

Operations

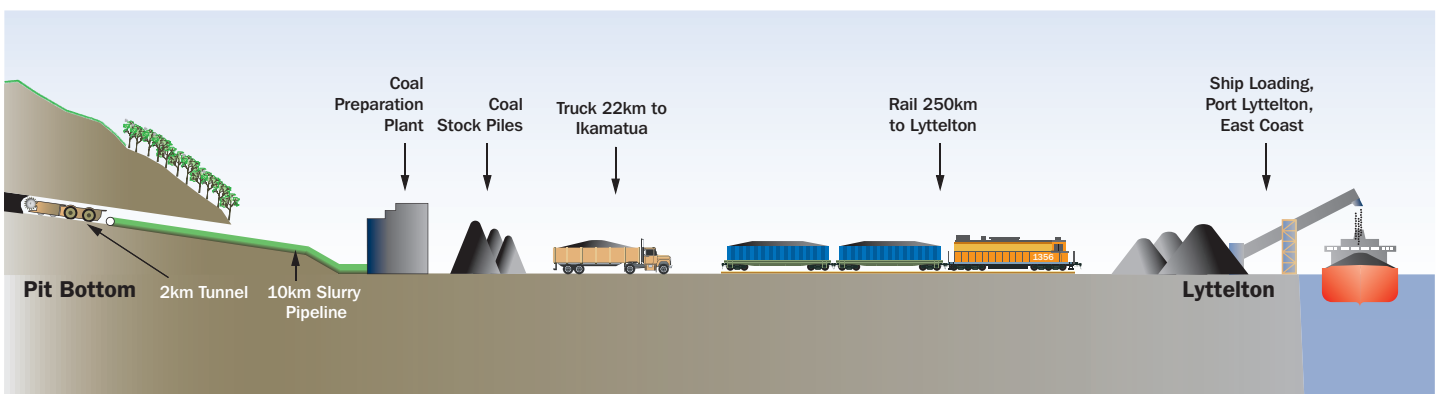
First Export Shipment

Pike River Coal's first export shipment of 20,000 tonnes of premium hard coking coal is due to depart Lyttelton in February 2010. One of Pike River's Indian customers will be the recipient of this inaugural cargo which has a value of approximately NZ\$3.4 million. Pike River's second export shipment, scheduled for the April - June 2010 quarter, will be around 40,000 tonnes.



Coal loading at the coal preparation plant

Trucking of coal from Pike River's Coal Preparation Plant to the new rail load out facility at Ikamatua has begun in preparation for the first export shipment of hard coking coal. The coal transport chain is shown below.



Key Points

- First Export Coal Shipment scheduled for February 2010
- Roadways Driven through Rock Graben by early February
- In-seam Drilling giving Good Results
- Hydro-Mining Production scheduled for Jul-Sep 2010 quarter
- Hard Coking Coal Spot Price at US\$180 per tonne

Pike River Coal's first export shipment is due to depart Lyttelton in February 2010

Trucking of coal to
Ikamatua has begun
in preparation for the
first export shipment

Export-ready
coal prior to
railing from
Ikamatua to
Port Lyttelton



Continuous Miner Improvements

In December 2009 Pike River announced that one of its continuous miners was returned to the mine face after a software upgrade to the new traction system. The upgrade was the final step in ensuring that this piece of machinery was fully operational. The continuous miner's performance has improved as expected for the conditions being encountered. Similar modifications were made to the second continuous miner which is ready to return to service as soon as a coal face is available for cutting. The continuous miners and the roadheader are the machines that cut coal to create mine roadways. Drill and blast operations are used where roadways need to be constructed through rock. Once the roadways have been constructed through the rock graben, all three machines will be in operation.

Progress Through Graben

Progress was made in 'drill and blast' construction of roadways through the rock graben immediately ahead of pit-bottom during the December quarter.

Roadways have now been advanced through 106 metres of rock (with a total of 269 metres of roadway construction in several headings) in a faulted zone (graben) with around 40 metres to cross before the roadway is back in coal. The graben was encountered immediately to the west and north of pit bottom last year by the underground in-seam drilling unit. Recent in-seam drilling to the north shows the graben to be approximately 150 metres wide. Completion of this part of the process by early February 2010, will allow direct access to the main hydro-mining areas in preparation for the commencement of hydro-mining production.

