



PIKE RIVER COAL

16 March 2009

Dear Shareholder

Pike River Coal Limited - Rights Issue

Pike River Coal Limited (**Pike River**) is making a renounceable pro rata rights issue (the **Offer**) to existing shareholders of 58.57 million fully paid ordinary shares (**New Shares**). The Offer is to raise NZ\$41 million (before offer expenses) and is fully underwritten.

Under the Offer, eligible existing shareholders will be able to subscribe for one New Share in Pike River for every 5* Pike River shares they hold at 5pm 30 March 2009 (**Record Date**). Each New Share in the Offer will be issued together with a new option (**New Option**) for no additional consideration, which can be exercised at \$1.25 for a new ordinary share at any time until 5pm on 24 April 2011.

Further details of the Offer are set out in an Investment Statement (**Offer Document**). You will receive an Offer Document and (if eligible) an entitlement and acceptance form, which are being mailed on 31 March 2009. The Offer is expected to close on 17 April 2009. If you are eligible and wish to participate, please carefully read the Offer Document when you receive it and follow the instructions.

The purpose of the Offer, in conjunction with a share placement of NZ\$4 million, is to raise funds (after payment of the expenses of the Offer) to provide the working capital needed due to the delay in cashflow from coal production caused by a rockfall in the ventilation shaft and to meet shaft rectification costs.

Pike River made the breakthrough to its premium hard coking coal during the half year ended 31 December 2008 and has now completed all surface infrastructure needed for mining. However, work has been required to remedy the rockfall in the lower portion of the ventilation shaft. The timing was unfortunate coming just as Pike River was about to commence its ramp-up of coal production and has led to a three month delay to coal production and sales receipts.

Summary of Key Information

The key information and dates are set out below for your information:

Type of offer:	Renounceable pro rata rights issue of New Shares to be issued together with New Options to existing shareholders resident in only New Zealand and Australia (the Offer will not be made to overseas persons (including US persons) or persons acting on account for or on behalf of overseas persons) as at the Record Date.
Offer price:	NZ\$0.70 per New Share (issued together with a New Option)
Offer ratio:	1 New Share (issued together with a New Option) in Pike River for every 5* Pike River shares held at the Record Date
Underwriters:	McDouall Stuart Corporate Finance Limited & New Zealand Oil & Gas Limited. Details of the underwriting arrangements (including fees payable) are included in the Offer Document

* Rounded up from the actual entitlement ratio of 1 Right for every 5.015281102 fully paid shares.

Shareholders who accept their entitlements in full will be able to apply for additional New Shares not taken up by other shareholders under the Offer, subject to the Company's discretion in consultation with the Lead Underwriter, and scaling in direct proportion to the number of shares held by each applicant as at the Record Date.

Shareholders should note that as the Offer is renounceable, eligible shareholders may sell or otherwise transfer their rights to all or any part of their entitlement. To do so, please carefully follow the instructions detailed in the Offer Document and the entitlement and acceptance form.

Proposed Timetable

The current proposed timetable for the Offer is as follows:

Announcement of Offer	16 March 2009
Investment Statement dated	16 March 2009
Existing shares quoted ex-entitlement & rights trading commences	24 March 2009 (ASX) 31 March 2009 (NZSX)
Record Date	30 March 2009
Offer Document mailing date	31 March 2009
Rights trading ceases on ASX	8 April 2009
Rights trading ceases on NZSX	15 April 2009
Offer closes (Closing Date)	17 April 2009
Despatch date and issue of New Shares and New Options	24 April 2009

The above dates are subject to change and are indicative only. Pike River reserves the right to amend this timetable without prior written notice, subject to the respective Listing Rules of the NZSX and the ASX and relevant legislation, although an announcement of any changes will be made on the NZSX and the ASX.

If you wish to participate in the Offer, it will be necessary for you to complete your personalised entitlement and acceptance form which will accompany your copy of the Offer Document and return it, with the appropriate application monies, to Pike River's New Zealand or Australian share registry (as appropriate).

If you have any questions in relation to the Offer, please do not hesitate to contact the Company Secretary, Pike River on +64 4 494 0190.

Yours faithfully



Gordon Ward
Chief Executive