PIKE RIVER COAL

PIKE RIVER COAL LIMITED

Results for announcement to the market – 24 February 2010

Reporting period: 6 months ended 31 December 2009

Previous reporting period: 6 months ended 31 December 2008

	6 months to 31 December 2009 *NZD 000's*	6 months to 31 December 2008 *NZD 000's*	Increase / (decrease) %
Operating revenue	-	-	0 %
Loss for the period from ordinary activities after tax attributable to security holders	(14,075)	(9,551)	(47) %
Net loss attributable to security holders	(14,075)	(9,551)	(47) %

	As at 31 December 2009	As at 31 December 2009	Increase / (decrease)
Net tangible assets per share [1]	$ 0.69	$ 0.73	(5) %

	Amount per security	Imputed amount per security
Interim/final dividend	n/a	n/a

Record date n/a

Dividend payment date n/a

[1] NTA per share is calculated with reference to the weighted average number of shares on issue during the relevant year (being 347,420,000 for the six months ended 31 December 2009 and 201,708,000 for the six months ended 31 December 2008)

Results for announcement to the market – 24 February 2010 (continued)

Reporting period: 6 months ended 31 December 2009

Previous reporting period: 6 months ended 31 December 2008

Pike River Coal Limited has reported a $14.1 million loss for the six month period ended 31 December 2009. Included is a $4.3m unrealised exchange gain relating to currency movements on the USD denominated convertible bond, $3.8m depreciation and amortisation charge and $2.6m of interest expense.

The income tax benefit of $5.9m is comprised of 30% tax value of the net loss adjusted for non deductible items. This benefit is recognised in the income statement as the company will generate taxable profits in the immediate future.

In accordance with the company's accounting policy, a total of $6.8m post production costs for pit-bottom roadway construction have been reclassified from operating costs to production assets for the financial reporting period. These costs will be written off over the mine life on a units of production basis.

A further $14.6m cash was invested in mine assets in the financial reporting period. The total investment in mine assets at balance date was $279.3m, this is net of depreciation and amortisation expense of $6.2m.

The results for this period reflect the fact that the mine was in development phase. Once hydro-mining is underway in the July-September 2010 quarter, the typical export shipment size of premium hard coking coal will be approximately 60,000 tonnes. Once full production rates from hydro-mining are achieved, the mine is expected to produce an average of approximately 1 million tonnes of premium hard coking coal a year.

Accompanying this announcement are the company's interim financial statements for the period ended 31 December 2009 that have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). The financial statements give a true and fair view of the matters to which they relate and our auditors (KPMG) have reviewed the financial statements and their review report is attached to the financial statements.

This announcement together with the attached financial statements provide the information required in accordance with NZX Listing Rule 10.4.2, Appendix 1.

Further information:

Gordon Ward +64 4 494 0190
Chief Executive and Managing Director

PIKE RIVER COAL LIMITED

Supplementary Items to Accompany Half-Year Report
(ASX Listing Rule 4.2A.2)

1. Directors. During the half-year the directors of Pike River Coal Limited were:

   Mr John Dow
   Prof Ray Meyer
   Mr Gordon Ward
   Mr Tony Radford
   Mr Dipak Agarwalla
   Mr Arun Jagatramka
   Mr Stuart Nattrass

   Mr Sanjay Loyalka was appointed an alternate director (for Mr A Jagatramka) on 16 December 2009.

2. Directors Declaration. The directors resolved on the 23 February 2010

   THAT in the opinion of the directors of Pike River Coal Limited:

   (A) The financial statements and notes, set out in pages 1 to 25 of the Condensed Interim Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZGAAP') and comply with New Zealand equivalents to International Financial Reporting Standards ('NZIFRS').

   (B) The financial statements for the six months to 31 December 2009 and the notes to those financial statements give a true and fair view of the financial position and performance of the company, and

   (C) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated this 24th day of February 2010

Gordon Ward - Director

Pike River Coal Limited

Interim Financial statements

For the half year ended 31 December 2009

Contents

Interim statement of comprehensive income

In thousands of New Zealand dollars	*Note*	Group 6 months ended 31 December 2009 *(unaudited)*	Group 6 months ended 31 December 2008 *(unaudited)*	Group 12 months ended 30 June 2009 *(audited)*
Revenue		-	-	5
Cost of Sales		(2,656)	-	-
Gross income/(loss)		**(2,656)**	**-**	**5**
Other income		-	-	-
Operating expenses		(9,789)	(33)	(653)
Marketing expenses		(268)	-	-
Administrative expenses	*5*	(8,762)	(4,519)	(10,565)
Operating loss from operating activities		**(21,475)**	**(4,552)**	**(11,213)**
Financial income	*6*	4,406	4,003	5,009
Financial expenses	*6*	(2,868)	(12,827)	(10,625)
Net financing income/(costs)		**1,538**	**(8,824)**	**(5,616)**
Loss before income tax		**(19,937)**	**(13,376)**	**(16,829)**
Income tax benefit	*7*	5,862	3,825	3,811
Loss for the period and total comprehensive loss for the period		**(14,075)**	**(9,551)**	**(13,018)**
Loss per share				
Basic/Diluted (cents per share)	*22a/22b*	(4.05)	(3.38)	(4.42)

The notes on pages 7 to 25 are an integral part of these financial statements.

Interim statement of changes in equity

In thousands of New Zealand dollars	*Note*	Share capital	Retained earnings	Total equity
Group (unaudited)				
Balance at 1 July 2008		218,032	(179)	217,853
Total loss for the period and total comprehensive loss for the period				
Profit/(loss) for the period		-	(9,551)	(9,551)
Contributions from owners				
Issue of share capital	*20*	3,457	-	3,457
Value of employee services received	*20*	411	-	411
Balance at 31 December 2008		221,900	(9,730)	212,170
Group (audited)				
Balance at 1 July 2008		218,032	(179)	217,853
Total loss for the period and total comprehensive loss for the period				
Profit/(loss) for the period		-	(13,018)	(13,018)
Contributions from owners				
Issue of share capital	*20*	47,372	-	47,372
Value of employee services received	*20*	686	-	686
Balance at 30 June 2009		266,090	(13,197)	252,893
Group (unaudited)				
Balance at 1 July 2009		266,090	(13,197)	252,893
Total loss for the period and total comprehensive loss for the period				
Profit/(loss) for the period		-	(14,075)	(14,075)
Contributions from owners				
Issue of share capital	*20*	443	-	443
Value of employee services received	*20*	348	-	348
Balance at 31 December 2009		266,881	(27,272)	239,609

The notes on pages 7 to 25 are an integral part of these financial statements.