In-Seam Drilling Giving Good Results

In-seam drilling continues with the most notable result being the progress made with in-seam drill holes from the northern pit-bottom area to the first hydro-mining panels. As reported in the September quarterly update, one in-seam drill hole was completed in October to the western boundary of the graben and drilled a further 400 metres into the coal seam without intersecting any faulting. In the December quarter, a further in-seam drill hole was completed north of the current stone drives to intersect the western graben boundary. The current in-seam drill hole, targeting further north into the next hydro-mining area (to be mined 3 – 6 months after the initial panels) has now progressed to 378 metres and is delivering good information to update and validate the mine's geological model.

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Ramp-up to Hydro-Mining

Infrastructure needed for hydro-mining continued to be developed underground during the period. The first of the two mobile coal receiver/crushers ("Guzzler") was dispatched from Australia to the mine site in January 2010 along with the mobile roof support housing the high pressure coal cutting monitor. Other equipment not already on-site is tracking to schedule.

First hydro-mining was forecast in the company's August 2009 announcement for April-June 2010 quarter. Timing of first hydro-mining is dependent upon advance rates achieved through the graben, construction of raw coal sumps in that stone area and access roadways through coal. Commissioning of the hydro-mining system is now scheduled for June/July 2010. The impact is to defer approximately 120,000-150,000 tonnes of coal production to the July-September 2010 quarter.

Work Force

Following on from the recruitment of a new Production Manager (Michael Lerch) at the end of last year, Pike River has recently welcomed a highly experienced Operations Manager (Doug White) to the now 11-member management team.

Pike River has full recruitment of 150 staff required for the current stage of operations. The final recruitment phase will begin shortly and will bring on around 10 more staff mostly to support hydro-mining operations.

This quarter saw the completion of the initial trainee miner programme with 15 of our original 18 recruits completing their one-year training and being promoted to full miner status.

Three medically treated injuries, none serious, occurred during the December quarter.

Environmental

Pike River's pest and predator eradication programme, designed to create a safe habitat for native birds, resulted in 17 stoats and 229 rats being exterminated in the December quarter. Pike River strives to achieve industry best practice in environmental management. No significant environmental incidents occurred in the December quarter.



The Guzzler (mobile coal receiving and crushing unit)



Pike River employee certified as full miner

International Coal Market and Coal Prices

Pike River's first export shipment coincides with a buoyant and encouraging international market in which world coking coal prices are expected to rise even higher than previously forecast. International market observers anticipate that premium hard coking coal prices could rise by 40% from April 2010 (JFY 2010) to US\$180 per tonne. China is again driving demand and is expected to import more than 20 million tonnes of hard coking coal (premium and standard grades) in the 2010 calendar year. India, which is also heavily reliant on high grade coking coal imports to feed its steel-

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PIKE RIVER COAL

Pike River is well-placed to benefit from the current international demand

manufacturing industry, is increasingly becoming a major player in the market. India is also projected to import more than 20 million tonnes of hard coking coal in the 2010 calendar year, including more than six million tonnes of premium hard coking coal. Pike River is well-placed to benefit from the current international demand.

Note: Coal price data and China/India projections from MinAxis Pty Limited, January 2010.

Coal stockpile awaiting delivery to rail loadout facility at Ikamatua



Financing

The Pike River Board has been addressing the alternatives available for providing the necessary working capital and further details are due to be released in the next few weeks.

Emissions Trading Scheme

Parliament passed an act to revise the Emissions Trading Scheme (ETS) in November 2009. Under this legislation, Pike River is a mandatory participant in the ETS and will be subject to carbon costs on fugitive gas emissions from 1 July 2010. Pike River will measure actual emissions and apply for a unique emission factor as emissions from the Pike River mine are expected to be about one-quarter of the default levels otherwise used to calculate liabilities.

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For Electronic Reports

Investors should register at:

www.pike.co.nz/email_alerts.php

to receive reports, news releases and other company announcements via email on the day they are released.

Pike River website: www.pike.co.nz