



## PIKE RIVER COAL

16 March 2009

Dear Option Holder

### Pike River Coal Limited – Rights Issue

Pike River Coal Limited (**Pike River**) is making a renounceable pro rata rights issue (the **Offer**) to existing shareholders of 58.57 million fully paid ordinary shares (**New Shares**). Each New Share in the Offer will be issued together with a new option for no additional consideration (**New Option**) which can be exercised at \$1.25 for a new ordinary share at any time until 5pm on 24 April 2011.

The Offer is to raise NZ\$41 million (before Offer expenses) and is fully underwritten.

The purpose of the Offer, in conjunction with a share placement of NZ\$4 million, is to raise funds (after payment of the expenses of the Offer) to provide the working capital needed due to the delay in cashflow from coal production caused by a rockfall in the ventilation shaft and to meet shaft rectification costs.

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. However, work has been required to remedy the 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.

### Summary of Key Information

<b>Type of offer</b>	Renounceable pro rata rights issue of New Shares to be issued together with New Options to existing shareholders resident in only Australia and New Zealand (the offer will not be made to overseas persons (including US persons) or persons acting on account for or on behalf of overseas persons) as at the Record Date.
<b>Offer price</b>	NZ\$0.70 per New Share (issued together with a New Option)
<b>Offer ratio</b>	1 New Share in Pike River (issued together with a New Option) for every 5* Pike River shares held at the Record Date
<b>Underwriters</b>	McDouall Stuart Corporate Finance Limited & New Zealand Oil & Gas Limited. Details of the underwriting arrangements (including fees payable) are included in the Investment Statement (Offer Document)

\* Rounded up from the actual entitlement ratio of 1 Right for every 5.015281102 shares.

## Proposed Timetable

The current proposed timetable for the Offer is as follows:

Investment Statement date	16 March 2009
Existing shares quoted ex-entitlement & rights trading commences	24 March 2009 (ASX) 31 March 2009 (NZSX)
Record Date	30 March 2009
Offer Document mailing date	31 March 2009
Offer closes (Closing Date)	17 April 2009
Despatch date and issue of New Shares and New Options	24 April 2009

The above dates are subject to change and are indicative only. Pike River reserves the right to amend this timetable without prior written notice, subject to the respective Listing Rules of the NZSX and the ASX and relevant legislation, although an announcement of any changes will be made on the NZSX and the ASX.

Options in Pike River will not participate in the Offer unless they are exercised, and entered onto the register as ordinary shares, on or before the Record Date of 30 March 2009.

If you wish to participate in the Offer through your options it will be necessary to exercise them and pay the current exercise price (NZ\$1.30 for each option) in accordance with the terms of the options. This will need to be done on or before 30 March 2009.

If you do not wish to participate in the Offer (in respect of your options) you do not need to take any action in respect of your options prior to the Record Date. If you have any questions in relation to the Offer or to the exercise of your options, please do not hesitate to contact me.

Yours faithfully



Brian Roulston  
Company Secretary