

Operations

Excellent Conditions

Roadways to access the first area of hydro-mining are currently being driven in excellent conditions at Pike River. The quality of the coal and the thickness of the seam are as anticipated.

Getting through the rock graben back into the coal seam at the right horizon in April 2010, where predictions of better conditions were realised, is a significant milestone. Two roadway tunnels are now being driven in the first hydro-mining panel, where the thick coal seam varies between nine and ten metres. Those roadways are expected to be completed in August 2010. The coal ribs and roof are standing up well, and the coal is cutting very well.



Mining Equipment

Two of Pike River's three coal cutting machines are now deployed at the coal face. With the slower pit-bottom excavation work being completed in June 2010, one of those machines, the roadheader, was deployed in the west to join a continuous miner. The performance of these machines has continued to improve due to a combination of good cutting conditions, reduced roof-bolting and extension of the flumes which carry coal, to close behind the machines. The third machine was scheduled to cut at the face during the April-June 2010 quarter (June 2010 quarter), but this was not possible due to insufficient faces to mine and some mechanical issues.

Key Points

Mining in excellent conditions

Additional mining machine leased

Hydro-mining on track for September 2010

Second shipment now August 2010

\$90m capital raising successfully completed

Roadways to access the first area of hydro-mining are currently being driven in excellent conditions



Pike miners alongside excellent roof conditions



Pike's additional leased ABM20 continuous miner

Pike River has taken steps to improve the mine's ability to achieve the current year's production target of approximately 620,000 tonnes of saleable coal by contracting additional mining equipment and contract labour and hiring additional mining staff. Achievement of this target will be dependent upon roadway advance rates.

Pike River is leasing a large re-conditioned ABM20 continuous mining machine which, together with some additional related equipment and several contract staff for the machine, will cost around \$4 million for the 12 month lease period. The start date for this machine has been brought forward five months to enable the electric drives on each of the company's two continuous miners to be replaced by hydraulic drives. The hydraulic drives are expected to further improve performance of the continuous miners by eliminating time delays caused by electric component failures.

Three machines are planned to be cutting coal from early August, increasing to four in early 2011 once the drives are changed. Heavier wear and tear on the haulage machines whilst working through the graben added extra costs of approximately \$1 million over the past quarter. Additional haulage machines have also been contracted for the next 6 months for a planned non-critical path stone drive for ventilation. Additional mining and in-seam drilling costs have added approximately \$1.5 million per month to Pike River's outlays for the financial year ended 30 June 2011.

Features of the ABM20

The 100 tonne ABM20 continuous miner cuts the full roadway width in a single pass, whereas existing machines require two passes to complete the 5.5 metre wide roadway. The ABM20 has simultaneous cutting and roof-bolting abilities. The machine works best in long straight runs and is expected to achieve better roadway development advance rates in those conditions. As continuity of hydro-mining is dependent upon roadway advance rates, this machine is expected to be a particularly useful addition.

Hydro-Mining On Track

Good progress has been made developing hydro-mining infrastructure, with the essential large-scale excavation work completed at pit bottom during the June 2010 quarter. Water storage areas are now in place; sumps are being installed for coal storage and hydro-pumps that were being tested on the surface are now being installed underground ready for use in mining operations.

First hydro-mining remains on track to begin in the current quarter, expected to be mid September 2010.

Extensive In-Seam Drilling

Pike River remains the only coal mining company in New Zealand using in-seam drilling technology which continues to pay dividends as a critical mine planning tool. A fan of in-seam drill holes has been drilled covering the area west of the graben and has confirmed the geological model as expected. The coal seam in the current area is a good nine to ten metres thick and the level of roof-bolting is now back to expectations at the time

Pike River remains the only coal mining company in New Zealand using in-seam drilling technology which continues to pay dividends as a critical mine planning tool



of the initial public offer prospectus in 2007. An expanded and intensive in-seam drilling programme covering 11 kilometres is planned for the next 12 months. The total metres drilled will be 29 kilometres within the seam, taking into account multiple branches to determine the position of the roof and floor of the seam. This drilling programme is budgeted at approximately \$7 million, more than double the previous year. In-seam drilling will cover in advance at least 6 months of future roadway development and 12 months of hydro-mining.

