



PIKE RIVER COAL

24 February 2010

PIKE RIVER COAL ANNOUNCES NZ\$50 MILLION EQUITY ISSUE AND NEW BOND FUNDING

Pike River Coal Limited today announced:

- an intention to make an equity issue of ordinary shares to raise approximately NZ\$50 million;
- a binding agreement with its major shareholder - New Zealand Oil & Gas Limited (NZOG), to subscribe to a new convertible bond to refinance the existing US\$28.9 million bond facility, conditional on shareholder approvals;
- the grant of a two year option to NZOG to purchase Pike River coking coal at market prices negotiated annually. The maximum volumes would be the currently uncontracted coal quantities for the period to 31 March 2013 and up to 30% of annual coal production for the remainder of the Pike River mine life.

The new convertible bond and the coal contract option are each conditional, amongst other things, upon successful completion of the equity issue and approval by Pike River's shareholders. The convertible bond and the coal contract are interdependent, such that neither proceeds without the other. All conditions must be satisfied or waived by 30 June 2010. In the event that the bond facility and coal contract option were not to proceed, then a break fee of NZ\$1.2 million is payable to NZOG.

The equity issue is to provide working capital to complete the underground mine development until steady state production from hydro-monitor mining is achieved. It will include a substantial cash buffer of approximately NZ\$20 million to ensure additional operational flexibility during the build up to normal production levels.

Hydro-monitor mining using high pressure water to cut coal is the main mining technique Pike River will use and that is scheduled to be underway during the July-September quarter 2010.

Pike River is considering a rights issue of shares or placement. NZOG has agreed to support a NZ\$50 million equity-raising at its 29.5% interest, subject to a rights issue being fully underwritten, and also to subscribe to a new convertible bond for US\$28.9 million (approximately NZ\$42 million at current exchange rate of US\$0.70) allowing Pike River to repay its existing Liberty Harbor bond facility.*

The new bonds will mature in March 2012 and have the same conversion price and other conversion rights as the existing bonds (NZ\$1.24 per share when converted at exchange rate US\$0.70) and the same anti-dilution mechanism.

The coal contract option will not impact on existing coal contracts with Indian and Japanese customers. During this option period Pike River will still be able to sell into the spot market.

Pike River Chairman John Dow said "The independent directors have carefully weighed up the merits of NZOG's funding proposal and compared it to market alternatives. There are a number of advantages with the terms of the new convertible bond including a much better conversion price than alternatives thus minimizing equity dilution, no production condition, slightly lower interest at 10% and no establishment fees. In our view this adequately compensates Pike River for the grant of the coal contract option."

He also said “An independent expert report on the proposed new bond and coal contract option will be provided to Pike River shareholders in connection with the shareholder approvals to be sought in relation to those transactions at a special meeting expected to be held in the next 2 months”.

Gujarat NRE has also agreed to support a Pike River rights issue at its 7.55% interest, subject to such issue being fully underwritten.

NZOG has agreed to provide interim funding of up to NZ\$15 million to Pike River on commercial terms, to cover funding during the rights issue offer period. This funding is subject to Pike River securing appropriate commitments for the equity issue such as an underwriting agreement for a rights issue, and obtaining any other consents required from its lenders by 20 March 2010,

International demand for hard coking coal has significantly improved in the past year. Coal market commentators are currently forecasting premium hard coking coal prices in the range of US\$160 to US\$200 per tonne for the Japanese Fiscal Year 2010 (commencing 1 April 2010), prices which are markedly higher than the prior year.

Pike River’s first export shipment of 20,000 tonnes of premium hard coking coal was shipped to India on 19 February 2010.

* Pike River has the right to redeem the Liberty Harbor convertible bonds up to certain share price levels

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Pike River Coal owns the rights to a premium hard coking coal resource located 50 kilometres north-east of Greymouth, New Zealand. All of Pike River’s coal is used steel-making.

Pike River shares are quoted on the NZSX and the ASX under the code “PRC”; and options are quoted on the NZSX under code “PRCOA”, and the ASX under code “PRCO”.
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