and is available for public inspection, or by internet access at the website: www.companies.govt.nz.

As a listed company, Pike River is subject to the Listing Rules that require it to immediately notify NZX and ASX of any information of which it is, or becomes, aware concerning the activities and operations of Pike River which a reasonable person would expect, if it were generally available to the market, to have a material effect on the price of its listed securities unless an exception in the Listing Rules applies.

More information about Pike River's activities is contained in:

- the Annual Review 2008 and Financial Review 2008, which together constitute the Annual Report 2008 (including the financial statements for the year ended 30 June 2008);
- the Interim Financial Statements for the six months ended 31 December 2008, which are contained in the Prospectus; and

- Continuous disclosure notices to the NZX and ASX after the date of Annual Review 2008 and Financial Review 2008:

Date	Description of announcement
3 March 2009	Pike River NZ\$45m Rights Issue/Placement – Option Terms
3 March 2009	Trading Halt of Securities
3 March 2009	Pike River Announces NZ\$45 Million Rights Issue & Placement
27 February 2009	Trading Halt of Securities
27 February 2009	Interim Financial Report and Half Year Financial Statements
19 February 2009	Ventilation Shaft Rockfall Being Remedied
30 January 2009	Quarterly Report of Cash Flows to 31 December 2008
30 January 2009	Activities Report Quarter Ended 31 December 2008
27 January 2009	Paparua Coal Exploration Success
19 January 2009	Issue of Securities
15 January 2009	Conservation Minister sees Showcase Mine
8 January 2009	Ventilation Shaft Raiseboring Completed
6 January 2009	Issue of Securities
31 December 2008	Pike River Convertible Notes Mature
31 December 2008	Issue of Securities
29 December 2008	Issue of Securities
29 December 2008	Issue of Securities
11 December 2008	In-seam Drilling to Plot Coal Mining
10 December 2008	Pike River Ventilation Shaft Raisebore Underway
1 December 2008	Issue of Securities
28 November 2008	Managing Director's Address to Annual Meeting
28 November 2008	2008 Annual Meeting – Voting Results
28 November 2008	Determination of Independent Directors
21 November 2008	Economic Development Minister to open Pike River Coal Mine
18 November 2008	Waiver Application
31 October 2008	Quarterly Report of Cash Flows to 30 Sept 2008
31 October 2008	Activities Report Quarter Ended 30 September 2008
17 October 2008	Supplementary Information Memorandum
17 October 2008	Pike River Strikes Coal
14 October 2008	Disclosure of Director's Relevant Interests Notice
14 October 2008	Issue of Securities
1 October 2008	Rail Track Being Laid at Pike River's Ikamatua facility



A copy of the Prospectus and of the most recent financial statements of, or relating to, Pike River can be obtained free of charge from Pike River until the Closing Date by contacting:

Brian Roulston
Pike River Coal Limited
Level 7, 111 Customhouse Quay
P O Box 25 263
Wellington, New Zealand
Telephone: +64 4 494 0190
Facsimile: +64 4 494 0219
Email: enquiries@pike.co.nz

The above information is also available from Pike River's website on: www.pike.co.nz.

In addition, a copy of Pike River's Prospectus, its annual financial statements and other documents of, or relating to, Pike River, are filed on a public register at the Companies Office of the Ministry of Economic Development and available for public inspection.

Subscribers who hold Shares and/or New Options will be given a copy of Pike River's annual report, including its financial statements and a copy of the notice of annual meeting on an annual basis in accordance with the New Zealand Companies Act 1993.

Securities Act (Rights, Options and Convertible Securities) Exemption Notice 2002

A subscriber who receives New Options under this Offer should take note that:

- Changes of circumstance occurring between the date of allotment of the New Options and the date that the New Options are exercised by the holder, may have a material effect on the Shares received upon the exercise of the New Options (including their price) or the Company;
- Important information relating to Shares and New Options (including their price) and the Company will be disclosed in accordance with the continuous disclosure provisions of the NZSX Listing Rules;
- Between 5 and 10 working days before the earliest date on which allotment of the New Options under this Offer can be made, a pre-conversion statement:
 - will be provided to NZX for release to the market; and
 - will be available on the Company's website at www.pike.co.nz

to assist holders of New Option to decide whether to elect to exercise their New Options. This will include a description of any adverse circumstances not set out or given proper emphasis in this Offer Document, a description of the effect of those adverse circumstances (to the extent that the effect can be assessed), a list of any other documents relevant to the decision about whether to elect to exercise the New Options (and how they can be obtained) and a statement by the Company that the pre-conversion statement is not known by the Company or the Directors to be false or misleading in a material particular by reason of failure to refer or give proper emphasis to adverse circumstances.

- A holder of New Options should consider this pre-conversion statement, the market price of the Shares and all other information made available concerning Shares and the Company before an election to exercise New Options is made.

PART B. ADDITIONAL INFORMATION

1. DETAILS OF OFFER

1.1 RIGHTS ISSUE

This information should be read in conjunction with other information relevant to an investment in New Shares contained in this Offer Document, in particular the risks of investing in Shares (and New Options) detailed in section 6 of Part A of this Offer Document.

This Offer Document relates to a pro rata renounceable Rights Issue by Pike River of 58,571,429 New Shares (at an issue price of \$0.70 per New Share to Eligible Shareholders. Each New Share is issued together with a New Option which will be issued for no additional consideration. The issue price for the New Shares is payable in full by Eligible Shareholders on acceptance of the Offer.

- The New Shares are being offered to Shareholders (other than Pike River ESOP participants) on the basis of 1 New Share for every 5 fully paid existing Shares⁹ held on the Record Date.

This Rights Issue addresses Pike River's short term need for additional working capital until cashflow from coal sales has been received. Funds received from the exercise of New Options will be used for Pike River's operations, including possible development of the Paparoa seam and other coal opportunities as they may arise.