Interim balance sheet

In thousands of New Zealand dollars	*Note*	Group As at 31 December 2009 *(unaudited)*	Group As at 31 December 2008 *(unaudited)*	Group As at 30 June 2009 *(audited)*
Assets				
Property, plant and equipment	*8*	91,788	49,471	47,851
Tangible mine development assets	*9*	44,823	182,350	217,863
Production assets	*10*	136,693	-	-
Intangible assets	*11*	6,043	4,909	5,439
Bonds and deposits	*12*	2,814	4,390	3,474
Deferred tax assets	*13*	11,804	5,956	5,942
Total non-current assets		**293,965**	**247,076**	**280,569**
Cash and cash equivalents	*14*	10,879	22,371	21,746
Trade and other receivables	*15*	1,422	3,532	1,667
Inventories	*16*	7,257	686	2,385
Total current assets		**19,558**	**26,589**	**25,798**
Total assets		**313,523**	**273,665**	**306,367**
Liabilities				
Provisions	*18*	1,038	1,269	916
Convertible bonds	*19a*	-	46,200	42,096
Secured bank facilities	*19b*	14,135	-	-
Total non-current liabilities		**15,173**	**47,469**	**43,012**
Trade and other payables	*17*	8,783	13,522	9,756
Convertible bonds	*19a*	39,036	-	-
Secured bank facilities	*19b*	10,000	-	-
Employee benefits		922	504	706
Total current liabilities		**58,741**	**14,026**	**10,462**
Total liabilities		**73,914**	**61,495**	**53,474**
Net assets		**239,609**	**212,170**	**252,893**
Equity				
Share capital	*20*	266,881	221,900	266,090
Retained earnings		(27,272)	(9,730)	(13,197)
Total equity		**239,609**	**212,170**	**252,893**

John Dow (Chairman)

Date: 23 February 2010

Stuart Nattrass (Director)

Date: 23 February 2010

The notes on pages 7 to 25 are an integral part of these financial statements.

Interim statement of cash flows

In thousands of New Zealand dollars	Note	Group 6 months ended 31 December 2009 *(unaudited)*	Group 6 months ended 31 December 2008 *(unaudited)*	Group 12 months ended 30 June 2009 *(audited)*
Cash flows from operating activities				
Cash paid to suppliers and employees		(20,278)	(7,491)	(6,152)
Interest received		282	2,895	2,319
Interest paid		(1,467)	(2,127)	(3,169)
Net cash from/(used in) operating activities	*27*	**(21,463)**	**(6,723)**	**(7,002)**
Cash flows from investing activities				
Acquisition of tangible mine development assets		(13,266)	(35,544)	(77,384)
Acquisition of intangible mine development assets		(291)	-	-
Acquisition of production assets		(604)	(212)	(2,334)
Acquisition of plant, property and equipment		(486)	-	(117)
Repayment of bonds and deposits		660	660	1,320
Payment of bonds and deposits		-	-	-
Net cash from/(used in) investing activities		**(13,987)**	**(35,096)**	**(78,515)**
Cash flows from financing activities				
Proceeds from issue of share capital	*20*	448	281	43,354
Repayment of loans	*19b*	(406)	-	-
Loan drawdowns	*19b*	24,541	-	-
Net cash from/(used in) financing activities		**24,583**	**281**	**43,354**
Net (decrease)/increase in cash and cash equivalents		**(10,867)**	**(41,538)**	**(42,163)**
Opening cash and cash equivalents		21,746	63,909	63,909
Closing cash and cash equivalents		**10,879**	**22,371**	**21,746**

The notes on pages 7 to 25 are an integral part of these financial statements.

Notes to the financial statements

1. Reporting entity

Pike River Coal Limited ('Pike River' or 'Company') is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ('NZSX') and Australian Stock Exchange ('ASX'). Pike River is an issuer in terms of the Financial Reporting Act 1993.

The unaudited condensed interim Group financial statements (the Group financial statements) of Pike River Coal Limited as at and for the six months ended 31 December 2009 comprise the Company and its subsidiary (together referred to as the 'Group').

The Group is primarily involved in the exploration and evaluation, development, and production of coal.

2. Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ('NZGAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZIFRS'), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ('IFRS').

These financial statements were approved by the Board of Directors on 23 February 2010.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is the Group's functional currency. Unless otherwise indicated, all financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 8 – Property, plant and equipment
- Note 10 – Production assets
- Note 11 – Intangible assets
- Note 18 – Provisions
- Note 21 – Share based payments
- Note 25 - Commitments

(e) Adoption status of relevant new NZIFRS and Interpretations

The Group has elected not to early adopt the following relevant standards which have been issued but are not yet effective:

- NZ IFRS 2 *Share-based payment* – revision approved in August 2009 and effective for annual reporting period beginning or after 1 January 2010.
- NZ IFRS 9 *Financial instruments:* and effective for annual reporting period beginning on or after 1 January 2013.
- NZ IAS *Related party disclosures (revised 2009)* -approved November 2009 and effective for annual reporting beginning or after 1 July 2011.
- NZ IAS *32 Amendment: Financial instrument: Classification of rights issues*-approved October 2009 and effective for annual reporting beginning on or after 1 February 2010.
- NZ IFRIC 19 *Extinguishing financial liabilities with equity instruments*-approved December 2009 and effective for annual reporting beginning on or after 1 July 2010.

Upon adoption, these standards are not expected to have a material impact on the Group's financial statements.

3. Significant accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") for interim financial statements and in particular NZ IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all of the information as required for full annual statements, however the following accounting policies have been stated in full.

Notes to the financial statements

(a) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. The cost also includes dismantling and site rehabilitation costs to the extent that these are recognised as a provision.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Leased assets

Leases in terms of which Pike River the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at any amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on Pike River the Group's balance sheet.

Lease payments are accounted for as described in accounting policy (f),

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Pike River the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

(iv) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The useful life of such equipment is dependant upon future production and remaining reserves. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

➢ Technical and computer equipment	2 to 5 years
➢ Plant and equipment	4 to 18 years
➢ Motor vehicles and trucks	5 years
➢ Office furniture and fittings	5 to 8 years
➢ Buildings	18 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(b) Production, Mine Development, Exploration and Evaluation Expenditure

Expenditure incurred on coal 'areas of interest' is accounted for using the successful efforts method. An area of interest is defined by the Group as being a licence or permit area. Exploration and evaluation expenditure is written off in the income statement under the successful efforts method of accounting in the period that exploration work demonstrates that an area of interest, or any part thereof, is no longer prospective for economically recoverable resources or when the decision to abandon an area of interest is made.

(i) Production assets

Production assets comprise development costs (excluding expenditure on property, plant and equipment) incurred in relation to areas of interest in which coal production has commenced. Expenditure on production assets is amortised using the production output method resulting in an amortisation charge proportional to the depletion of economically recoverable proven resources. Where such costs are considered not to be fully recoverable under existing conditions, an amount is provided to cover the shortfall in accordance with the impairment testing requirements stated under note (e).

(ii) Development interests

Development interests comprise both tangible costs (mining development assets) and intangible costs (intangible development assets) incurred on areas of interest in which economically recoverable resources have been identified and which are being developed for production. Such costs include direct costs plus overhead expenditure incurred which can be directly attributable to the development process. All development costs incurred prior to the commencement of commercial levels of coal production from each area of interest are capitalised. No amortisation is provided in respect of development assets until they are reclassified as production interests following commencement of coal production. The carrying amounts are subject to impairment testing in accordance with note (e). Intangible assets not yet available for use must be tested for impairment annually.

(iii) Exploration and Evaluation interests

Exploration and evaluation interests comprise both tangible and intangible costs incurred in areas of interest for which rights of tenure are current and:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively, by its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable resources, and active and significant operations in, or in relation to, these areas are continuing.

The ultimate value of areas of interest is contingent upon the results of further exploration and agreements entered into with other parties and also upon meeting commitments under the terms of permits granted and any other related agreements.

Certain intangible exploration and evaluation costs, including the costs of acquiring mining licenses and resource consents, are capitalised as intangible exploration and evaluation assets ('E&E assets') pending determination of the technical feasibility and commercial viability of the project. The technical feasibility and commercial viability of extracting a mineral resource is considered to be determinable when proven reserves are determined to exist. When a license is relinquished or a project is abandoned, the related costs are recognised in the income statement. If the project proceeds to the development phase when economically recoverable reserves are determined, the tangible and intangible E&E assets are first assessed for impairment before they are reclassified to 'mining development assets' and 'intangible development assets' respectively. The carrying amounts of E&E assets are subject to impairment testing in accordance with note (e).

