



PIKE RIVER COAL

28 November 2010

UPDATE FROM PIKE RIVER COAL LTD

This update from Pike River Coal Limited addresses some information that the Company has already provided in interviews with reporters present in Greymouth at this time. It is provided for the purpose of bringing those matters together for more general release by the Company, including via the market release platforms of NZX and ASX.

There has been a fourth and significant explosion at the Pike mine at 1.42 today, Sunday and it appears that the resulting fire involves coal and gas. No one was injured. This explosion follows a less violent third explosion on Friday afternoon and appears to have been stronger than the second explosion that occurred on Wednesday afternoon.

Recovery operations at the mine continue under the control of the NZ Police working with industry experts and the Company and the plan remains to deploy the Gorniczny Agregat Gasniczy (GAG) jet engine tonight or in the morning to inject inert gas into the mine to put the fire out and enable access into the mine.

The Pike River Board had met on Friday and following that meeting Chairman John Dow said "Recovery of the 29 men lost in the Pike River mine remained the company's top priority".

"The Board, however, also had now to consider the company's wider situation", he said.

Various inquiries

Pike River Coal will continue to cooperate fully with all inquiries that are under way into the disaster at its mine. These include the coronial inquiry and that of the Department of Labour - both of which are being done with the assistance of the New Zealand Police - and the Commission of Inquiry, the terms of reference of which the company understands may be released by the Government this coming week.

Mr Dow said all staff members had been asked to provide all assistance to investigating authorities. "We are as determined as anyone else involved to find the reason or reasons for what has happened."

The Board discussed the importance of conducting a parallel internal inquiry so that the company could itself fully understand what had happened.

"If this internal inquiry turns up any information which would be of assistance to any of the other inquiries, we would of course make that known to Police investigators," Mr Dow said.

Employees and contractors

Pike River Coal held meetings with staff members during the week and discussed the payment of wages and other support and assistance. Mr Dow advised that force majeure notices had been issued to parties involved in its coal transport arrangements and the company would also be discussing its commercial relationships with other contractors and service providers.

Looking beyond the primary task of recovering the missing men, the Board also discussed the company's commercial circumstances. "It is imperative that the company be able to assess the level of damage to the mine as soon as possible in order to reach meaningful conclusions about the options available to us," Mr Dow said. This would involve undertaking any repairs, replacements and rebuilding work and an assessment of the commercial feasibility of resuming operations.

"None of that, however, can happen until the recovery operation is successfully completed and we can go back underground safely," he said. "Once we can get back underground, Pike will be an advanced development project, given that all surface infrastructure remains intact, including surface facilities, pipelines, the coal preparation plant, roading and rail load-out facilities at Ikamatua," Mr Dow said.

The Board, which adjourned Friday's meeting, met again over the weekend to continue the process of addressing the challenges the company faces".

Insurance

Pike has material damage and business-interruption insurance cover totalling NZ\$100 million. The nature of the cover involves various sub-limits and stand down periods which are common to such policies issued by international insurers.

"We have started the complicated process of preparing a claim which will be lodged soon" Mr Dow said adding, "much of this will require a damage assessment which we are not able to do until we can get back underground".

Support from funders welcomed

Pike is grateful for the significant support shown to it at this difficult time by its funders, BNZ and NZOG.

As announced by NZOG, that company and BNZ have provided Pike with a 90 day "stand-still" period which means that BNZ and NZOG as secured creditors won't act on events of default or review that otherwise would inevitably result from the explosions.

As part of these arrangements, NZOG has provided Pike with the balance of the \$25 million facility that NZOG had previously established,, with a further \$12 million made available.

Mr Dow said, "The Board of Pike River appreciates the breathing space that has been provided by the BNZ and NZOG. This will provide a period in which Pike can assess the implications of what has occurred and to plan the way forward for the business in an orderly

and considered manner, which will in turn provide the opportunity to achieve the best possible result for all stakeholders.”

Mr Dow noted, “The further funding and the coal that the Company has available for sale provide us with the basis to support our employees at this time and best assess our financial needs.”

Wider support

Mr Dow noted, “There has been an incredible outpouring of support in the last week for the families affected by this tragedy and also for the business itself. Peter Whittall and I are personally moved by all of this. It is heartening to see the level of public support for the funds that have been established for the families and the wider community.”

The Company has channelled its support to the registered charity established yesterday, the trustees of whom will include Peter Whittall, other community leaders and also a family representative.

Donations to this Fund are tax deductible. Its registration number is CC45758. This link gives further details of the registration:

<http://www.register.charities.govt.nz/CharitiesRegister/CharitySummary.aspx?id=65d5ecf2-15f8-df11-bae6-00155d741101>.

Donations to the Fund can be made by:

Direct credit to: Minter Ellison Rudd Watts Trust Account – for Pike River Miner’s Relief Fund
National Bank of New Zealand, Featherston Street, Wellington, New Zealand
Account Number: 06-0501-0121759-02

or by

Post to: Pike Miners Relief Fund, PO Box 2793, Wellington

More information

Pike will make further announcements as the state of its underground assets becomes known.

ENDS

Further information:

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