The terms of the New Options are as follows:

- (a) Each New Option entitles the New Optionholder to subscribe for and be allotted one ordinary Share in the capital of Pike River, credited as fully paid, at \$1.25.
- (b) New Options are exercisable by the New Optionholder lodging with the Share Registrar a notice in writing of exercise of New Options together with payment of \$1.25 per New Option to be exercised.
- (c) New Options can be exercised at any time on or prior to 5.00pm on 24 April 2011 (Option Expiry Date). Any New Option not exercised prior to the Option Expiry Date will automatically lapse at that time.
- (d) Notices of exercise and the corresponding funds lodged with the Share Registrar will be held until the end of each month and, with the exception of April 2011, the corresponding number of new ordinary shares will be issued on the first day of the following month upon which the ASX and/or NZSX is/are open for trading. Notices of exercise and the corresponding funds lodged with the Share Registrar during April 2011 will be held until the Option Expiry Date and the corresponding number of new ordinary shares will be issued on the next day upon which the ASX and/or NZSX are/is open for trading. Interest will not be payable on funds for the time period between lodgement with the Share Registrar and allotment of the new ordinary shares.
- (e) New Options may only be exercised if:
 - (i) the number of Shares that are to be issued as a consequence of such exercise, when aggregated with the number of ordinary shares that are held by the New Optionholder at the time of exercise of the New Options, constitute a minimum holding for the purposes of the NZSX Listing Rules and ASX Listing Rules (if applicable); and

⁹ Rounded down from the actual entitlement ratio of 1 Right for every 5.015281102 fully paid Shares.



- (ii) the aggregate exercise price of the Shares that are to be issued to the New Optionholder as a consequence of such exercise, amounts to at least \$5,000 unless the New Optionholder is exercising the balance of the New Options they hold.
- (f) Pike River will allot Shares on the exercise of the New Option in accordance with the New Zealand Companies Act, the NZSX Listing Rules and the ASX Listing Rules (if applicable).
- (g) New Options do not carry any right to dividends. Shares issued on the exercise of New Options will participate in dividends declared after the date of exercise and will otherwise rank equally in all respects with the Shares in the capital of Pike River on issue at the date of exercise of the New Options. Pike River will ensure that any future record date for entitlements to a dividend payment will be set so as to provide New Optionholders with a reasonable period of time in which to exercise their Options prior to that record date.
- (h) New Options may be transferred at any time on or prior to the Option Expiry Date.
- (i) New Options are transferrable on any common form of transfer. The Board has the same powers in respect of the registration of transfers of New Options as it has in respect of Shares.
- (j) If Pike River makes any bonus issues of Shares (but not other securities) prior to the expiry or exercise of the New Options, the New Optionholders will be entitled to participate in such issue on the same basis as holder as Shares, but only upon the exercise of their New Options. The entitlements of New Optionholders will be determined as if the New Options had been exercised immediately prior to the date at which entitlements to the bonus issue are determined.
- (k) New Optionholders will be offered participation in all new cash issues of capital and securities of Pike River or of any other company, which are offered pro rata to shareholders of Pike River, on the same basis as the holders of Shares. The entitlement of New Optionholders shall be calculated as if their New Options had been exercised immediately prior to the applicable record date for that issue.
- (l) In the event of any reorganisation, other than a bonus issue per paragraph (j) above or any other issue of new securities (including consolidation, subdivision or cancellation) of the share capital of Pike River on or prior to the Option Expiry Date, the number of Shares to which each New Optionholder is entitled upon exercise of the New Options and/or the \$1.25 exercise price will be adjusted as permitted or required by the NZSX Listing Rules and ASX Listing Rules, as applicable, but on the basis which will not result in any additional benefits being conferred on New Optionholders which are not conferred on Shareholders.
- (m) New Optionholders will receive such reports, financial statements, and notices as are sent to Shareholders. New Optionholders may attend but not vote at general meetings of Shareholders.
- (n) Subject to the NZSX Listing Rules and the ASX Listing Rules, as applicable, the rights and obligations attaching to New Options can only be altered by special resolutions of New Optionholders and Shareholders, respectively.

Shareholders who hold partly paid Shares issued under the Pike River ESOP should note the following in relation to the Rights attaching to these Shares:

- Shareholders are entitled in relation to such Shares to the same number of Rights as if their Shares were fully paid;
- Shareholders may exercise the Rights attaching to such Shares; and
- if a Shareholder does not wish to exercise all Rights attaching to such Shares then the Shareholder should advise Pike River accordingly and, as long as Pike River receives this notification prior to the Closing Date, Pike River will then offer the Rights for sale through NZSX or ASX and hold the proceeds of any sale as a benefit to vest in the

Shareholder in the event that the relevant Shares are fully paid up (the terms of the ESOP do not permit a holder of partly paid Shares issued pursuant to the ESOP to themselves sell any Rights issued in relation to such Shares).

There is no consideration payable for the Rights.

The number of New Shares (together with New Options) to which each Eligible Shareholder is entitled is shown on the personalised Entitlement and Acceptance Form that accompanies the Offer Document. Fractional entitlements have been ignored. As a result the actual maximum number of New Shares available for subscription will be set at the Record Date.

Applicants may also apply for New Shares (and New Options) in excess of their entitlement by completing the Application for Additional Shares section of the Entitlement and Acceptance Form that accompanies this Offer Document.¹⁰

If all Rights to New Shares are exercised, all application monies from applications for additional Shares (**Applications for Additional Shares**) will be refunded to the Applicant, without interest. If all Rights to New Shares are not exercised, but the Applications for Additional Shares exceed the number of Rights to New Shares that are not exercised at the Closing Date and which the Board of Pike River, in consultation with McDouall Stuart (as Lead Underwriter), agrees at its discretion to allocate under the excess subscription facility, Pike River will deal with Applications for Additional Shares in a fair and equitable manner and in accordance with the condition to the waiver outlined at section 1.4(b) of Part B of the Offer Document, and divide the Applications for Additional Shares up between those who apply in direct proportion to the number of Shares held by the Applicants at the Record Date. Applications for Additional Shares may also be scaled back to ensure that the allocation of New Shares under all Applications for Additional Shares does not exceed the number of New Shares allocated to the excess subscription facility. To the extent Applications for Additional Shares are not successful, the relevant application monies will be refunded, without interest.

1.2 RIGHTS ARE RENOUNCEABLE

The Rights are renounceable, which means that Eligible Shareholders who do not wish to subscribe for some or all of the New Shares (together with the New Options) may sell or otherwise transfer their Rights to all or any part of their entitlement. To do so you should complete the steps set out on the reverse of the Entitlement and Acceptance Form that accompanies this Offer Document.

Rights trading is expected to commence on the NZSX on 31 March 2009 and on the ASX on 24 March 2009, and cease on the NZSX on 15 April 2009 and on the ASX on 8 April 2009.

If both a renunciation and an acceptance are received in relation to the same Rights, the renunciation will take priority.

1.3 RANKING AND ALLOTMENT

The New Shares will be issued fully paid and will rank equally in respect of all other Shares. A summary of the rights and liabilities attaching to the New Shares is set out in section 5.1 of Part B of this Offer Document.

Allocation and allotment of New Shares and New Options is expected to be made on 24 April 2009 based on applications received by 17 April 2009 and for which payment has cleared prior to the Allotment Date.