Second Export Shipment

Pike River is preparing for its second export shipment of 20,000 tonnes of hard coking coal which is now scheduled for August 2010, one month behind plan. Worth approximately NZ\$6 million, this shipment will again go to Gujarat NRE – one of our life of mine customers - who use Pike River's coal to make coke, used in the steel making process. This second shipment of development coal will attract a slightly higher discount due to higher ash levels and it being a non-specification shipment.



Coal being loaded for second export shipment

Production Profile

From July 2010, Pike River implemented a new 5-day roster to allow focussed maintenance and training during weekends. Productivity improvements have already been achieved. The expected daily advance rates (in metres per day) for each machine are budgeted to ramp-up as set out in the table below:

Machine Ramp-up Table	Prospectus (April 2010) Rate based on 7 day/week production	Current Rate based on 5 day/week operation
Prior to hydro mining	6m/day	8m/day
During 6 months after hydro start-up	6 – 12m/day	8 – 16m/day
Ramp-up to steady state	12 – 18m/day	16 – 24m/day

The average daily advance for both the roadheader and continuous miner has more than doubled since the April 2010, and are still behind budget but improving.

Export shipments from September 2010 onwards are expected to be approximately 20-30,000 tonnes per month with production building to around 40,000 tonnes per month by December 2010. By May 2011, production is due to increase to the steady state rate of around 80,000 tonnes per month equivalent to approximately one million tonnes a year.

Capital Raising Completed

Pike River successfully completed its \$90 million capital raising initiative in May 2010. The pro rata rights issue to raise \$40 million closed on 19 May 2010 with more than 6,100 shareholders (72%) opting to take up their rights entitlements for 43.3 million shares (95.5%) out of the total offer of 45.5 million shares. The rights issue was preceded by a \$10 million

Pike River is preparing for its second export shipment of 20,000 tonnes of hard coking coal which is now scheduled for August 2010



share placement which was completed on 20 April 2010. The final component of Pike River's capital raising was the issue of a new US\$28.9 million (NZ\$41 million) bond to New Zealand Oil & Gas Limited, after shareholders voted overwhelmingly in favour of that issue.

Safety and Environment

The company's new hazard identification and management system is working well to identify and effectively manage as many workplace hazards as possible, thus, reducing the risk of incidents/accidents. There was one medically treated injury (MTI) reported in the April-June 2010 quarter. Total MTI's for the year, (13), exceeded the target by 1.

The June 2010 quarter saw 13 stoats and 88 rats eradicated. The entire 2009/10 season netted 88 stoats, 412 rats, 2 weasels and an estimated 500 possums. Pike River is pleased to report evidence that its pest and predator programme is creating a safer environment for blue duck (whio) with a sighting of a pair of this gravely endangered species in the catchment area during April 2010. Pike River continues to sponsor a blue duck enhancement programme.

Recruitment

Staff numbers continue to increase as the mine progresses through to the startup of hydro-mining. Our total workforce now numbers in excess of 160, 76 of whom are from the West Coast. By commencement of hydro operations, the workforce will have increased to approximately 175 with the addition of another intake of trainee miners and several support staff.

Coal Prices

In recent weeks there has been some softening in demand for hard coking coal into China with international spot prices currently around US\$180-190 (free on board price or "FOB").

The June 2010 edition of the McCloskey Coal Report stated that premium hard coking coal benchmark prices for the July-September 2010 quarter had been settled at US\$225 per tonne FOB between major coking coal suppliers BMA (BHPBilliton Mitsubishi Alliance) and Japanese steelmakers reportedly JFE Steel. Pike River has taken a conservative position and had previously budgeted at US\$160 per tonne FOB for 2010.