(iv) Research

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement when incurred.

(c) Intangible assets

(i) Intangible development assets

Intangible development assets comprise definite life intangible E&E assets previously capitalised and then reclassified when economically recoverable resources are determined. It also includes any subsequent development costs incurred that are of an intangible nature. The intangible development assets are stated at cost less accumulated impairment losses. No amortisation is provided in respect of these assets until they are reclassified as production assets following commencement of coal production.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

(iii) Amortisation

Amortisation is recognised in the income statement on a straight-line basis over the estimated useful lives of intangible assets, with the exception of intangible development assets which are not amortised until production commences, after which they are amortised using the production output method.

(d) Inventories

Inventories of saleable coal are valued at the lower of weighted average cost or net realisable value. Costs include direct material, labour and transportation expenditure incurred in getting such inventories to their existing location and condition, together with an appropriate portion of overhead expenditure. Inventories of materials, consumable supplies and maintenance spares expected to be used in production are valued at weighted average cost. Surplus and obsolete inventories are valued at net realisable value if lower than cost. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(e) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

(i) Impairment of receivables (including bonds, deposits and advances)

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than, inventories, E&E assets and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iii) Exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when:

- the period of exploration right has expired or will expire in the near future,
- substantive expenditure on further development or exploration for mining coal in the specific area is neither budgeted or planned,
- exploration for and evaluation of coal in the specific area have not led to the discovery of commercially viable quantities, or
- the Group has decided to discontinue such activities in the area or there is sufficient data to indicate that the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by production and sale.

(f) Lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

There has been no change in accounting policies, presentation and methods of computation contained within in the condensed interim consolidated financial statements since the company's latest annual audited financial statements.

4. Segment reporting

The Group currently operates within one primary segment, being the operation of a coal mine based near Greymouth on the West Coast of the South Island, New Zealand. Sales revenues are expected to be initially derived primarily through sales of coal to the Asia Pacific region.

5. Administrative expenses

The following items of expenditure are included in administrative expenses:

		Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars	*Note*	*(Unaudited)*	*(Unaudited)*	*Audited)*
Auditors remuneration:				
- audit of financial statements		(23)	(51)	(70)
- other audit-related services		-	(1)	-
- fees for tax advisory services		(65)	(53)	(133)
Total auditors remuneration		**(88)**	**(105)**	**(203)**
TSA termination expenses	*(i)*	-	(770)	(1,934)
Value of employee services provided	*20*	(348)	(411)	(686)
Depreciation/ amortisation		(3,785)	(534)	(2,137)
Other administrative expenses	*(ii)*	(4,541)	(2,699)	(5,605)
		(8,762)	**(4,519)**	**(10,565)**

(i) TSA termination expenses

There were no Transport Services Agreement (TSA) expenses to 31 December 2009. As part of settlement reached with Port Westland Limited and the Grey District Council ('GDC') following termination of the TSA. Pike River has agreed to contribute a further $387,000 to the GDC between balance date and 31 March 2010.

(ii) Other administrative expenses

Employee benefits totalling $1,955,000 were paid by Pike River during the current period (31 December 2008: nil).

Notes to the financial statements

6. Net finance costs

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Interest income on bank deposits	192	1,643	2,033
Realised foreign exchange gains	18	31	2841
Unrealised foreign exchange gains	4,331	2,186	-
Net change in fair value of derivatives	(135)	143	135
Financial income	*4,406*	*4,003*	*5,009*
Interest expense on financial liabilities	(2,570)	(1,908)	(3,520)
Realised foreign exchange losses	-	(83)	-
Unrealised foreign exchange losses	-	(10,805)	(6,211)
Unwind of discount on provisions	(30)	(21)	(50)
Amortisation of discount on convertible bonds	(170)	-	(844)
Other finance expenses	(98)	(10)	-
Financial expenses	*(2,868)*	*(12,827)*	*(10,625)*
Net finance income (costs)	1,538	(8,824)	(5,616)

7. Income tax in the income statement

Income tax on the face of the income statement comprises:

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Current tax			
Current period	-	-	-
Adjustment for prior periods	-	-	-
	-	-	-
Deferred tax			
Recognition of current period tax losses	9,786	3,942	7,301
Origination and reversal of temporary differences	(3,924)	(117)	(5,016)
Recognition of previously unrecognised tax losses	-	-	2,546
Derecognition of previously recognised tax losses	-	-	(1,020)
	5,862	3,825	3,811
Total income tax	5,862	3,825	3,811

Notes to the financial statements

The Group's tax rate is 30%. Income tax on the face of the income statement is different from the standard rate of corporate tax and is reconciled as follows:

Reconciliation of effective tax rate	Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
	(Unaudited)	*(Unaudited)*	*Audited)*
In thousands of dollars			
Loss before income tax	**(19,937)**	**(13,376)**	**(16,829)**
Income tax @ 30% tax rate	5,981	4,013	5,049
Add/(deduct):			
Recognition of tax losses previously unrecognised	-	-	2,546
Non-deductible expenses	(119)	(188)	(223)
Temporary differences previously not recognised	-	-	(2,541)
Derecognition of tax losses previously recognised	-	-	(1,020)
Total income tax	**5,862**	**3,825**	**3,811**

8. Property, plant and equipment

In thousands of dollars	Land	Buildings, plant & equipment	Motor vehicles	Office furniture & fittings	Total
Group					
Six months ended 31 December 2009					
Opening net carrying amount	65	47,588	78	120	47,851
Additions	-	428	38	20	486
Transfers in from mine development assets	-	47,073	-	-	47,073
Depreciation charge	-	(3,600)	(10)	(12)	(3,622)
Closing net carrying amount	**65**	**91,489**	**106**	**128**	**91,788**
As at 31 December 2009					
Cost or deemed cost	65	97,428	145	168	97,806
Accumulated depreciation	-	(5,939)	(39)	(40)	(6,018)
Net carrying amount	**65**	**91,489**	**106**	**128**	**91,788**
Group					
Six months ended 31 December 2008					
Opening net carrying amount	65	150	12	19	246
Additions	-	40	33	61	134
Transfers in from mine development assets	-	49,625	-	-	49,625
Depreciation charge	-	(518)	(6)	(10)	(534)
Closing net carrying amount	**65**	**49,297**	**39**	**70**	**49,471**
As at 31 December 2008					
Cost or deemed cost	65	49,969	84	146	50,264
Accumulated depreciation	-	(744)	(23)	(26)	(793)
Net carrying amount	**65**	**49,225**	**61**	**120**	**49,471**
Group					
12 months ended 30 June 2009					
Opening net carrying amount	65	78	34	69	246
Additions	-	110	-	7	117
Transfers in from mine development assets	-	49,513	56	56	49,625
Depreciation charge	-	(2,113)	(12)	(12)	(2,137)
Closing net carrying amount	**65**	**47,588**	**78**	**120**	**47,851**
As at 30 June 2009					
Cost or deemed cost	65	49,927	107	148	50,247
Accumulated depreciation	-	(2,339)	(29)	(28)	(2,396)
Net carrying amount	**65**	**47,588**	**78**	**120**	**47,851**

Notes to the financial statements

9. Tangible mine assets

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Opening balance	217,863	188,080	188,080
Additions	10,882	43,895	81,826
Transfers out to property, plant and equipment	(47,073)	(49,625)	(49,625)
Transfers out to production interests	(136,849)	-	-
Amounts written off	-	-	(2,418)
Closing balance	**44,823**	**182,350**	**217,863**

Tangible mine assets balance comprises of assets that have not yet been commissioned, therefore no depreciation has been charged during the period.