Until the New Shares and New Options are allotted, Pike River will hold the application monies on trust for each Applicant in a bank account maintained solely for that purpose. Any interest accrued on application monies will be retained by Pike River.

¹⁰ Shareholders who are "Related Parties" of Pike River Coal within the meaning of the Listing Rules cannot participate in any excess subscription facility for additional New Shares.



If the Offer does not proceed, all application monies will be returned as soon as possible to Applicants, without interest, and in any event within five business days.

1.4 WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Offer is being made by Pike River Coal Limited, whose registered office is Level 7, 1.1.1 Customhouse Quay, Wellington, New Zealand.

(a) Underwriters

The issue of New Shares under this Offer has been fully underwritten by McDouall Stuart Corporate Finance Limited (**McDouall Stuart**), as the Lead Underwriter, and New Zealand Oil & Gas Limited (**NZOG**) as Underwriter, for their respective commitments.

Details concerning this underwrite, and the underwriters, are outlined at section 2(a) of Part A of this Offer Document.

(b) Waivers

Pike River has been granted a waiver by NZX from NZSX Listing Rule 7.10.2 so that the closing date for applications under the Offer may be 11 Business Days after the mailing of letters of entitlement and Offer Documents to Shareholders. This waiver has been granted subject to the following conditions:

- the reduced trading timetable in New Zealand is clearly noted by Pike River within its announcement of the Offer; and
- the letter of entitlement and Offer Document are sent by fast post to eligible Shareholders who are resident outside of Auckland, where Pike River's share register is based.

Pike River has also been granted a waiver by NZX from NZSX Listing Rule 7.10.5 to enable Pike River to give Shareholders the right to apply for more New Shares (together with the New Options to be issued for no additional consideration) than their entitlement, to the extent of any shortfall in the Offer. This waiver has been granted subject to the following conditions:

- that any shortfall in the Offer, which at the discretion of the Board, in consultation with McDouall Stuart (as the Lead Underwriter), is determined to be allocated to the excess subscription facility, is divided up between all those who apply for additional shares in direct proportion to the number of Shares held by the Applicants as at the Record Date; and
- that the Offer Documents record this waiver and details the conditions of the waiver.

Pike River has been granted approval by NZX pursuant to NZSX Listing Rule 8.1.4 to make a \$4 million placement to AMP Capital Investors (New Zealand) Limited (**AMP**) before the record date at \$0.70 per New Share (which will come together with the corresponding number of the New Options to be issued for no additional consideration), being the same price as is offered under the Offer. AMP will be entitled to participate in the Offer to the extent of its shareholder entitlement. The Rights, Shares and New Options are not guaranteed by AMP Capital Investors (New Zealand) Limited.

Pike River has been granted a waiver from NZX from NZSX Listing Rule 8.1.6 to allow the options AMP Capital Investors (New Zealand) Limited will receive within the pre Offer placement to confer the right to participate in a future rights issue (excluding the rights issue within the Offer) without the need to be exercised before the respective record date, notwithstanding that these options will be issued without shareholder approval or as part of a pro rata offer under NZSX Listing Rule 7.3.4. (These are the same rights that will apply to the New Options received by persons who subscribe for New Shares).

Pike River has been granted waivers by NZX from NZSX Listing Rule 9.2.1 to enable NZOG, being a related party of Pike River, to provide its underwriting commitments and to enable McDouall Stuart to enter into sub-underwriting agreements with related parties of Pike River (excluding NZOG) in relation to the Offer.

These waivers have been granted subject to the following conditions:

- that the Pike River Directors who are not Associated (as defined in the Listing Rules) with NZOG or McDouall Stuart certify that the:
 - terms of the Underwriting Agreements with McDouall Stuart and NZOG were negotiated on an arm's length and commercial basis, are fair and are in the best interests of Pike River Shareholders that are not associated with NZOG;
 - Directors of Pike River who are Associated (as defined by the Listing Rules) with NZOG did not influence the promotion of the proposal to enter into the underwriting agreements or the setting of the terms of the Offer, or any allocation decision; and
- John Dow certifies that the negotiation of the terms of, and decision to enter into, the underwriting agreements occurred prior to the negotiation of sub-underwriting agreements with related parties of Pike River; and
- NZX receives a certificate from two of the directors of McDouall Stuart, certifying that:
 - when seeking persons to sub-underwrite the offer and negotiating the terms of the sub-underwriting, McDouall Stuart has followed a procedure that ensures that all potential sub-underwriters had been identified and given the opportunity to participate and that related parties of Pike River have had no greater opportunity to participate in the process than any other persons; and
 - the negotiation of the terms of, and decision to enter into, the underwriting agreement occurred prior to the negotiation of, and the decision to enter into, sub-underwriting agreements with a related party of Pike River; and
- a solicitor's opinion is provided to NZX confirming that in the opinion of the solicitor:
 - the terms of the underwriting agreement are consistent with the terms of an arm's length underwriting transaction and there are no material differences between the principal terms of the agreements with NZOG and McDouall Stuart; and
 - the terms of the sub-underwriting agreements are consistent with the terms of an arm's length transaction and there are no material differences between the principal terms of the sub-underwriting agreements with related parties of Pike River and those with other sub-underwriters.

1.5 HOW MUCH DO I PAY?

(a) Rights

Eligible Shareholders at the Record Date will be entitled to the Rights at no cost. The Rights will be quoted and may be traded on the NZSX and the ASX.

The price payable for a Right will be quoted on the NZSX and the ASX. The price for the Rights will be affected by a number of factors including the supply and demand for Rights at any particular time.

It is important for Applicants to note that the entitlement to New Shares under the Rights will lapse if the Applicant fails to make payment for the New Shares by 5pm (local time) on the Closing Date.

(b) New Shares

New Shares are to be issued for \$0.70 each, which is payable in full on application.



You may apply for New Shares (and the New Options) by completing the Entitlement and Acceptance Form that accompanies this Offer Document, and sending it, together with payment of \$0.70 per New Share in New Zealand currency by cheque or bank draft made out to “Pike River Coal Limited” to Pike River’s share registrar in New Zealand or Australia using the postage paid envelope enclosed with the Offer Document. The address of each share registrar is set out in the Directory attached to this Offer Document. Your completed Entitlement and Acceptance Form and payment must be received by the relevant share registrar by no later than 5pm (local time) on the Closing Date. Alternately, the Entitlement and Acceptance Form may be lodged with any Primary Market Participant, the Organising Participant or any other channel approved by NZX (in that order) in time to enable forwarding to Pike River’s share registrar in New Zealand or Australia prior to the Closing Date.

