



**PIKE RIVER COAL**

## Shareholder Briefings

November 2010

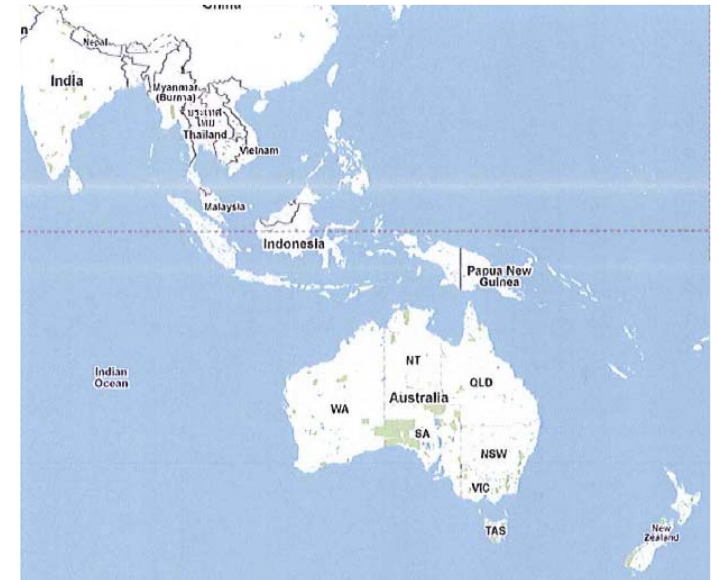
Peter Whittall – Chief Executive Officer



# Developing New Zealand's Coking Coal Resources



- Pike River Coal - independent producer
  - Listed on NZX/ASX in 2007
  - In NZX top 50
  - Market cap. ~NZ\$410m\*
- NZ's largest premium coking coal resource
  - 58.5 million tonnes in ground
  - 18 million tonnes saleable coal
- Significant upside potential
  - 11 million tonnes saleable coal (plus) from Brunner and Paparoa\*\* seams