During the six months to 31 December 2009 $47,073,000 has been transferred from tangible mine assets to property, plant & equipment and $136,849,000 has been transferred from tangible mine assets to production interests.

10. Production assets

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Opening balance	-	-	-
Transfers in from mine development assets	136,849	-	-
Amortisation charge	(156)	-	-
Closing balance	**136,693**	**-**	**-**

Production interests comprise development costs (excluding plant, property and equipment) incurred in relation to areas of interest in which coal production has commenced. Amortisation has been charged based on the production output methodology.

Included in the six months to 31 December 2009 is $6.8 million of post production costs for pit-bottom roadway construction which will be used and amortised over the 18 year mine life. Costs for the two months to 31 August 2009 were capitalised and all subsequent costs have been expensed.

11. Intangible assets

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Opening balance	5,439	3,105	3,105
Additions	611	1,804	2,334
Amortisation	(7)	-	-
Closing balance	**6,043**	**4,909**	**5,439**

Production assets primarily comprise expenditure that Pike River has been required to make in order to obtain rights of access or operation in relation to key items of infrastructure or land necessary for operation of the coal mine. To the extent that this expenditure gives rise to long term future economic benefits it is capitalised and amortised.

12. Bonds and deposits

In thousands of dollars	Note	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Bonds	*(i)*	2,324	2,249	2,324
Deposits	*(ii)*	490	2,141	1,150
		2,814	**4,390**	**3,474**

Notes to the financial statements

(i) *Bonds*

Bonds of $1,049,000 (31 December 2008: $1,049,000) have been lodged with the Department of Conservation ('DOC') in accordance with the conditions of access agreement permits granted to Pike River. In the event access agreement conditions are not maintained, the bonds may be forfeited.

Similarly, bonds of $1,200,000 (31 December 2008: $1,200,000) have been lodged with various local body authorities in accordance with conditions attaching to resource consents issued to Pike River. In the event that resource consent conditions are not maintained, the bonds may be subject to forfeiture.

There is also a $75,000 (31 December 2008: $75,000) bond retained in favour of the New Zealand Exchange Limited. The bond is required to be maintained as part of Pike River's continued listing on the New Zealand Stock Exchange.

(ii) *Deposits*

A cash-backed third party guarantee has been provided to Westpower Limited ('Westpower') in relation to an agreement for supply and installation of high voltage electricity supply infrastructure to the mine. Under the terms of the third party guarantee Pike River has $490,000 (31 December 2008: $1,810,000) of cash lodged with ANZ National Bank Limited ('ANZ') (the provider of the guarantee) as at 31 December 2009. Cash lodged with ANZ to secure the guarantee is refunded by ANZ to Pike River on a monthly basis in line with Pike River's fulfilment of its monthly obligations under the Westpower infrastructure supply agreement.

13. Deferred tax

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Recognised deferred tax assets and liabilities	Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
	(Unaudited)	*(Unaudited)*	*Audited)*
In thousands of dollars			
Deferred tax assets			
Opening balance	11,092	2,145	2,131
Current period tax losses	9,786	3,942	7,301
Value of previously unrecognised tax losses	-	-	2,546
Derecognition of previously recognised tax losses	-	-	(1,020)
Provisions	72	15	134
Total Deferred tax assets	**20,950**	**6,102**	**11,092**
Deferred tax liabilities			
Mine development assets	(9,146)	(146)	(5,150)
Other	-	-	-
Total deferred tax liabilities	**(9,146)**	**(146)**	**(5,150)**
Net deferred tax asset	**11,804**	**5,956**	**5,942**

As at 31 December 2009, with coal production underway and following assessment of the coming financial year's likely results, a deferred tax asset in relation to carry-forward tax losses has been recognised given the probability that sufficient future taxable profits will be generated to offset these tax losses.

14. Cash and cash equivalents

Cash and cash equivalents	Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Bank balances	879	7,223	3,810
Deposits	10,000	15,148	17,936
	10,879	22,371	21,746

Notes to the financial statements

15. Trade and other receivables

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Prepayments	901	2,341	717
GST receivable	476	935	836
Other receivables	45	256	114
	1,422	3,532	1,667

16. Inventories

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Coal stock	3,272	205	734
Mine consumables and spare parts	3,985	481	1,651
	7,257	686	2,385

17. Trade and trade payables

In thousands of dollars	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Trade payables	4,222	6,419	5,261
Accruals	4,355	7,103	4,101
Other creditors	206	-	394
	8,783	13,522	9,756

Trade and other payables denominated in currencies other than the functional currency for the current period comprise AUD $1,799,000 (31 December 2008: AUD $1,997,000, EUR $110,000, JPY ¥9,360,000, USD $738,000 and ZAR R8,000).

18. Provisions

In thousands of shares	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Opening balance	916	676	676
Provision made during the period	-	321	321
Unwind of discount	30	21	50
Impact of change in discount rate	92	251	(131)
Closing balance	1,038	1,269	916

Under an agreement with DOC, Pike River is obliged to rehabilitate any affected land area to an approved condition once coal production from the Pike River mine has ceased. This provision represents the costs expected to be incurred to rehabilitate areas where mine development work has occurred as at balance date.

Because of the long term nature of this liability, the biggest uncertainty in estimating the provision is the quantum of costs that will be incurred to rehabilitate the affected areas. In particular, Pike River has assumed that the site will be restored using technology and materials that are available currently.

The provision has been calculated using a discount rate of 6.10 % as at 31 December 2009 (30 June 2009: 6.67%) The expected remaining life of mine used in the determination of the provision is estimated at 17.5 years as at 31 December 2009 (30 June 2009: 18 years).

19. Convertible bonds and secured bank facilities

This note provides information about the contractual terms of Pike River's interest-bearing loans and borrowings. For more information about Pike River's exposure to interest rate and foreign exchange risk, see note 24.

		Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group months ended 30 June 2009
In thousands of dollars	*Note*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Non-current liabilities				
Convertible bonds	*(a)*	-	46,200	42,096
CreditPlus bank term debt facility	*(b)*	14,135	-	-
		14,135	**46,200**	**42,096**
Current liabilities				
Convertible bonds	*(a)*	39,036	-	-
Multi-option bank facility	*(b)*	10,000	-	-
		49,036	-	-

Terms and conditions of outstanding loans and borrowings are as follows:

Interest bearing loans and borrowings	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
In thousands of dollars				*Group 6 months ended 31 December 2009*	*Group 6 months ended 31 December 2009*	*Group 6 months ended 31 December 2008*	*Group 6 months ended 31 December 2008*	*Group 12 months ended 30 June 2009*	*Group 12 months ended 30 June 2009*
Convertible bonds	USD	10.75%	2011	37,905	39,036	47,537	46,200	42,236	42,096
Secured bank facilities	NZD	BKBM+1.20%	2013	14,135	14,135	-	-	-	-
	NZD	BKBM+1.70%	2010	10,000	10,000	-	-	-	-
				62,040	63,171	47,537	46,200	42,236	42,096

(a) Convertible bonds

Convertible bonds	Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Opening balance	42,096	37,826	37,826
Conversions during the period	-	(3,307)	(3,307)
Amortisation of discount	170	387	844
Convertible bonds accrued interest	1,577	535	475
Unrealised foreign exchange loss on translation	(4,807)	10,759	6,258
Closing balance	**39,036**	**46,200**	**42,096**

Convertible bonds issued by Pike River are denominated in USD and from 1 April 2009 bear an effective interest rate of 10.75% (payable quarterly). Interest of 6.75% is payable quarterly in arrears and interest of 4% is payable quarterly in arrears by the issue of new convertible bonds.