You may also apply for New Shares in excess of your entitlement by completing the Application for Additional Shares section of the Entitlement and Acceptance Form (except if you are a Shareholder who is a “Related Party” of Pike River Coal within the meaning of the Listing Rules, in which case you cannot participate in any excess subscription facility for additional New Shares). The Board of Pike River will deal with Applications for Additional Shares in a fair and equitable manner and in accordance with the condition to the waiver from NZSX Listing Rule 7.10.5 outlined at section 2(b) of Part A of this Offer Document. In this regard the Board will, in consultation with McDouall Stuart (as Lead Underwriter), determine, in the Board’s discretion, the portion of the shortfall which will be allocated to the excess subscription facility and the portion which will be allocated to underwriters (which is likely to be equal) and will then allocate the Shares allocated to the excess subscription facility between those who made Applications for Additional Shares in direct proportion to the number of Shares held by the Applicants at the Record Date. Where required, scaling will occur if the aggregate value of the Applications for Additional Shares received exceeds the size of the allocated excess subscription facility. To the extent Applications for Additional Shares are not successful, the relevant application monies will be refunded, without interest. Applicants should also refer to section 2 of Part B of this Offer Document for the procedure relating to dealing with entitlements.

(c) New Options

The New Options will be issued for nil consideration upon allotment of the New Shares. The price payable to convert each New Option into one share is \$1.25. The New Option price is payable at any time after the issue date and on or before 5pm on the Option Expiry Date.

Any New Options not exercised prior to the Option Expiry Date will automatically lapse at that time.

1.6 WHAT ARE THE CHARGES?

You are not required to pay for Rights. The only amount you are required to pay for the New Shares is set out in paragraph 1.5(b) above, being \$0.70 for each New Share.

No brokerage is payable by you in respect of any Application for New Shares and New Options.

No charges are payable to Pike River in respect of any sale of Rights, although you may be liable to pay charges to other persons, such as brokerage fees payable on the sale and purchase of Rights, New Shares and New Options.

1.7 OVERSEAS PERSONS

This Offer Document does not constitute an offer in any jurisdiction in which, or to any persons to whom, it would not be lawful to make such an offer.

In accordance with NZSX Listing Rule 7.3.4(g) and ASX Listing Rule 7.7.1, Pike River is not required to offer or issue the Rights, the New Shares or the New Options to Shareholders in a jurisdiction outside of New Zealand and Australia (**Overseas Persons**) if it has determined that it is unreasonable to make such an offer having regard to the number

of Shareholders in the foreign jurisdiction where the Offer would be made, the number and value of the Shares that would be offered in the foreign jurisdiction and the cost of complying with the legal requirements, and requirements of a regulatory authority, in that foreign jurisdiction, or that it is unduly onerous for Pike River to make the offer in that jurisdiction. However, in the case of Rights, these Listing Rules require Pike River to arrange the sale of such Rights and to account to the holders in that foreign jurisdiction for the net proceeds of that sale.

Pike River is making this Offer to Australian Eligible Shareholders under the Offer Document in accordance with the trans-Tasman mutual recognition scheme for the offers of securities. Australian investors are advised to read page 4 of this Offer Document headed "Important Information for Australian Investors".

Pike River has determined not to make the Offer to any Overseas Persons. The following process applies to such Overseas Persons:

- (a) Pike River will appoint a nominee in Australia to arrange for the sale of the entitlements that would have been given to the Overseas Persons, being the Rights, and to account to them for the net proceeds of the sale;
- (b) Pike River will issue all Rights to which Overseas Persons would otherwise be entitled to a Pike River nominee in Australia;
- (c) Pike River will notify each Overseas Person of the issue, advise them that Pike River will not offer Rights, New Shares or New Options to the Overseas Person, and advise each Overseas Person that a nominee in Australia will arrange for sale of the entitlements and, if they are sold, for the net proceeds to be sent to the Overseas Person;
- (d) Promptly after 30 March 2009, Pike River's nominee, in consultation with Pike River, will sell or procure the sale on the NZSX and/or ASX of all the Rights that would have been given to the Overseas Persons, issued to the nominee in such manner, at such price and on such other terms as the nominee determines in good faith (and at the risk of the Overseas Person), and remit the proceeds of sale (after deduction of any applicable costs, stamp duty, taxes and charges). Neither Pike River nor the nominee gives any assurance as to the price that will be achieved for the sale of Rights described above. Pike River will not be liable for a failure to sell Rights or to sell Rights at any particular price;
- (e) The net proceeds of the sale will be distributed to the Overseas Persons in proportion to their respective entitlements to Rights. Any such distribution of the proceeds of sale will be remitted in New Zealand dollars to the Overseas Person. Pike River expects that the costs involved in any sale of Rights will be a minimum of \$30 per Overseas Person. Where the gross proceeds of the sale are less than the actual costs there will be no distributable amount.

In countries where such an invitation or offer is unlawful, this Offer Document and the accompanying Entitlement and Acceptance Form, if received, are provided strictly for information purposes only.

Shareholders holding securities on behalf of Overseas Persons are responsible for ensuring that taking up the Rights or participating in the Offer does not breach applicable laws in the relevant overseas jurisdiction. Return of a duly completed Entitlement and Acceptance Form will be taken by Pike River to constitute a representation that there has been no breach of such laws.

1.8 STOCK EXCHANGE QUOTATION

Application has been made to NZX for permission to list the Rights and New Options and all the requirements of NZX relating thereto that can be complied with on or before the date of this Offer Document (or the distribution of the advertisement) have been duly complied with. However, NZX accepts no responsibility for any statement in this Offer Document.

The New Shares to be issued on exercise of the Rights or exercise of the New Options have been accepted for listing



by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

An application for admission of the New Shares and New Options (that will be issued on exercise of the Rights) to quotation on ASX has been made by Pike River. All the requirements of ASX relating to such an application that can be complied with on or before the date of this Offer Document have been, or Pike River expects will be, duly complied with. The New Shares and New Options (that will be issued on exercise of the Rights) are therefore expected to be quoted on ASX upon completion of allotment procedures.

None of NZX, ASX, the New Zealand Registrar of Companies or ASIC nor any of their respective officers takes any responsibility for any statement in, or the content of, this Offer Document or the Notice of Intention to Make the Offer or merits of the investment to which this Offer Document relates.

Rights' trading is expected to commence on the NZSX and the ASX on 31 March 2009 and 24 March 2009 respectively and cease on the NZSX and the ASX on 15 April 2009 and 8 April 2009 respectively.