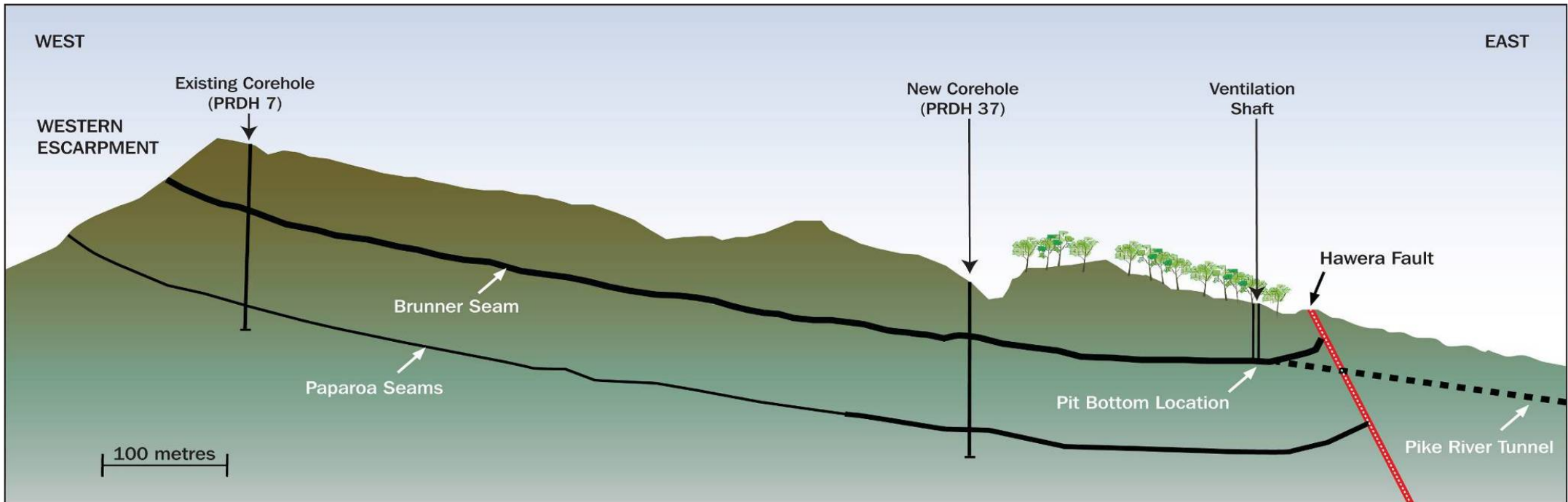


\*Share price NZ\$0.98 as at 10 November 2010

\*\*Paparoa seam is exploration potential and is not a JORC defined resource



# Pike River Underground Mine in Paparoa Ranges



# Roadway Development – Mining Machines

## ABM20 Continuous Miner

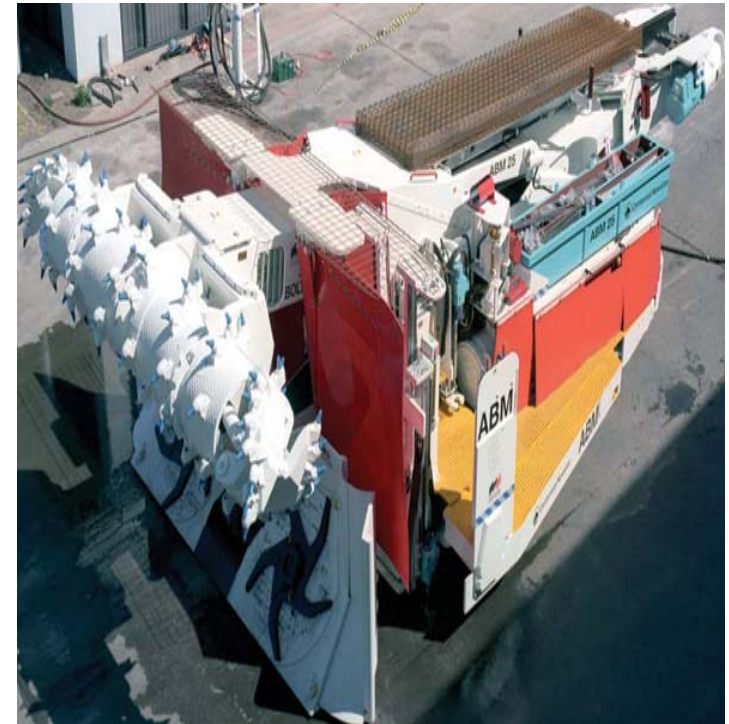
- Coal cutting machines boosted by leased ABM20 continuous miner
  - Single pass machine ideally suited for long, straight roadways
  - Commenced mining 8 August 2010
- A second ABM20 has been purchased, for NZ\$5m scheduled start date February 2011

## Roadheader

- Performance improving
- Fluming has been trialed from directly behind roadheader and shows rates will improve

## Continuous Miner

- Still making reasonable metres but not part of production forecast



ABM20 Continuous Miner

## Continuous Miners

### Two CMs

- Modifications required to improve availability
  - Replace electric with hydraulic drives
  - Redesign cutting head booms
- Further design modifications required to improve machine performance
- CM01 being overhauled and upgraded now – due end December 2010
- CM02 may be upgraded depending on CM01 and ABM20 performances



# Excellent Mining Conditions

- Roof support back to IPO expectation
- Roof and floor holding up well
- Coal cutting well





# Hydro Mining Status

- Roadways in hydro panel completed Aug 2010
- Hydro-mining infrastructure completed and commissioned
- Large excavations completed at pit bottom for water storage, sumps, hydro-pumps
- System currently running at 50% capacity as planned till underground water sumps complete in December 2010