The bonds are convertible into ordinary shares of Pike River at any time prior to maturity (12 March 2011) at the bond holders election; or at Pike River's election provided the Pike River share price does not exceed the New Zealand Dollar (NZD) equivalent of (a) US$0.75 up until 30 September 2010; (b) US$0.80 between 1 October 2010 to the final maturity date on 11 March 2011. The USD price is calculated by converting the NZD share price to USD at the exchange rate applying at that date. There is no penalty payable to Liberty Harbor if Pike River elects to repay the bonds prior to maturity,

Pike River has entered into funding arrangements with New Zealand Oil & Gas Limited (NZOG), which subject to shareholder approval being obtained, will allow Pike River to fully repay the Liberty Harbor convertible bonds. These bonds are recorded as a current liability, on the basis that Pike River intends to repay them within the next 12 months and Liberty Harbor has the right to request repayment within 90 days as the 'first steady state' production condition has not been met.

The conversion price is currently fixed at one new ordinary share for each USD$0.870344 of outstanding bond principal but is subject to anti-dilution adjustments usual for this type of financial instrument. Ordinary shares issued on conversion will rank equally in all respects with all other existing ordinary shares on issue as at that time. If all convertible bonds outstanding at 31 December 2009 were converted into shares, an additional 31,596,703 Pike River shares would be issued.

The convertible bonds are carried at amortised cost translated into NZD at each reporting date.

Pike River has granted a first ranking charge over the company's assets by way of security for the convertible bonds (excluding certain items of mobile mining equipment which are subject to a charge granted to the Bank of New Zealand Limited ('BNZ') in relation to the CreditPlus committed bank facility (refer note 19(b)).

(b) Secured bank facilities

CreditPlus bank term debt facility
Pike River has in place a CreditPlus 5 year term debt facility with the Bank of New Zealand. Similar to a revolving credit facility the facility is fully redrawable and repayable at Pike River's option over the term of the facility. The initial facility limit of $16,167,000 amortises on a monthly basis down to a maximum facility limit of $4,181,000. The facility is priced at a margin above 90 day BKBM with a quarterly rate reset.

The CreditPlus facility is secured via a first ranking charge of $16.5 million provided over certain items of mobile mining equipment.

As at 31 December 2009 the available CreditPlus facility limit was $14.1 million which Pike River has fully drawn.

Multi-option bank facility
Pike River has in place a $10,000,000 Multi-option debt facility with the BNZ. Structured as a series of flexible and scaleable sub-facilities, the Multi-option debt facility allows Pike River to fund some of its short term working capital and other operational requirements via a fully redrawable and repayable committed credit line for a twelve month term. The Multi-option facility is a floating rate facility with pricing at various margins dependant on the type of sub-facility being utilised.

The Multi-option facility is secured via a $10,000,000 charge over the company's assets (excluding certain items of mobile mining equipment) that ranks pari-passu with the charge granted to the convertible bond-holders.

As at 31 December 2009 Pike River has fully drawn the Multi-option debt facility.

20. Share capital

This note provides information about equity instruments issued during the periods presented.

Share capital - number		Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of shares	*Note*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Fully paid ordinary shares				
Opening balance		347,103	267,027	267,027
Conversion of convertible bonds and / or notes		-	14,934	14,985
Institutional placement		-	-	5,714
Renounceable rights issue	*(i)*	-	-	58,571
Re-issue of forfeited partly-paid shares as fully paid ordinary shares		423	358	803
2009 options excercised		-	-	3
2011 options excercised		4	-	-
Closing balance		**347,530**	**282,319**	**347,103**
Partly paid ordinary shares				
Opening balance		5,914	3,577	3,577
Issue of partly paid ordinary shares pursuant to the Employee Share Ownership Plan ('ESOP')	*21(a)*	1,000	1,760	3,140
Forfeiture of partly paid shares		(423)	(358)	(803)
Closing balance		**6,491**	**4,979**	**5,914**
Total share capital		**354,021**	**287,298**	**353,017**

Share capital - value		Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars	*Note*	*(Unaudited)*	*(Unaudited)*	*(Audited)*
Fully paid ordinary shares				
Opening balance		264,631	207,793	207,793
Conversion of convertible bonds and / or notes		-	12,686	12,686
Institutional placement		-	-	4,000
Renounceable rights issue	*(i)*	(5)	-	39,354
Re-issue of forfeited partly-paid shares as fully paid ordinary shares		433	281	794
2009 options excercised		-	-	4
2011 options excercised	*(ii)*	4	-	-
Closing balance		**265,063**	**220,760**	**264,631**
Partly paid ordinary shares				
Opening balance		155	97	97
Issue of partly paid ordinary shares pursuant to the ESOP	*21(a)*	11	16	31
Forfeiture of partly paid shares		(6)	(2)	(7)
Proceeds from sale of rights attaching to partly paid shares held in escrow		6	-	34
Closing balance		**166**	**111**	**155**
Other				
Opening balance		1,304	10,142	10,142
Equity component of convertible notes		-	(9,524)	(9,524)
Value of employee services provided	*21(a)*	348	411	686
Closing balance		**1,652**	**1,029**	**1,304**
Total share capital		**266,881**	**221,900**	**266,090**

(i) *Renounceable rights issue*
During the 12 months ended 30 June 2009, Pike River issued 58,571,429 ordinary shares by way of a fully underwritten renounceable rights issue to existing shareholder and convertible note holders. Issued at a price of $0.70 per new share the rights issue raised $39,354,000 (net of issuance and other transaction costs).

(ii) *2011 options*
At balance date Pike River had on issue 64,281,875 share options issued as a result of the 2009 rights issue. These options have an exercise price of $1.25 and a final maturity date of 24 April 2011. Options are exercisable at any point up to final maturity at the election of the option holders. The exercise of an option results in the issue of one new ordinary share in Pike River which will rank equally in all respects with all other existing ordinary shares on issue as at that time.

21. Share based payments

(a) Share based payments – Employee Share Ownership Plan

On 4 August 2006, Pike River established an Employee Share Ownership Plan (‘ESOP’) that entitles management personnel and employees to purchase partly-paid ordinary shares in the entity. Partly-paid shares issued under the ESOP are subject to an initial vesting (escrow) period of two years; an allocation price which is set at a premium above the market price at the time of issue (following the IPO the premium is 20%); and a final expiry date five years after the date of issue by which the employee must have either paid the full allocation price or the partly-paid shares are forfeited. Partly-paid shares are transferred to the ownership of the relevant individual any time after the initial vesting period on payment in full of the outstanding allocation price.

During the six months to 31 December 2009, 999,986 partly-paid ordinary shares (2009 financial year: 3,140,306) were issued in accordance with the ESOP rules.

Where an employee leaves the employment of Pike River prior to expiry of their relevant escrow period, the ESOP provides for these shares to be forfeited by the employee to the company and sold into the market as fully paid ordinary shares at the prevailing market rate. During the six months to 31 December 2009, 423,200 partly-paid ordinary shares were forfeited and sold (2009 financial year: 285,000).