Normal trading of New Shares and New Options allotted to Applicants prior to the Closing Date may take place on the NZSX from allotment. Applicants wishing to trade before receiving holding statements should check their holdings with their broker prior to doing so.

1.9 PRIVACY ACT

By returning an Entitlement and Acceptance Form that is attached to or accompanies this Offer Document, each Applicant will be providing personal information to Pike River (directly or through Pike River's share registries). Pike River and the share registries collect, hold and will use that information to assess and process applications, service Applicants' needs, facilitate corporate communications to Applicants and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for securities in the context of takeovers, regulatory bodies (including the New Zealand Inland Revenue and the Australian Taxation Office), authorised securities brokers, print service providers and mail houses.

Shareholders can access, correct and update their personal information held by Pike River. Please contact your relevant share registry to do so at the relevant contact numbers set out in the attached Directory.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the New Zealand Privacy Act 1993, the Australian Privacy Act 1988 (Cth) (as amended), the Australian Corporations Act and certain rules including the ASTC Settlement Rules. Applicants should note that if they do not provide the information required on the application for New Shares, Pike River may not be able to accept or process the application.

1.10 OWNERSHIP

The table below sets out the ownership structure of Pike River pre and post the Offer assuming all Rights are taken up and Bonds are converted in full.

Holder	Shares Before This Offer	% Of PRCL Before This Offer	Expected Take-Up Of New Shares ¹ .	% Of Offer	Fully Diluted Shares After This Offer	Fully Diluted % Of PRCL	New Options Held After The Offer	% Of New Options	Potential Issuance Under Convertible Bonds ² .	Fully Diluted % Of PRCL ³ .
NZOG or NZOG Services	85,371,468	29.1%	17,022,270	29.1%	102,393,738	29.1%	17,022,270	26.5%	-	26.6%
Other Shareholders	197,131,551	67.1%	39,306,182	67.1%	236,437,733	67.1%	39,306,182	61.1%	-	61.6%
ESOP	5,534,876	1.9%	1,103,602	1.9%	6,638,478	1.9%	1,103,602	1.7%	-	1.7%
New convertible bondholders	-	-	-	-	-	-	-	-	31,596,703	7.0%
Placement	5,714,286	1.9%	1,139,375	1.9%	6,853,661	1.9%	6,853,661	10.7%	-	3.1%
Total Shares and Options	293,752,181	100.0%	58,571,429	100%	352,323,610	100.0%	64,285,715	100.0%	31,596,703	100.0%

Assumptions:

1. This offer is fully subscribed.
2. The conversion price for the Bonds is \$1.08 per share (and the NZD:USD FX rate remains at the fixed rate of 0.8025 set under the terms of the Bonds).
3. None of the 22,496,694 options expiring on 30 June 2009 are exercised (these options have an exercise price of \$1.30 per share).

Note

As a result of the issue of the New Shares, as provided in their original terms of issue, the conversion price of the US\$27.5 million of convertible bonds held by Liberty Harbor LLC (**Liberty**) will be reduced from \$1.17 to \$1.08. The effect of this reduction is that Liberty would be entitled to an additional 2.3 million new ordinary shares in Pike River if they exercised the full value of their convertible bonds.



2. ACTIONS REQUIRED BY APPLICANTS

2.1 CHOICES AVAILABLE

If you are an Eligible Shareholder, you may take any of the following actions:

- take up all of your Rights;
- sell all of your Rights;
- sell part of your Rights on NZSX or ASX and take up the balance;¹¹
- sell part of your Rights on NZSX or ASX and allow the balance to lapse;¹²
- transfer all or part of your Rights to another person, other than via NZSX or ASX; or
- do nothing – your Rights will then lapse.

2.2 IF YOU WISH TO TAKE UP ALL OF YOUR RIGHTS

IF YOU WISH TO TAKE UP ALL OF YOUR RIGHTS, COMPLETE THE ENTITLEMENT AND ACCEPTANCE FORM THAT IS ATTACHED TO, OR ACCOMPANIES, THIS OFFER DOCUMENT AND THEN FORWARD THE COMPLETED ENTITLEMENT AND ACCEPTANCE FORM, TOGETHER WITH PAYMENT OF \$0.70 PER NEW SHARE IN NEW ZEALAND CURRENCY BY CHEQUE OR BANK DRAFT MADE OUT TO “PIKE RIVER COAL LIMITED” TO PIKE RIVER’S SHARE REGISTRAR IN NEW ZEALAND OR AUSTRALIA USING THE POSTAGE PAID ENVELOPE ENCLOSED.

The address of each share registrar is set out in the attached Directory, and a pre-paid envelope is included with the Entitlement and Acceptance Form.

Your completed Entitlement and Acceptance Form and payment must be received by the relevant share registrar by no later than 5pm (local time) on 17 April 2009.

Alternatively, the Entitlement and Acceptance Form may be lodged with any Primary Market Participant, the Organising Participant or any other channel approved by NZX (in that order) in time to enable forwarding to Pike River’s share registrar in New Zealand or Australia prior to the Closing Date.

It is important that Applicants note that Rights not exercised up to and including the Closing Date, 5pm (local time) 17 April 2009, will lapse. Eligible Shareholders who do not take up their Rights will continue to own the same number of ordinary Shares as they did prior to the Rights Issue, but their respective holdings in Pike River will be diluted.

Applicants will need to ensure they comply with all relevant laws before exercising their Rights. For instance, holders of a substantial number of Shares and/or Rights will need to ensure they comply with any requirements under the Overseas Investment Act 2005, Securities Markets (Substantial Security Holders) Regulations 1997 or 2007, and the Takeovers Code Approval Order 2000.

2.3 IF YOU WISH TO SELL ALL OF YOUR RIGHTS ON NZSX OR ASX

If you wish to sell all of your Rights on NZSX or ASX, complete the panel headed “Instructions to Your Stockbroker” on the back of the Entitlement and Acceptance Form that is attached to, or accompanies, this Offer Document and lodge that form with your stockbroker as soon as possible. You can sell your Rights on NZSX from 31 March 2009 and on ASX from 24 March 2009. All sales of Rights on NZSX or ASX must be completed by 15 April 2009 and 8 April 2009 respectively when Rights trading ends.

2.4 IF YOU WISH TO SELL PART OF YOUR RIGHTS ON NZSX OR ASX AND TAKE UP THE BALANCE

If you wish to sell part of your Rights and take up the balance, complete the Entitlement and Acceptance Form, that is attached to, or accompanies, this Offer Document, by inserting the number of New Shares for which you wish to

¹¹ Subject to ensuring that they are on the appropriate New Zealand or Australian Pike River share register to allow settlement in line with the trading conditions on the NZSX or ASX.

