



**PIKE RIVER COAL**

**Pike River Coal Limited** (In Receivership)

## **Notice to Option Holders**

### **Pre Conversion Statement - Options expiring 24 April 2011**

Security holders of Pike River Coal Limited (in receivership) will be aware of the tragic and catastrophic events which occurred in November 2010 and which led to the Company being placed into receivership on 13 December 2010.

The Company has 64,281,875 options on issue which are due to expire on 24 April 2011. The events of November 2010 have had a serious and material adverse effect on the value of the ordinary shares of the Company, and therefore on any shares that might be issued on the exercise of 2011 options.

The events of November 2010 leading to the Company subsequently being placed in receivership, have taken place since the last audited statements of financial position and financial performance were provided to the Company's security holders.

On 13 December 2010 the NZX and ASX confirmed the continuation of the suspension from trading of the Company's securities. That suspension still continues.

#### **Pre-conversion Statement**

1. The purpose of this pre-conversion statement is to assist registered holders of 2011 options to decide whether to elect to exercise those options.
2. On 19 November 2010 an explosion occurred in the Company's mine. This was followed by a second explosion on 24 November 2010 after which it was declared that the 16 miners and 13 contractors trapped in the mine could not have survived. A third explosion occurred on 26 November; and a fourth significant explosion on 28 November 2010 ignited coal within the mine. The resulting fire complicated efforts to re-enter the mine. There has been considerable media coverage of these events, and a Royal Commission of Inquiry is about to get underway. These adverse circumstances have occurred subsequent to the investment statement on which the options were issued and were not foreseen at that time.
3. With the appointment of receivers, and the receivership at a relatively early stage, it is not possible to assess the effect of the adverse circumstances.
4. The receivers issued their first report on 13 February 2011 and this is available in the "News" section at [www.pike.co.nz](http://www.pike.co.nz). Other documents relating to the explosion and its aftermath are also available in the "News" section at [www.pike.co.nz](http://www.pike.co.nz) and the events have been widely reported in the news media.
5. Option holders should consider this pre-conversion statement, the lack of a market price for ordinary shares that will be issued on exercise of options, the fact that the Company is in receivership and the uncertainty in relation to the Company's future

before making an election to exercise. If option holders have any doubt as to how to deal with their options please consult your financial or professional adviser.

6. This pre-conversion statement is not known by the Company or the Directors to be false or misleading in a material particular by reason of failure to refer to or give proper emphasis to adverse circumstances.
7. The following information relates to the 2011 options:
  - (a) The exercise price applying to the Company's 2011 Options is \$1.25 each.
  - (b) The final date for exercise of the 2011 Options is the 24 April 2011. The 24 April 2011 is Easter Sunday and the last business day prior to that date is Thursday 21 April 2011.
  - (c) There are no consequences for the holder if options are not exercised. Options not exercised by the final date will simply lapse, and no longer exist. There is no obligation on option holders to exercise their options.
  - (d) Quotation of 2011 Options is currently suspended, and is not expected to resume prior to 24 April 2011.
  - (e) There is no latest available market price for the Company's ordinary shares, quotation of the shares currently being suspended as a consequence of the events that occurred in November 2010.
  - (f) As the shares are suspended from quotation there have been no known sales in the previous three months.

The ASX has granted a waiver from ASX listing rule 6.24 to the extent necessary to permit the Company not to send the individual notices required by Appendix 6A as the Company's securities are suspended from quotation and the likelihood of option holders exercising their options is too remote to justify the costs of sending out the notices.

## Directors' Recommendation

The Directors' view is that the value, if any, of the Company's ordinary shares is not able to be ascertained at present due to the uncertainties arising from the receivership and as to future prospects for the Company. The current value of ordinary shares, if any, can be expected to be considerably less than the exercise price for the 2011 Options. For that reason the options are "out of the money" and the Directors' view is that holders should allow them to lapse.

Accordingly the Company's Directors strongly recommend that 2011 Options **not be exercised**, and be **allowed to lapse**.

You need not do anything or take any action to allow the 2011 options to lapse.

ENDS

Further information:

Brian Roulston

Company Secretary

09 367 9367

brianr@pike.co.nz