



## PIKE RIVER COAL

24 August 2009

### **PIKE RIVER COAL RE-SCHEDULES EXPORT TIMING**

Pike River Coal says that production of premium hard coking coal from its new mine has been running at lower rates than envisaged in the schedule issued to the stock exchanges on 21 July 2009, due mainly to early geological complexity and machinery difficulties resulting in slower roadway development driveage.

The first 60,000 tonne export shipment scheduled for mid-November 2009 will unfortunately be further delayed whilst the pit-bottom development is completed and development roadways are extended to the area where first coal will be mined by hydro-monitors.

This first shipment is now scheduled for the January-March quarter 2010. First hydro coal is now expected in the April-June 2010 quarter.

The underground coal handling facilities have been commissioned and pit-bottom is continuing to be developed with a combination of coal and stone drives. When the last market update was given in July, Pike River expected to have all three coal cutting machines operating during August. Due to intermittent commissioning problems with the machines this has not occurred.

The three new machines have now largely been repaired and modified, with the remaining outstanding modification being replacement of tracks on the two continuous miners by the German manufacturer at their cost. Both 60 tonne machines are currently operational, but repairs including track work, has resulted in considerable production down-time during the past month.

Other main factors limiting production over the past month have been unavailability of some underground coal/rock haulage machines due to breakdowns, a greater level of roof support being required due to proximity to the Hawera fault (180 metres to the east) and need to familiarise new staff with machinery and mining practices.

Countermeasures taken by the company include more intensive maintenance, intensified operator training, and changes to underground work practices following internal and third party review. Chief Executive Gordon Ward said "The mine is working 2 shifts 24 hours per day, 7 days a week in order to meet our production targets, and all Pike River's management and staff are focussed and committed to this outcome".

The geological faulting complexity encountered so far is expected to reduce as mining moves to the west away from the Hawera fault, and in-seam drilling is in progress to assist with mine planning.

With all three coal cutting machines expected to be operating in September and having made a number of modifications to mining practices, improvements in advance rates will be achieved.

In light of the mine performance since 21 July, Pike River has advised Liberty Harbor that an extension to the convertible bond production condition of 30 November 2009 will be sought from them. This condition currently requires the mine to be capable of producing 800,000 tonnes (66,700 per month) in the 12 months ended 30 November 2010.

Liberty Harbor's initial response was favourable and a formal request for an extension for up to 6 months will be made once Pike River has finalised an updated mine plan and production schedule.

The Pike River Board is satisfied the company will be able to fund the costs of these delays given the operating status of the mine, the state of international coking coal markets and its ability to raise further funding if and to the extent this may become necessary.

Chief Executive Gordon Ward said "the Pike River mine has overcome many challenges to get into operation and whilst the current delay is frustrating for investors, customers and staff, it is an issue that many new mines have to face and work through. Most of the hard work has been done and investors patience is set to be repaid, with Pike River producing low ash coal at a time of rising global demand".

"Looking forward, the outlook for the metallurgical coking coal industry generally has improved substantially over recent months particularly in China and India with spot prices for coking coal above US\$160, compared to this year's contract price of US\$128 per tonne".

Further information:

Gordon Ward +64 4 494 0190  
Chief Executive and Managing Director

Pike River will continue to issue regular updates on progress during the remaining production ramp-up period, recognising that it takes several weeks of mining operations before a meaningful analysis of geological data and production trends can be derived.

*Pike River Coal owns the rights to a premium hard coking coal resource located 50 kilometres north-east of Greymouth, New Zealand.*

Pike River shares are quoted on the NZSX and the ASX under the code "PRC"
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