¹² Subject to ensuring that they are on the appropriate New Zealand or Australian Pike River share register to allow settlement in line with the trading conditions on the NZSX or ASX.

apply (being less than the total number of your Rights) in the panel headed “Instructions to Your Stockbroker” on the back of the Entitlement and Acceptance Form and lodge that form together with payment to your stockbroker as soon as possible. You can sell your Rights on NZSX from 31 March 2009 and on ASX from 24 March 2009 respectively and any sale must be completed on NZSX by 15 April 2009 and on ASX by 8 April 2009 when Rights trading ends respectively. To take up the remaining part of your Rights, your stockbroker will need to ensure that the completed Entitlement and Acceptance Form (together with payment) reaches the relevant share registrar by no later than 5pm (local time) on 17 April 2009.

2.5 IF YOU WISH TO ACCEPT PART OF YOUR RIGHTS ON NZSX OR ASX ONLY AND ALLOW THE BALANCE TO LAPSE

If you wish to accept part of your Rights only and allow the balance to lapse, complete the Entitlement and Acceptance Form that is attached to, or accompanies, this Offer Document in the manner described in clause 2.2 above. Rights not exercised up to and including the Closing Date, 5pm (local time) 17 April 2009, will lapse and then have no value.

2.6 IF YOU WISH TO TRANSFER ALL OR PART OF YOUR RIGHTS TO ANOTHER PERSON OTHER THAN ON NZSX OR ASX

If you wish to transfer all or part of your Rights to another person other than on NZSX or ASX, please contact your stockbroker.

2.7 RIGHTS NOT TAKEN UP - IF YOU DO NOTHING

If you decide not to take up all or part of your entitlement to New Shares, you should consider whether to sell your Rights rather than allow your Rights to lapse. Rights not taken up will lapse and you will not receive any payment for your Rights. It is therefore important that you consider whether to take action to either take up or sell your Rights.

2.8 TERMS OF RIGHTS

Each Right permits the holder to subscribe for 1 New Share at \$0.70 per New Share (together with the New Options to be issued for no additional consideration).

Rights will not carry any right to dividends or voting rights.

Each Right entitles you to acquire a New Share (together with the New Options to be issued for no additional consideration) in Pike River from 31 March 2009 up to 5pm (local time) on 17 April 2009 at which time it lapses.

2.9 ADDITIONAL SHARES

You may also apply for New Shares in excess of your entitlement by completing the Application for Additional Shares section of the Entitlement and Acceptance Form (except if you are a Shareholder who is a “Related Party” of Pike River within the meaning of the Listing Rules, in which case you cannot participate in any excess subscription facility for additional New Shares). The Board of Pike River will deal with Applications for Additional Shares in a fair and equitable manner and in accordance with the condition to the waiver from NZSX Listing Rule 7.10.5 outlined at section 2(b) of Part A of this Offer Document. In this regard the Board will, in consultation with McDouall Stuart (as Lead Underwriter), determine, in the Board’s discretion, the portion of the shortfall which will be allocated to the excess subscription facility and the portion which will be allocated to underwriters (which is likely to be equal) and will then allot the shares allocated to the excess subscription facility between those who made Applications for Additional Shares in direct proportion to the number of Shares held by the Applicants at the Record Date. Where required, scaling will occur if the aggregate value of the Applications for Additional Shares received exceeds the size of the allocated excess subscription facility. To the extent Applications for Additional Shares are not successful, the relevant application monies will be refunded, without interest.



3. PROSPECTS AND FORECASTS

Full details of the Company's prospects and forecasts are contained in the section headed "Current position, outlooks and risks summary" on page 8.

4. PRELIMINARY AND ISSUE EXPENSES

Issue expenses (including brokerage and lead management fees, underwriting fees, share registry expenses, legal fees, advertising costs, printing costs, postage and courier costs relating to this Offer) are estimated in aggregate to amount to \$1,140,000. No material payment of costs has been made as at the date of this Offer Document. Pike River will pay all expenses associated with the Offer. Brokerage is payable to NZX participant firms and other financial intermediaries pre-approved by the Lead Manager at a rate of 0.50% (up to a maximum of \$1,500 on any one application) of the aggregate issue price of all New Shares allotted pursuant to valid applications bearing their stamp.

5. OTHER TERMS OF OFFER AND RIGHTS

5.1 RIGHTS AND LIABILITIES ATTACHING TO SHARES (INCLUDING NEW SHARES)

The following is a summary of the rights, privileges and restrictions which attach to existing issued Shares and which will also attach to New Shares. For full details, reference should be made to the Constitution, a copy of which can be obtained free of charge from Pike River and is available from Pike River's website on: www.pike.co.nz.

Meetings and voting

Each Shareholder is entitled to notice of, and to attend and vote at, general meetings. At a general meeting every Shareholder present in person or by proxy or in the case of a corporation by its duly authorised representative has (subject to the Listing Rules) one vote on a show of hands and, on a poll, one vote for each Share held.

Dividends

Subject to the rights of the persons entitled to Shares with special rights as to dividends (at present there are none), the profits of Pike River which the Directors from time to time may determine to distribute by way of dividends are divisible amongst the Shareholders in proportion to the amount of Shares held by them and the amounts paid up or credited as paid up on those Shares.

Pike River expects to pay dividends on Shares (including New Shares) once the Mine has been developed, is operational, and is cash flow positive. Dividends will be determined after due consideration of the capital requirements, operating performance, financial position and cash flow expectations of Pike River at the time. Subject to those matters and any restrictions imposed by finance facilities including the Bonds (see below), Pike River anticipates a dividend payout of 50% of free cash flow. Dividends when paid (if any) are expected to be paid six-monthly and are generally expected to have attached to them any available imputation credits with Pike River intending to pay offshore Shareholders a supplementary dividend under the New Zealand foreign investor tax credit regime. The Board reserves the right to amend the dividend policy at any time. There can, however, be no assurance that any dividends will be paid or as to the level to which any dividends that are paid will be imputed.

It is a term of the Bonds that distributions cannot be made until the Bonds have been repaid. In addition, Pike River's other finance facilities are expected to restrict Pike River's ability to make distributions if it fails to comply with minimum financial ratios.

Issue of further Shares

Except where required by law or the Constitution and subject to the Listing Rules, the Directors may allot or otherwise dispose of further Shares on such terms and conditions as they see fit.

Transfer of Shares

Except where required by law or the Constitution and subject to the Listing Rules, there are no restrictions on the transfer of Shares.

