

MinAxis Pty Ltd



**A confidential and independent report prepared by
MinAxis Pty Ltd**

for

Pike River Coal Limited

27 July 2009



Scope of Report

27 July 2009

Mr Garth Stanish
NZX Regulation
New Zealand Stock Exchange
11 Cable Street
PO Box 2959
DX: SP23501
Wellington, New Zealand

Dear Sir,

RE: Pike River Coal Limited – Contract Price Review

MinAxis Pty Ltd (MinAxis) was commissioned by Pike River Coal Limited (PRCL) to prepare and submit an independent report to the New Zealand Stock Exchange regarding the fairness of the price payable under coal offtake contracts for JFY 2009 between PRCL and each of its two shareholders; Gujarat NRE Coal (NSW) Pty Limited and Saurashtra Fuels Private Limited.

MinAxis' report was required to make specific comments as to whether the JFY2009 prices and terms conform to the following parameters:

- All coal sales contracts sighted/evidenced by MinAxis were signed by the relevant contract parties.
- The contracts sighted are structured within fair and acceptable limits of standard and internationally recognised contract format and terms.
- The contracts show that all agreed prices in Japanese Fiscal Year 2009 (JFY2009 – year commencing 1 April 2009) reflect, and are at similar levels to the price agreed between major suppliers and buyers for the purchase of internationally traded premium hard coking coal.
- For PRCL coal that is to be supplied in JFY2009, the agreed price levels settled between PRCL and its coal purchasers reflect a price premium over the typical price for internationally traded standard grade hard coking coal.
- Contract prices settled are consistent with PRCL's stock exchange announcements, particularly the releases of 21 July 2009.

While MinAxis believes that the information and analysis in this Report are accurate, neither MinAxis, nor its employees accept any responsibility for the accuracy or completeness of the material it contains.

In preparing this Report, MinAxis has relied on not only its in-house expertise but also information derived from its data bases and a wide range of data sources including but not limited to both industry and public domain sources for which it is not responsible and cannot reasonably be held to be responsible.

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Coal industry data as reported in the public domain and industry data sources may contain inconsistencies or be otherwise unreliable. Consequently, MinAxis makes no warranty regarding the information which at least in part forms the basis of this Report and as such should not be relied upon.

Yours faithfully,

MinAxis Pty Limited



Graham L. Wailes

Executive Director

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Executive Summary

Pike River Coal Limited announced the following in its 21 July 2009 news release and its June 2009 Quarterly Report in relation to settlement of its coal sales price for deliveries in the current Japanese Fiscal Year commencing 1 April 2009, and ending 31 March 2010 (hereinafter referred to in this Report as JFY2009):

PRCL Stock Exchange Announcement dated 21 July 2009

“Pike River has sold its premium hard coking coal for the current Japanese Fiscal Year ended 31 March 2010 at US\$128 per tonne. Pike River says that settlement at this level was anticipated and matches prices reported for benchmark premium hard coking coal achieved by major Australian coal producers.”*

PRCL Quarterly Report of June 2009

“Pike River HARD COKING COAL PRICE SETTLED

Pike River has settled sales prices for its premium hard coking coal with its Japanese steel mill and Indian shareholder customers² at US\$128 per tonne³ for deliveries in the current Japanese Fiscal Year ended 31 March 2010.

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

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

³ US\$127.90 per tonne is for 1.2% sulphur coal product.

MinAxis Pty Ltd (MinAxis) confirms that three signed PRCL coal sales contracts and one written PRCL sales confirmation were sighted and reviewed by MinAxis in July 2009. One of the signed contracts is with a major Japanese steel company, while the other two signed contracts are with Gujarat NRE Coal (NSW) Pty Limited (GNCPL) and Saurashtra Fuels Private Limited (SFPL). The written sales contract is with a second major Japanese steel company and at the time of this report was awaiting completion of the usual contract documentation. All three signed contracts and the written sales confirmation record that a contract price of US\$127.90 per tonne Free On Board (FOB) Lyttelton Port was agreed between the contract parties for deliveries of newly contracted tonnage in JFY2009. These settlements reflect typical levels (US\$128/t FOB) for contract prices settled between major parties for internationally traded premium grade hard coking coal.

A minor quantity of JFY 2009 coal contracted but not delivered has been carried over to JFY 2010 due to PRCL's inability to supply. The terms of the provision for such tonnage are typical of other major international party settlements for contract deliveries that have been similarly delayed from last year into JFY2009, and are both fair and reasonable to buyer and seller.



Furthermore, in MinAxis' view, the contracts sighted between PRCL and its Indian shareholders, GNCPL and SFPL showed terms which are fair and reasonable to all contract parties, and reflect typical levels (US\$128/t FOB) for contract prices settled at arms-length between major parties for internationally traded premium grade hard coking coal.

Review and Analysis of PRCL's Contract Price and Terms in JFY2009

Typical long-term contracts between major producers and buyers of internationally traded hard coking coal are structured in a relatively standard format which contain a number of clauses specifically defining the annual contract price in US\$/t FOB terms, coal specification at load port, price penalties for deviation on critical coal specification parameters as measured at load port, payment terms, shipping notice and loading terms, and legal jurisdiction. Additionally, hard coking coal with superior specification parameters (e.g. relatively low ash content) and strong coking, caking and plastic properties are typically priced at a premium to the price for average quality hard coking coal – usually referred to as “standard hard coking coal”.

MinAxis confirms that all three signed PRCL coal sales contracts and one written PRCL sales confirmation sighted and reviewed in July 2009 – comprising one signed contract and one written sales confirmation with major Japanese steel companies, and a signed contract each with Gujarat NRE Coal (NSW) Pty Limited (GNCPL) and Saurashtra Fuels Private Limited (SFPL), record agreement of a contract price of US\$127.90 per tonne Free On Board (FOB) Lyttelton Port for deliveries of Pike River Hard Coking Coal in the JFY2009.

- The agreed price of US\$127.90/t FOB for Pike River Hard Coking Coal is at a similar level as that reported settled between BHP Billiton and major North Asian steel companies for deliveries in JFY2009 of Goonyella premium hard coking coal brand, which represents the international premium hard coking coal price benchmark.
- The US\$127.90/t FOB price settled for Pike River Hard Coking Coal represents a premium of approximately US\$8/t over the price settled for standard hard coking coal grades in JFY2009.
- Contract prices settled in each of the three contracts are consistent with PRCL's stock exchange announcement of 21 July 2009, and that contained its June 2009 Quarterly Report.
- The agreed prices between PRCL and its coal purchasers in JFY2009 are fair and reasonable to all contract parties, and reflect typical levels for contract prices settled at arms-length between major parties for internationally traded premium grade hard coking coal.
- A minor quantity of JFY 2009 coal contracted but not delivered has been carried over to JFY 2010 due to PRCL's inability to supply. The terms of the



provision for such tonnage are typical of other major international party settlements for contract deliveries that have been similarly delayed from last year into JFY2009, and are both fair and reasonable to buyer and seller.

Additionally, in MinAxis's view and observation:

- All coal sales contracts sighted were subject to New Zealand law and jurisdiction.
- The contracts sighted are structured within fair and acceptable limits of standard internationally recognised contract format and terms.

Yours faithfully,

MinAxis Pty Ltd

A handwritten signature in black ink, appearing to read 'Graham Wailes', with a long horizontal flourish extending to the right.

Graham Wailes
Executive Director