The terms and conditions of the partly-paid shares currently on issue follow.

Partly Paid Shares Vesting during financial year:	Number	Weighted average outstanding calls	Range of issue price	Market share price when issued	Fair value at measurement date
30/06/2008	1,000,500	$1.19	$1.15 to $1.20	$1.00	$0.15 to $0.26
30/06/2009	239,000	$1.15	$1.15	$1.00	$0.18
30/06/2010	2,339,150	$1.50	$1.15 to $2.52	$0.98 to $2.10	$0.20 to $0.89
30/06/2011	1,959,206	$1.52	$0.91 to $2.46	$0.76 to $2.05	$0.30 to $0.66
30/06/2012	952,486	$1.30	$0.93 to $2.20	$0.78 to $1.83	$0.26 to $0.62
TOTAL	6,490,342	$1.42	$0.91 to $2.52	$0.76 to $2.10	$0.15 to $0.89

Note: The vesting period before shares can be exercised is two years after date of issue. From that date ESOP participants have three years in which to pay the amount outstanding on their partly paid shares.

The fair value of services recognised for the purposes of NZIFRS2 – *Share-based Payments* in return for partly-paid shares issued to management and employees is measured by reference to the fair value of partly-paid shares granted. The estimate of the fair value of services received is measured based on a Black-Scholes option valuation model due to the potential optionality around take-up and payment of outstanding allocation price in relation to the partly-paid shares issued under the ESOP. The contractual lives of the partly-paid shares are used as an input into this model, as are the risk-free interest rate, and the Pike River share price volatility. The risk-free interest rate uses the Reserve Bank secondary market 10 year Government Bond Yield as a proxy, and the share price volatility is the annualised volatility calculated by the company on a monthly basis.

The number and weighted average outstanding calls for the partly paid ESOP shares are set out in the following table:

	Weighted average outstanding call 31 December 2009	Number of partly paid shares 31 December 2009 *(In thousands)*	Weighted average outstanding call 30 June 2009	Number of partly paid shares 30 June 2009 *(In thousands)*	Weighted average outstanding call 30 June 2008	Number of partly paid shares 30 June 2008 *(In thousands)*
Outstanding at 1 July 2009	$1.43	5,913	$1.23	3,576	-	-
Issued during the period	$1.24	1,000	$1.59	3,140	$1.22	3,736
Forfeited during the period	$1.31	(423)	$1.15	(803)	$1.14	(160)
Outstanding at 31 December 2009	$1.42	6,490	$1.43	5,913	$1.23	3,576

22. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2009 is based on the loss attributable to ordinary shareholders of $14,075,000 (2008: $9,551,000) and a weighted average number of ordinary shares outstanding of 347,420,000 (2008: 282,225,000), calculated as follows:

Loss attributable to ordinary shareholders for the 6 months ended 31 December	Company 6 months ended 31 December 2009	Company 6 months ended 31 December 2008	Company 12 months ended 30 June 2009
In thousands of dollars			
Net loss attributable to ordinary shareholders	(14,075)	(9,551)	(13,018)

Issued ordinary shares	347,103	267,027	267,027
Effect of shares issuable upon conversion of mandatorily convertible notes	-	12,323	12,289
Effect of shares issuable upon conversion of convertible bonds	-	2,625	2,633
Effect of partly-paid shares issued pursuant to the ESOP	46	32	36
Effect of shares issued following renounceable rights issue	-	-	12,192
Effect of re-issue of forfeited partly-paid shares as fully paid ordinary shares	268	116	343
Effect of completion of escrow for contingently issuable management shares	-	99	99
Effect of exercise of share options	3	3	3
Weighted average number of ordinary shares	347,420	282,225	294,622

(b) Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2009 is based on the loss attributable to ordinary shareholders of $14,075,000 (2008: $9,551,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 347,420,000 (2008: 282,225,000), calculated as follows:

Loss attributable to ordinary shareholders for the twelve months ended 31 December		Company 6 months ended 31 December 2009	Company 6 months ended 31 December 2008	Company 12 months ended 30 June 2009
In thousands of dollars	*Note*			
Net loss attributable to ordinary shareholders (basic)	*(i)*	(14,075)	(9,551)	(13,018)
Net loss attributable to ordinary shareholders (diluted)		**(14,075)**	**(9,551)**	**(13,018)**

Loss attributable to ordinary shareholders for the twelve months ended 31 December		Company 6 months ended 31 December 2009	Company 6 months ended 31 December 2009	Company 6 months ended 31 December 2008
In thousands of dollars	*Note*			
Weighted average number of ordinary shares (basic)	*(i)*	347,420	282,225	294,622
Weighted average number of ordinary shares (diluted)		**347,420**	**282,225**	**294,622**

The average market value of Pike River's shares for the purposes of calculating the dilutive effect of share options and convertible bonds is based on an average quoted market price for the year ended 31 December 2009 of $1.07 (2008: $1.52).

(i) *Anti-dilution effects*
For the purposes of calculating diluted earnings per share as at 31 December 2009 dilutive potential ordinary share items (share options, convertible bonds) have been excluded on the basis that they would give rise to an antidilutive effect on the calculation of ordinary loss per share (i.e. reduce the ordinary loss per share). These items are only included in diluted earnings per share to the extent that they result in an increased loss per share or reduced earnings per share.

23. Related parties

Pike River Coal Limited is the ultimate parent company.

(a) Related party balances

The following balances are associated with related parties as at the relevant balance date.

Related parties		Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars	*Note*			
Pike Energy Limited (wholly owned subsidiary)				
Intercompany loan	*(i)*	7,500	-	7,500

(i) *Pike Energy Limited*
On 23 April 2009, Pike River sold Petroleum Exploration Permit 38517 to its wholly owned subsidiary Pike Energy Limited for consideration of $7,500,000. The consideration paid was based on an independent valuation at date of sale. Sale is subject to formal Ministry of Economic Development approval. The Exploration Permit was held at nil value by Pike River and accordingly a gain of $7,500,000 was recognised in the parent company. Pike River has advanced Pike Energy the full amount of the consideration by way of an interest free loan which is payable on demand.

In addition to transactions disclosed elsewhere within these financial statements, Pike River undertook the following transactions with related parties during the year.

Related parties	Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars			
Underwriting fees			
New Zealand Oil & Gas Limited	-	-	308
	-	-	308
Short-term employee benefits			
Key management personnel compensation	551	-	1,155
	551	-	1,155

Underwriting fees
Underwriting fees were paid in relation to underwriting commitments made by major shareholders in relation to the renounceable rights issue undertaken by Pike River during the 12 months ended 30 June 2009. Fees paid were based on the respective number of shares underwritten and were market based fees commensurate with the level of commitment and risk associated with a capital raising transaction of this type.

Coal sales agreements
Agreements for the sale of Pike River coal once production commences have previously been established with key shareholders (or parties associated with key shareholders). Details of these agreements are as follows:

- Coal sales agreement with Saurashtra for 150,000 tonnes per annum for the life of the Pike River mine and an option for Saurashtra to take up to a further 100,000 tonnes on an annual basis basis, with variation of +/- 10% at Saurashtra's option. The total offtake by Saurashtra is capped at 20% of mine output.
- Coal sales agreement with Gujarat NRE Coal (NSW) Pty Limited ('GNCPL') for 20,000 tonnes of hard coking coal in JFY 2009, increasing to 400,000 tonnes per annum (or 40% of mine output whichever is the lesser) from JFY 2010 for the life of the mine with an annual variation of +/- 10% at Pike River's or GNCPL's option

Pricing for each of these agreements is to be negotiated annually based on market derived hard coking coal prices.