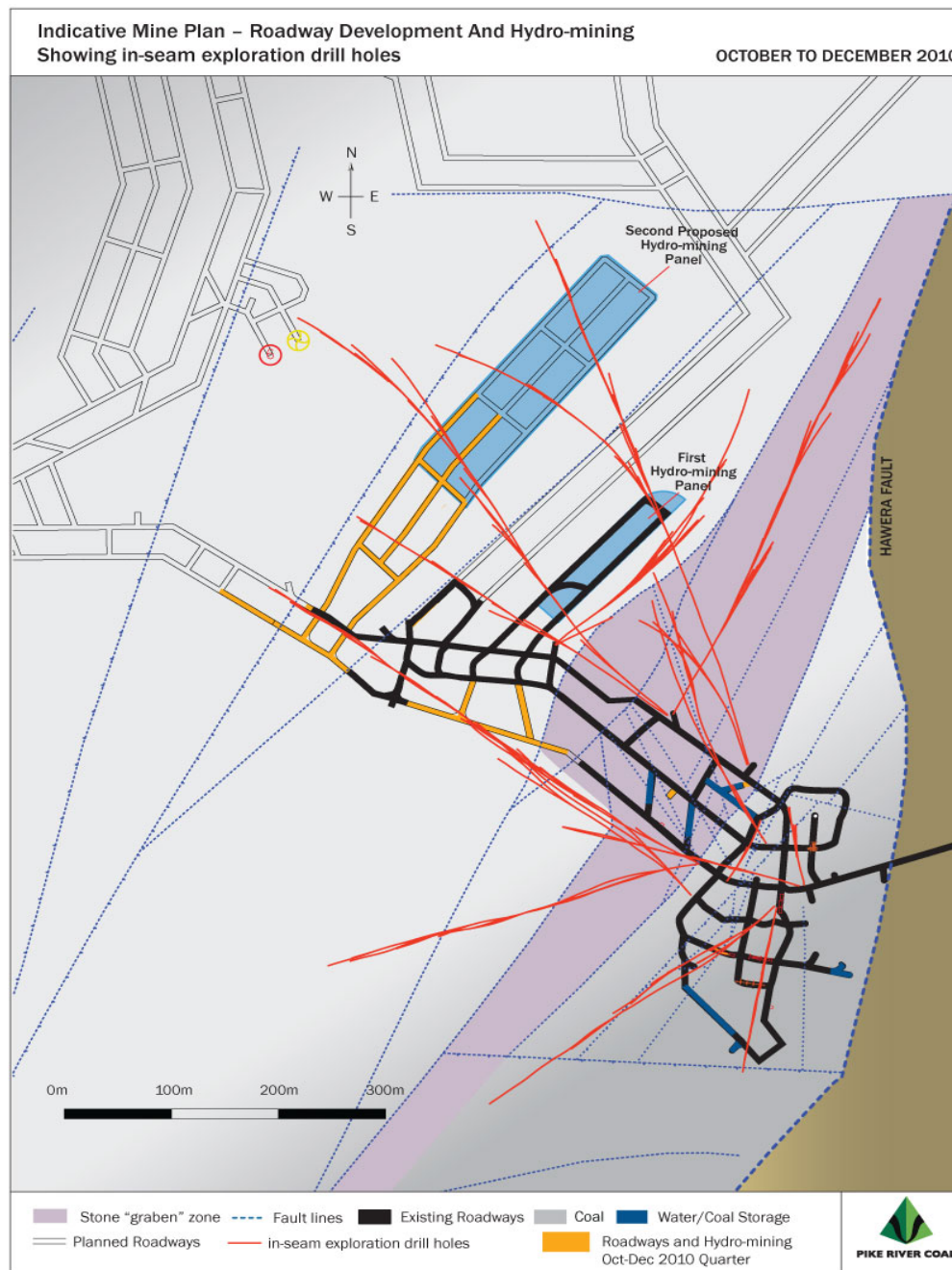


Hydro mining in action



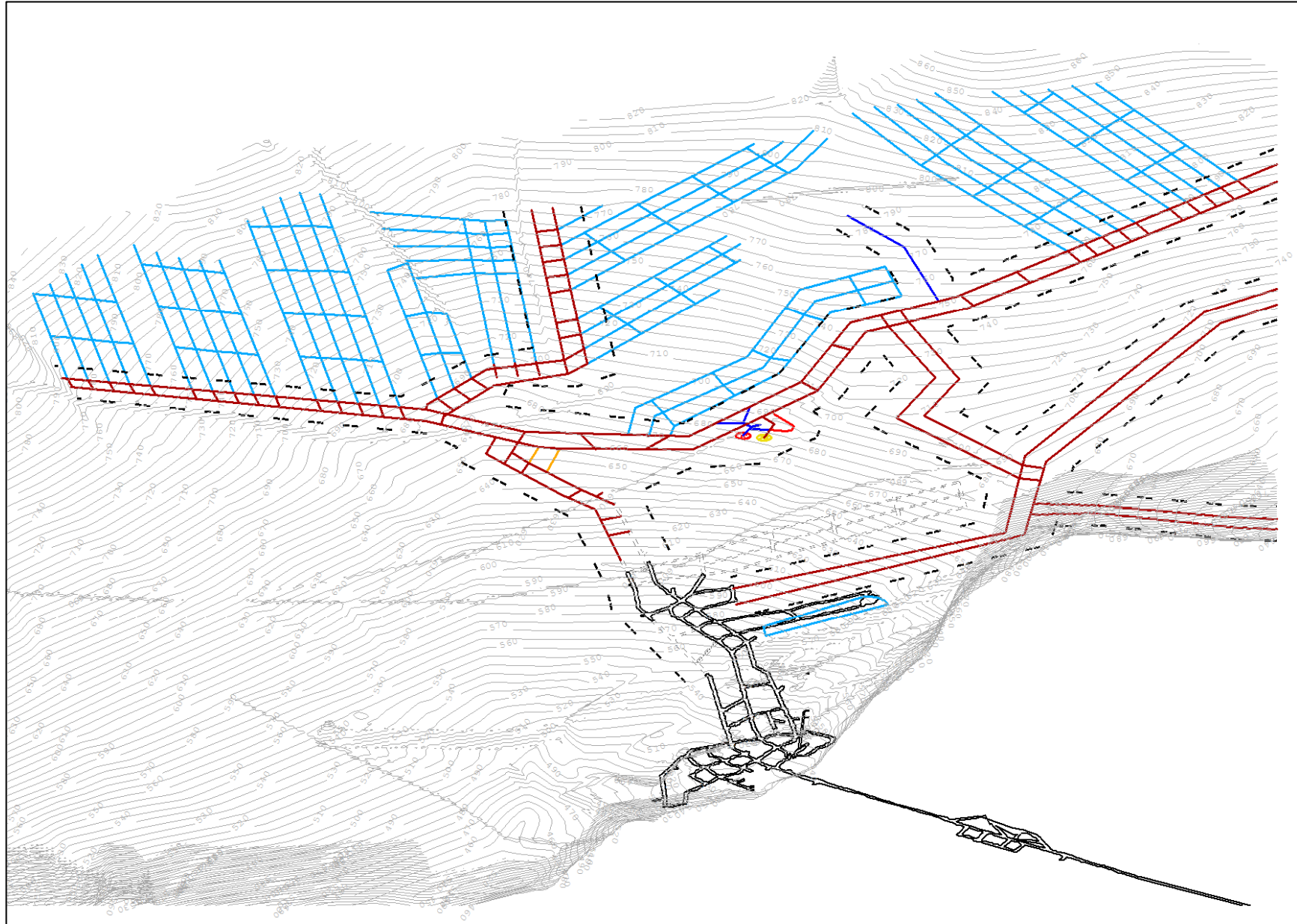
Hydro Monitor with "Guzzler"

# Development Strategy





# Extended Mine Plan

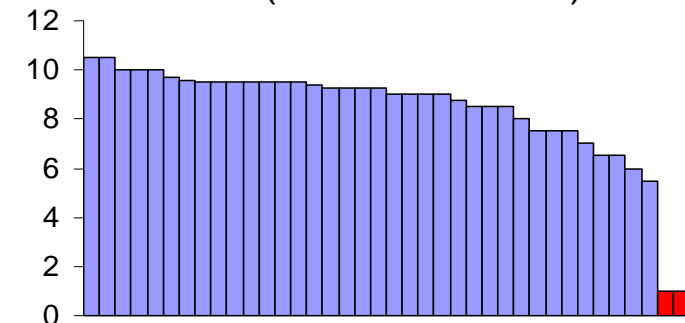


# Long Term Sales Contracts

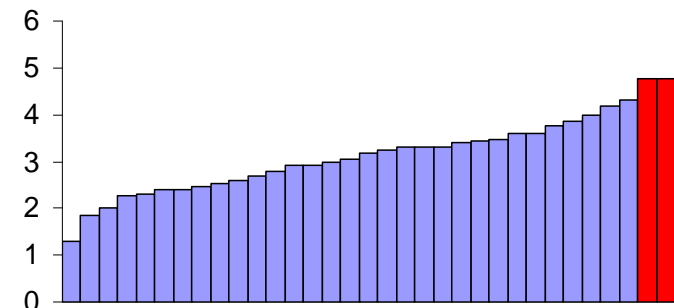
- International customer base
  - 77% to 100% sold for 3 years
  - 85% to 90% sold for life of mine
- Niche quality coal
  - Ultra low ash and moderate sulphur
  - Ultra high fluidity
  - Queensland premium HCC prices
- NZ \$4 billion of sales over mine life \*



**ASH (max % air dried)**



**MAX FLUIDITY (log 10)**



\* 17.6 million tonnes saleable coal assuming US\$136/t and long term FX 0.59 (ie historical average for NZ/USD cross). Excl. upside in Brunner and Papanoa