Buyback of Shares

Subject to the Companies Act, the Constitution and the Listing Rules, Pike River may repurchase its Shares from Shareholders.

Variation of rights attaching to Shares (and other securities)

The rights attaching to a class of Shares can only be varied with the sanction of a special resolution passed at a separate general meeting of the holders of that class of Shares and any other class of shares which are affected. It is not a variation of the rights of the Shares to issue securities of another class. Such issues may occur subject to the requirements of the Constitution and the Listing Rules.

Rights on liquidation

If Pike River is liquidated, the liquidator may, with the approval of Shareholders and any other sanction required by the Companies Act, and after all the liabilities of Pike River are satisfied, divide the remaining assets of Pike River amongst the Shareholders, and may determine how the division shall be carried out as between Shareholders or different classes of Shareholders.

Alteration of constitution

The Constitution can only be amended by a special resolution passed by at least three-quarters of Shareholders present and voting in general meeting. At least 10 Business Days written notice specifying the intention to propose the resolution as a special resolution must be given. In any case where the relative rights as between Shareholders, Optionholders and New Optionholders may be amended, special resolutions of both classes of security holders to amend the Constitution will be required.

5.2 TAXATION

Applicants should be aware that there are taxation implications for subscribing for the New Shares pursuant to the Offer Document or dealing in Rights. These taxation implications will vary between different Applicants and Applicants should consult their professional adviser in connection with the taxation implications of the New Shares or disposal of Rights.

Pike River does not propose to give any taxation advice and neither Pike River or any of its officers, employees, agents and advisers accept any responsibility or liability in respect of any taxation consequences in connection with participation in the Rights Issue under this Offer Document.

5.3 NZSX AND ASX LISTING

Pike River was incorporated in New Zealand on 18 May 1982. Pike River is admitted to both the official list of the NZSX and the official list of ASX and is subject to the rules that govern those exchanges.

5.4 CONTINUOUS DISCLOSURE

As a listed company, Pike River is subject to the Listing Rules that require it to immediately notify NZX and ASX of any information of which it is, or becomes, aware concerning the activities and operations of Pike River which a reasonable person would expect to have a material effect on the price or value of its listed securities unless an exception in the Listing Rules applies.

As Pike River's business is dynamic, Applicants are encouraged to keep themselves fully informed by reading all information that Pike River releases to the market.



6. DEFINITIONS

The following definitions apply throughout this Offer Document unless the context otherwise requires.

Allotment Date means the date that is within 5 Business Days after the Closing Date.

Applicant means an Eligible Shareholder or (as the context permits) a Rights Purchaser.

Application for Additional Shares means, in respect of an Applicant, an application for New Shares in excess of the entitlement specified on the Eligible Shareholder's Entitlement and Acceptance Form.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the financial market operated by ASX Limited, as the context requires.

Australian Corporations Act means the Corporations Act 2001 (Cth).

Board means the board of Directors of Pike River.

Bonds means the convertible bonds issued to Liberty Harbor LLC pursuant to the Convertible Bond Facility.

Business Day means a day of the week other than a Saturday, Sunday or national public holiday in New Zealand or Australia.

Closing Date means 17 April 2009, unless varied by Pike River in accordance with this Offer Document.

Company means Pike River Coal Limited.

Constitution means the constitution of Pike River as amended from time to time.

Convertible Bond Facility means a Convertible Bond facility of US\$27,500,000 provided by Liberty Harbor LCC to Pike River.

Directors means the directors of Pike River.

\$ means New Zealand dollars.

Eligible Shareholders means Shareholders as at the Record Date, excluding Overseas Persons.

Entitlement and Acceptance Form means the personalised entitlement and acceptance form that accompanies the Offer Document for Eligible Shareholders whose address is in New Zealand, Australia or in such other jurisdiction as this Offer may legally be made.

ESOP means the Pike River Employee Share Ownership Plan established prior to the IPO.

IPO means the initial public offer of Shares pursuant to the IPO Offer Document.

IPO Offer Document means the New Zealand Prospectus dated 22 May 2007 or the New Zealand Investment Statement and Australian Prospectus dated 5 June 2007, or as the context permits both of those documents.

Issue means the issue of New Shares (together with the New Options to be issued for no additional consideration) to be made under this Offer.

Lead Underwriting Agreement means the underwriting agreement dated 13 March 2009 made between Pike River and McDouall Stuart.

Listing Rules means the listing rules of the NZSX or ASX, as the context requires, as amended from time to time and for so long as Pike River is admitted to the official list of such stock exchange.

McDouall Stuart means McDouall Stuart Corporate Finance Limited who has been appointed as the Lead Underwriter for the Offer.

McDouall Stuart Securities means McDouall Stuart Securities Limited, who has been appointed as the Lead Manager and NZX Organising Participant for the Offer.

Mine means the Pike River mine to be developed in the manner set out in this Offer Document.

Mutual Recognition Requirements means Chapter 8 of the Corporations Act and the Corporations Amendment Regulations 2008 (No.2) (Cth of Australia).

New Option means the option to be issued with each New Share, having a conversion price of \$1.25 and a term of 2 years from the date of allotment.

New Optionholder means a registered holder of New Options.

New Share means a Share to be issued on the exercise of Rights and New Shares has a corresponding meaning.

Notice of Intention to Make the Offer means those documents required to be lodged with ASIC and registered with the Companies Office of the Ministry of Economic Development in relation to the Offer in compliance with the Mutual Recognition Requirements.

NZOG means New Zealand Oil & Gas Limited (New Zealand Registered Company Number 037842, Australian Registered Body Number 003 064 962) and includes its subsidiaries as the context requires.

NZOG Services means NZOG Services Limited.

NZSX means the main board equity security market operated by NZX.

NZX means NZX Limited.

Offer means the offer of New Shares (together with the New Options to be issued for no additional consideration) to Eligible Shareholders as at the Record Date, pursuant to this Offer Document.

Offer Document means this investment statement and the short form prospectus being the document registered with the New Zealand Registrar of Companies and ASIC relating to the Offer.

Opening Date means 31 March 2009, unless varied by Pike River in accordance with this Offer Document.

Optionholders means the holders of the 22,496,694 options issued by Pike River prior to the IPO.

Overseas Persons means Shareholders who are subject to the laws of a country other than New Zealand and Australia other than shareholders who are able to establish that it is lawful to make an offer to them

Pike River and **PRCL** means Pike River Coal Limited (New Zealand Registered Company Number 114243, Australian Registered Body Number 119 304 148) and includes its subsidiaries as the context requires.

Record Date means 30 March 2009.