24. Financial risk management

(a) Overview

Pike River has exposure to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity risk); credit risk; and liquidity risk.

This note presents information about Pike River's exposures to each of these financial risks; objectives, policies and processes employed for measuring and managing financial risk; and the management of capital. Further quantitative disclosures are included throughout these financial statements as necessary.

The Pike River Board of Directors ('the Board') has overall responsibility for the establishment and oversight of Pike River's risk management framework.

Pike River's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are subject to regular review and are under continual development to reflect changes in market conditions and more particularly changes in Pike River's activities and exposures.

(b) Credit risk

Credit risk is the risk of financial loss to Pike River if a customer or counterparty to a financial instrument fails to meet its contractual obligations and as at 31 December 2009 arises principally from Pike River's investment activities.

Pike River limits its exposure to credit risk arising from its investment activities by only investing in liquid securities and only transacting with registered banks that have a credit rating of at least AA from Standard & Poor's (or the equivalent rating from Moody's or Fitch). Management also adhere to policy which requires appropriate spread of counterparty credit risk by minimising exposure to any single counterparty. As a result, management does not expect any counterparty to fail to meets its obligations.

The carrying amount of financial assets represents Pike River's maximum credit exposure.

(c) Liquidity risk

Liquidity risk is the risk that Pike River will not be able to meet its financial obligations as they fall due. The approach adopted to managing liquidity is to ensure, as far as possible, that Pike River maintains or has access to sufficient liquidity to meet its liabilities as they fall due, under both normal and stressed conditions, without incurring unacceptable risk positions, losses or damage to Pike River's reputation.

During the mine development phase Pike River routinely and actively monitored its capital commitments and cash flow requirements to ensure sufficient funds are available to both meet its obligations and minimise disruption to the development timeline while simultaneously seeking to optimise its return on investment of surplus funds. To date Pike River has utilised the debt and equity capital markets to fully fund its development activities based on forecast development commitments. As Pike River transitions to a fully operational coal mine and to assist in ensuring sufficient funds are available to fund its initial working capital and reasonably foreseeable operational expenditures Pike River will (if required) continue to seek access to sufficient lines of credit from major financial institutions to ensure operational liquidity risk is appropriately managed.

The following tables set out the contractual cash flows for all financial liabilities, including interest payments:

Non derivative financial liabilities	Carrying amount	Contractual cash flows					
In thousands of dollars	*Group 6 month ended 31 December 2009*	*Total*	*6 months or less*	*6-12 months*	*1-2 years*	*2-5 years*	*More than 5 years*
Convertible bonds	39,036	41,416	1,279	1,301	38,836	-	-
Secured bank facilities	24,135	25,546	1,729	1,710	12,843	9,263	-
Trade & other payables	8,783	8,783	8,783	-	-	-	-
	71,954	**75,745**	**11,791**	**3,011**	**51,679**	**9,263**	**-**

Non derivative financial liabilities	Carrying amount	Contractual cash flows					
In thousands of dollars	*Group 12 month ended 30 June 2009*	*Total*	*6 months or less*	*6-12 months*	*1-2 years*	*2-5 years*	*More than 5 years*
Convertible bonds	42,096	47,605	1,449	1,425	44,731	-	-
Trade & other payables	9,756	9,756	9,756	-	-	-	-
	51,852	**57,361**	**11,205**	**1,425**	**44,731**	**-**	**-**

(d) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect Pike River's income or the value of its holdings in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Pike River may from time to time enter into derivative arrangements in the ordinary course of business to manage market risk. All such transactions are carried out in accordance with guidelines and policies set down by the Pike River Board. Pike River does not enter into derivative arrangements for speculative purposes.

As at balance date Pike River had no outstanding derivative arrangements in place (2008: Nil).

(i) Currency risk

In its mine development phase Pike River was primarily exposed to currency risk on purchases and borrowings that are denominated in a currency other the functional currency of Pike River (being the NZD). These exposures arise primarily in USD, AUD and EUR.

Where possible Pike River seeks to manage currency risk by transacting with suppliers in NZD, however where this is not commercially viable Pike River may use forward exchange contracts to hedge currency risk.

As Pike River transitions to a fully operational coal mine its revenues will be exposed to currency risk as the underlying currency for sales of its hard coking coal will be denominated in USD. The Pike River Board is in the process of finalising its long-term policy around management of currency risk in relation to this exposure but it is anticipated that management of this exposure will be achieved through the use of a combination of purchased FX options and forward exchange contracts based on forecast sales volumes; minimum cover ratios; and time-weighted cover bands. The USD currency exposure generated in relation to Pike River's coal sales serves as a 'natural' hedge to residual currency risk on USD borrowings and this will also be factored into Pike River's currency risk management strategies going forward.

Exposure to currency risk

Pike River's exposure to currency risk is as follows:

Currency risk exposure	Group 6 months ended 31 December 2009			Group 12 month ended 30 June 2009		
In thousands of foreign currency units	*USD*	*AUD*	*EUR*	*USD*	*AUD*	*EUR*
Deposit	455			800		
Convertible bonds	27,500	-	-	27,500	-	-
Trade and other payables	-	1,977	-	108	1,364	337
Net exposure	**27,955**	**1,977**	**-**	**28,408**	**1,364**	**337**

The following significant exchange rates were applied during the year:

Exchange rates	Group 6 months ended 31 December 2009			Group 12 month ended 30 June 2009		
	USD	*AUD*	*EUR*	*USD*	*AUD*	*EUR*
Average rate for the period	0.7012	0.8049	0.4821	0.6068	0.8143	0.4409
As at 31 December	0.7255	0.8105	0.5050	0.6511	0.8056	0.4616

Sensitivity analysis
A 10% drop of the NZD against the major currencies to which Pike River is exposed as at 31 December would (assuming all other variables remain constant) have had the following impact on income statement:

Currency risk sensitivity	Group 6 months ended 31 December 2009			Group 12 month ended 30 June 2009		
In thousands of dollars	*Carrying amount*	*Impact of sensitivity*	*Sensitised carrying amount*	*Carrying amount*	*Impact of sensitivity*	*Sensitised carrying amount*
Deposit	627	(70)	697	1,229	137	1,092
Convertible bonds	39,036	4,337	43,373	42,096	4,677	46,773
Trade and other payables	2,220	247	2,466	9,756	288	10,044
Loss before income tax	(26,374)	(4,514)	(30,888)	(16,829)	(5,102)	(21,931)

A 10% rise in the NZD against the major currencies as at 31 December would have resulted in an equal but opposite effect on the table shown above on the basis that all other variables remain constant.

(ii) *Interest rate risk*
Pike River's approach to managing interest rate risk (particularly during the development and initial start-up production phases) has been to fix the majority of its interest rate exposures to provide certainty around cost of borrowings and future cash-flow requirements. To date this has primarily been achieved through entering into fixed rate financing.

Pike River retains some exposure to interest rate risk through its floating rate borrowings established primarily for working capital and short term liquidity funding. Where appropriate Pike River may look to utilise short duration interest rate swaps to effectively fix any exposures that may be generated through forecast medium term utilisation of these facilities.