\*\* Coal quality graphs compare Pike River (red) to Australian hard coking coals (blue)  
Pike River will produce 1.2% and 1.9% sulphur products



# Coal Price

- Coal price achieved for February 2010 export shipment was US\$122 per tonne
- Industry moves to mixture of annual and quarterly coal price setting
  - Qtr ended Jun 10, US\$200/t (FOB)
  - Qtr ended 30 Sep 10, US\$225/t (FOB)
  - Qtr ended 31 Dec 10 US\$205/t (FOB)\*



Coal stockpile at Ikamatua for second export shipment

# Pike River Coal Export Chain

- 18 year contract with state coal producer Solid Energy for rail and port
- Priority right of use
- 18 year contract with TNL (trucking)
- NZ\$40 per tonne transport cost\*

\* subject to inflation adjustment



KiwiRail railing coal to Port Lyttelton



Pike River coal stockpile at coal preparation plant



Port Lyttelton coal stockpile and handling facility



# Lyttelton Export Shipments

- Second shipment sailed on 6 September amid ongoing aftershocks – a great effort by Port of Lyttelton
- Next Pike shipment ~ 60,000t December/January
- Pike premium hard coking coal used in steel-making process
  - Slightly higher ash content (3%)
  - Product ash will decrease as CPP fine-tuned



Train loading at Ikamatua

# Pike River Cashflow Margins

Average Per Tonne at Steady State	Estimate (NZ\$)
Sales price (FOB)	213
Less cash costs	
Mining	69
Transport	40
Royalties and overheads	17
	126
Margin (pre interest, tax and depreciation)	87

## Assumptions:

- 1 Sales price is US \$134 converted at NZD:USD 0.63 (broker consensus long term sales price and exchange rate).
- 2 Based on forecast annual saleable production averaging 1 million tonnes.
- 3 The mine does not yet have a full operating cost history.
- 4 Mining costs are based on budget. Transport costs are per the Solid Energy and TNL long term contracts, CPI adjusted.
- 5 Royalties are budgeted at NZ\$2 per tonne and are payable to the Crown in accordance with the Crown Minerals Act 1991 . Emissions Trading Scheme (carbon tax) is included under royalties and overheads at \$5 per tonne.
- 6 Broker consensus cash costs range between NZ\$111 and NZ\$132 per tonne.
- 7 The figures above do not include sustaining capital expenditure



# Striving for Environmental Excellence

- Pest & Predator Eradication programme Aug 2009 – Sept 2010 trapping season:
  - 83 stoats, 412 rats, 2 weasels, 400+ possums; 25 goats
- Blue Duck Enhancement Programme
  - Pike River contributes \$85,000 annually to help DoC protect this endangered species



# Zero Harm Workplaces

- Pike River Coal is a founding member of the Business Leaders' Forum on Workplace Health and Safety and on the Steering Committee
- The Forum has a vision of Zero Harm Workplaces
- Initiative of DoL
- Has CEOs of ACC and DoL on the Steering Committee but essentially industry driven forum
- Over 100 members with goal to make step-change in our workplaces



**Vision**

 Zero Harm Workplaces

**The Pledge**

<p><b>I will:</b></p> <ul style="list-style-type: none"><li>• Take personal responsibility for making health and safety a vital part of my business.</li><li>• Create a workplace where everyone views health and safety to be as natural and important as quality, profit and customer service.</li></ul>	<p><b>My organisation will:</b></p> <ul style="list-style-type: none"><li>• Hold itself <i>accountable</i> before its peers by <i>sharing</i> its health and safety performance.</li><li>• Constantly <i>improve</i> its health and safety performance.</li><li>• <i>Champion</i> health and safety – <i>inspiring</i> our people, suppliers and customers to create zero harm workplaces.</li><li>• <i>Build</i> workplaces which guarantee reported incidents will be investigated and <i>action</i> taken.</li></ul>	<p><b>The Forum will:</b></p> <ul style="list-style-type: none"><li>• Use its combined skill, experience and resources to <i>make</i> health and safety everyone's responsibility.</li><li>• <i>Combine</i> its strengths to improve people's ability to look after themselves and their families.</li><li>• <i>Be open</i> to initiatives from all sources which contribute to achieving <b>Zero Harm Workplaces</b>.</li></ul>
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MINISTER OF LABOUR

 **Business Leaders' Forum**  
WORKPLACE HEALTH & SAFETY



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