Rights means the renounceable rights to subscribe for New Shares (together with the New Options to be issued for no additional consideration) pursuant to the Rights Issue.

Rights Issue or **Offer** means the offer of New Shares (together with the New Options to be issued for no additional consideration) to Shareholders as at the Record Date, pursuant to this Offer Document.

Rights Purchaser means a person who has purchased Rights of an Eligible Shareholder.

Share means an ordinary share in Pike River.

Share Registrar means Computershare Investor Services Limited or Computershare Investor Services Pty Limited.

Shareholder means a registered holder of Shares on issue.

Underwriters means McDouall Stuart Corporate Finance Limited and New Zealand Oil & Gas Limited as described in section 1.4(a) of Part B.

Underwriting Agreement means the underwriting agreements dated 13 March 2009 made between Pike River and NZOG.



7. FINANCIAL STATEMENTS

Financial Statements for the financial year ended 30 June 2008 (which were part of the 2008 Annual Review and 2008 Financial Review) were sent to registered holders of securities in Pike River. These Financial Statements are available from the Companies Office of the Ministry of Economic Development at the website: www.companies.govt.nz.

The Full Interim (unaudited) Financial Statements are set out in the Prospectus and are also available from Pike River's website: www.pike.co.nz.

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INSTRUCTIONS

A. To accept all New Shares (together with the New Options) offered

Return this Entitlement and Acceptance Form with your cheque for the full amount of your Entitlement, using the postage paid envelope to Computershare Investor Services Limited, Private Bag 92119, Auckland Mail Centre, Auckland 1142 or Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, VIC 3001, Australia by **5pm (local time) on 17 April 2009**. No signature is required.

B. To sell all your Rights through a Stockbroker on NZSX or ASX

Insert the information required in the "Instructions to Your Stockbroker" section below.

Send the Form to your stockbroker. Sale of your Rights must be completed by 15 April 2009 on NZSX and 8 April 2009 on ASX when Rights trading ceases.

C. To accept some of the New Shares (together with New Options) offered and sell the remaining Rights through a stockbroker

Insert in the boxes on the front of this Form:

- i) the number of New Shares (together with New Options) accepted; and
- ii) the amount of the cheque for those New Shares. Indicate (together with New Options) in the "Instructions to Your Stockbroker" section below, the number of New Shares you intend to accept, the amount of your cheque for those New Shares (together with New Options) and the number of Rights which you intend to sell.

Send the Form to your stockbroker with your cheque for the New Shares (together with New Options) accepted.

Rights trading commences on NZSX on 31 March 2009 and on ASX on 24 March 2009 and ceases on NZSX on 15 April 2009 and on ASX on 8 April 2009 by which time any sale of part of your Rights must be completed.

D. To renounce or transfer some or all of your Rights other than on NZSX or ASX

Obtain a Standard Renunciation Form from your stockbroker or Computershare Investor Services Limited or Computershare Investor Services Pty Limited.

Complete the Standard Renunciation Form with the number of Rights you are renouncing or wish to transfer, making sure that it is signed by both you and the purchaser and noting your CSN (Common Shareholder Number) if you are a New Zealand Applicant or your SRN (Shareholder Registration Number) if you are an Australian Applicant.

If you are accepting some of the New Shares (together with New Options) offered, insert in the boxes on the front of this Form:

- i) the number of New Shares (together with New Options) accepted, and
- ii) the amount of your cheque for those New Shares (together with New Options).

Lodge both the Standard Renunciation Form and this Entitlement and Acceptance Form with Computershare Investor Services Limited or Computershare Investor Services Pty Limited by **5pm (local time) on 17 April 2009**, together with your cheque for any New Shares you are accepting.

E. To accept some of the New Shares (together with New Options) and allow the remaining Rights to lapse

Insert in the boxes on the front of this Form:

- i) the number of New Shares (together with New Options) accepted; and
- ii) the amount of your cheque for these New Shares (together with New Options).

Return this Entitlement and Acceptance Form with your cheque to Computershare Investor Services Limited or Computershare Investor Services Pty Limited by **5pm (local time) on 17 April 2009**. No signature is required. A reply paid envelope is enclosed.

If you have any questions, please contact Computershare Investor Services Limited on 0800 467 335 or +64 9 488 8777 or Computershare Investor Services Pty Limited on 1800 501 366 or +61 3 9415 4083 for assistance

Instructions to Your Stockbroker

To be completed and sent to your stockbroker only if you wish to sell the whole or part of your Rights.

Please insert the appropriate number in each of the boxes below

Number of the New Shares (together with New Options) which I intend to ACCEPT

Number of Rights which I intend to SELL

I attach a cheque/draft* for the full amount of New Shares (and New Options) accepted

NZ\$

(*Please delete whichever does not apply)

This instruction *has/has not previously been notified to you



Directory

Directors

John Dow
Gordon Ward
Raymond Meyer
Roy Antony (Tony) Radford
Dipak Agarwalla
Arun Jagatramka
Stuart Natrass

Pike River's Registered and Head Office

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Wellington
New Zealand
TELEPHONE:
+64 4 494 0190
FACSIMILE:
+64 4 494 0219
EMAIL:
enquiries@pike.co.nz

Lead Manager and NZX Organising Participant

McDouall Stuart Securities Limited
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PO Box 1886
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FREEPHONE:
(NZ) 0800 577 777
TELEPHONE:
+64 4 472 2716
FACSIMILE:
+64 4 472 2719
EMAIL:
advisors@mcdouallstuart.co.nz

Lead Underwriters

McDouall Stuart Corporate Finance Limited
Level 6
28 Brandon Street
PO Box 1886
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New Zealand
FREEPHONE:
(NZ) 0800 577 777
FACSIMILE:
+64 4 918 1818

Underwriters

New Zealand Oil & Gas Limited
Level 20
125 The Terrace
PO Box 10 725
Wellington
New Zealand
TELEPHONE:
+64 4 495 2424
FACSIMILE:
+64 4 495 2422
EMAIL:
enquiries@nzog.com

Solicitors for the Offer

Minter Ellison Rudd Watts
Level 17
125 The Terrace
Wellington
New Zealand
TELEPHONE:
+64 4 498 5000
FACSIMILE:
+64 4 498 5001

Share Registrar – New Zealand

Computershare Investor Services Limited
Private Bag 92119
Auckland Mail Centre
Auckland
New Zealand
FREEPHONE:
(NZ) 0800 467 335
TELEPHONE:
+64 9 488 8777
FACSIMILE:
+64 9 488 8787

Share Registry – Australia

Computershare Investor Services Pty Limited
GPO Box 242
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PIKE RIVER COAL

www.pike.co.nz