The June 2010

McCloskey Coal Report

stated that premium

hard coking coal

benchmark prices for

the July-September

2010 quarter had been

settled at US\$225 per

tonne

For Further Information

Gordon Ward

+64 4 494 0190

Chief Executive and
Managing Director

Peter Whittall

+64 3 769 8400

General Manager Mines

For Electronic Reports

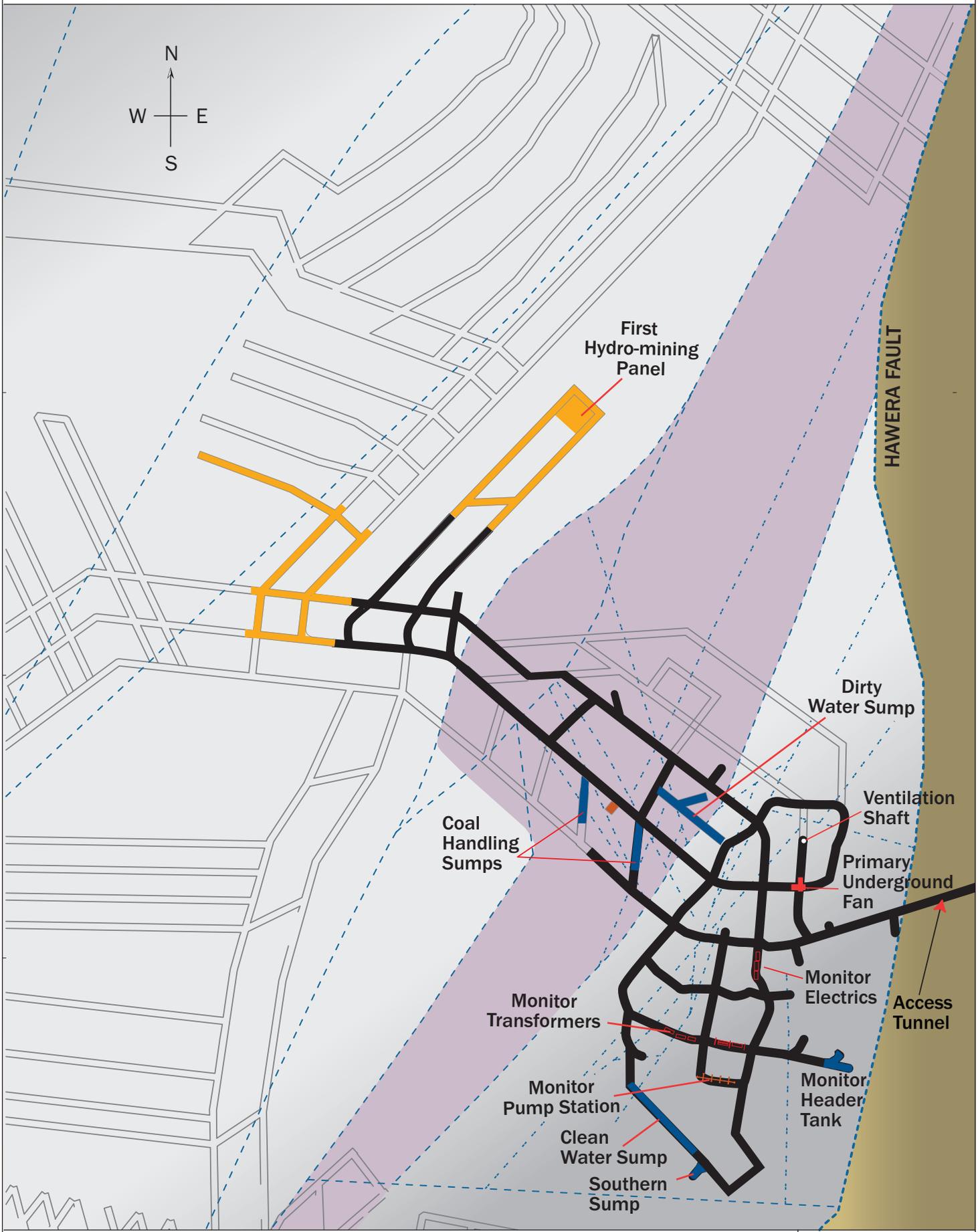
Investors should register at:

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

**INDICATIVE MINE PLAN – ROADWAY DEVELOPMENT AND HYDRO-MINING
JULY TO SEPTEMBER 2010**



0m 100m 200m 300m

- Stone "graben" zone
- Fault lines
- Existing Roadways
- Coal
- Planned Roadways
- Roadways and Hydro-mining - Jul-Sep 2010 Quarter



PIKE RIVER COAL

**INDICATIVE MINE PLAN – ROADWAY DEVELOPMENT AND HYDRO-MINING
YEAR ENDING JUNE 2011**



0m 100m 200m 300m

- Coal
- Roadways and Hydro-mining – Year ending June 2011
- Fault lines
- Completed Roadways
- Planned Roadways



PIKE RIVER COAL