(iii) *Commodity price risk*
Pike River is primarily exposed to commodity price risk in relation to the sales price it is able to achieve on its hard coking coal products. The market for hard coking coals is dominated by a handful of global producers who negotiate on an annual

basis with the major users of hard coking coal. These negotiations result in an annual 'benchmark' price being set for contracted supplies of hard coking coal. Pike River is essentially a 'price-taker' given its size relative to the global hard coking coal market. Consequently, there is limited direct management of price risk that Pike River can economically undertake. Risk management is therefore focussed on ensuring that Pike River has the appropriate mix of contracted and spot sales for its annual production thereby providing certainty over minimum revenues but enabling up-side participation to the extent that opportunities exist in the spot market. Pike River also focuses heavily on ensuring that it has long term access to key customers. At the present time Pike River does not utilise any derivative products in relation to hard coking coal price commodity risk as there is not an active or developed market for such products.

Pike River retains some exposure to commodity price risk on some key inputs to its production and transport chains (i.e. electricity, oil and steel costs), however these are not considered to be overly material to long term profitability. The Pike River Board will continue to actively monitor and manage these exposures but at the current time does not actively engage in the use of derivative products to manage these risks preferring to rely on medium term fixed price supply contracts where economically acceptable.

(e) Capital management

The Pike River Board is committed to maintaining a strong capital base so as to maintain investor, creditor and market confidence. Maintaining this confidence is essential to both sustain Pike River's current operation and also to provide access to the capital resources necessary to further develop both the existing business and also other development and exploration opportunities.

Pike River continues to monitor its capital structure and in particular the potential for higher returns to be generated via increased utilisation of appropriately priced and structured borrowings. However, at this time in the mine development phase the Pike River Board view the security afforded by a strong equity based capital structure as being appropriate for the business as its transitions into a fully operational coal mine. In line with this the Pike River Board remains cognisant of the need to provide an appropriate level of return on shareholders equity holdings.

For the purposes of capital management, capital includes share capital, retained earnings and interest bearing loans and borrowings. There have been no material changes in Pike River's management of capital during the period with new capital raisings being undertaken on a basis consistent with the Board's stated capital management framework as set out above.

Pike River is not subject to any externally imposed minimum capital requirements.

(f) Fair values

Fair values versus carrying amounts
The fair values of financial assets and liabilities, together with the carrying amounts shown on the face of the balance sheet, are as follows:

		Group 6 months ended 31 December *2009*		Group 12 months ended 30 June *2009*	
In thousands of dollars	*Note*	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Cash and cash equivalents		10,879	10,879	21,746	21,746
Trade and other receivables		1,422	1,422	1,667	1,667
Bonds and deposits		2,814	2,814	3,474	3,474
Trade and other payables		(8,783)	(8,783)	(9,756)	(9,756)
Convertible bonds	*(i)*	(39,036)	(37,289)	(42,096)	(42,236)
Secured bank facility		24,135	24,135	-	-
Unrecognised gain (loss)			1,747		(140)

Basis for determining fair values
The significant methods and assumptions used in estimating the fair values of financial instruments reflected in the table above are as follows:

(i) *Convertible bonds*
Fair value, as determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

25. Commitments

As at 31 December 2009, Pike River had $6,626,000 of capital commitments (2008: $14,931,000) that would be payable if the current mine development activities were terminated. These commitments relate to committed non-cancellable purchases of long lead time mining equipment and development activities required as part of the ongoing mine development.

On 27 November 2007 Pike River entered into a long term Coal Transportation Agreement ('CTA') with Solid Energy New Zealand Limited ('Solid Energy'). Under the terms of the CTA, Pike River has committed to certain minimum annual charges which are payable over the life of the CTA.

26. Operating lease commitments

Pike River leases certain mining equipment, motor vehicles, office equipment and office space under operating leases where Pike River is the lessee. Non-cancellable rentals pursuant to these operating leases are payable as follows:

	Group 6 months ended 31 December 2009	Group 6 months ended 31 December 2008	Group 12 months ended 30 June 2009
In thousands of dollars	*(unaudited)*	*(unaudited)*	*(audited)*
Payable within 1 year	838	373	224
Payable between 1 and 5 years	172	106	73
More than 5 years	-	-	-
	1,010	479	297

Notes to the financial statements

27. Reconciliation of the loss for the period with the net cash from operating activities

In thousands of dollars	Note	Group 6 months ended 31 December 2009 (Unaudited)	Group 6 months ended 31 December 2008 (Unaudited)	Group 12 months ended 30 June 2009 (Audited)
Profit/(loss) for the period		**(14,075)**	**(9,551)**	**(13,018)**
Adjustments for:				
Depreciation	5	3,785	534	2,137
Change in fair value of financial instruments		(3,059)	(1,604)	6,353
Employee benefits - share based payments		343	411	686
Changes in assets and liabilities net of effects of non-cash and investing and financing activities:				
Change in trade and other receivables		245	1,450	415
Change in inventories		(4,872)	583	(2,282)
Change in trade and other payables		1,695	5,477	1,710
Other provisions		122	(564)	240
Employee benefits		215	366	568
Change in deferred tax		(5,862)	(3,825)	(3,811)
Net cash from operating activities		**(21,463)**	**(6,723)**	**(7,002)**

28. Group entities

Significant subsidiary

	Country of Incorporation	Ownership Interest (%)	
		31 December 2009	30 June 2009
Pike Energy Limited	New Zealand	100	100

On 23 April 2009, Pike River sold Petroleum Exploration Permit 38517 to its wholly owned subsidiary Pike Energy Limited. Pike Energy Limited was incorporated on 6 April 2009.

29. Contingencies

As at balance date Pike River has an insurance claim of approximately $3,000,000 lodged in respect of the ventilation shaft rockfall that occurred in February 2009.

30. Subsequent events

Pike River has entered into a binding agreement (funding agreement) with NZOG subsequent to balance date, whereby NZOG has agreed:

(a) to underwrite its share and commit to take its 29.5% share of an intended rights entitlement of ordinary shares by Pike River of approximately $50 million;

(b) to subscribe to a convertible bond issue for US$28.9 million (maturing March 2012) to allow Pike River to repay the Liberty Harbor convertible bonds;

(c) to enter a two year coal contract option which if exercised commits Pike River to sell to NZOG (or assignee) at market prices negotiated annually:
(i) for the period ended 31 March 2013 all Pike River's currently uncontracted coal production from the Pike River mine.
(ii) for the period from 1 April 2013 for the remainder of the Pike River mine life, 30% of annual coal production.

(d) to provide Pike River with a short term loan facility of up to $15 million for a period of up to three months at an interest rate equal to the Bank Bill Rate plus 8% per annum, subject to payment of a 3% establishment fee and a 1% facility monitoring fee.

The funding agreement, insofar as it relates to the matters described in (b) and (c) above, is conditional upon shareholder approval of:

(a) the convertible bond issue;
(b) conversion of the bonds to shares at maturity if still held by NZOG; and
(c) entry into the coal contract option.

Auditors' review report

To the shareholders of Pike River Coal Limited

We have reviewed the attached interim financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of Pike River Coal Limited and its subsidiary (the "Group") and their financial position as at 31 December 2009.

Directors' responsibilities

The Directors of the Group are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2009 and the results of their operations and cash flows for the period ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided taxation services to the Group. This matter has not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached interim financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2009, the results of their operations and cash flows for the period ended on that date in accordance with NZ IAS 34 *Interim Financial Reporting*.

Our review was completed on 23 February 2010 and our opinion is expressed as at that date.

KPMG

Wellington