

Pike River Coal Limited

Activities Report

Quarter ended June 2007



SUCCESSFUL INITIAL PUBLIC OFFER AND LISTING

Pike River Coal Limited shares listed on the New Zealand sharemarket (NZSX) on 20 July 2007, after the company successfully completed the largest public equity raising on the New Zealand stock exchange so far this year.

Strong interest from investors in New Zealand and Australia resulted in all 65 million shares in the Initial Public Offer (IPO) being allocated plus 20 million in oversubscriptions, raising a total of \$85 million. The funds will be used for the ongoing development of the hard coking coal resource owned by Pike River near Greymouth and reduce the amount of debt required. At today's coal prices, the Pike River coal mine is expected to generate \$2.3 billion in export receipts over its lifetime. Listing on the Australian stock exchange occurred on 25 July 2007.

OPERATIONAL HIGHLIGHTS

The following operational highlights have been achieved since 1 April 2007

- Tunnel at 1110 metres – 48% complete
- \$19m coal preparation plant contract signed
- \$12m electricity infrastructure contract completed
- Port Taranaki to underwrite \$20m Greymouth port redevelopment

TUNNELLING PROGRESS

The critical path to first coal, currently estimated to be the end of March 2008, is determined by the time taken to complete the tunnel which will provide access to the coal deposit. The tunnel was advanced 578 metres in the period from 1 April – 30 July 2007 to a total of 1110 metres – 48% of the 2,300 metre total length. Significant progress was achieved notwithstanding a 20 day halt in tunnelling whilst the contractor installed a conveyor system. The conveyor is being used to move the blasted rock from the tunnel face to a hopper positioned outside the tunnel entrance, where trucks can self load and remove the rock. Installation of the conveyor delivered immediate results with daily and weekly records being set for tunnel advance. Rates of tunnel advance will continue to vary depending on the rock type encountered, as is usual for projects of this nature.



Conveyor removing rock from tunnel

INFRASTRUCTURE

During June 2007 Pike River signed a \$19 million contract (within budget) with Brightwater-PEAT Limited for the construction of the coal preparation plant (CPP) to be located at the entrance to the Pike valley. This plant will receive all of the raw coal from the mine through a 10.6 kilometre coal slurry pipeline and “wash” the coal to remove diluting rocks and deliver a clean, dewatered product into stockpiles for haulage to the port at Greymouth.

Part of the technology in the CPP is an elemental analyser to perform continuous on-line, real-time, precise and accurate analysis of coal moving on the conveyor belt. This will provide Pike River with a significant advantage and help optimise returns, by grading coal into the correct classes. The plant will take approximately 10 months to build. There is a strong South Island connection, with Brightwater-PEAT Limited being owned 50% by Nelson engineering and construction company Brightwater Engineering Limited

During July 2007, an \$11.6 million electricity infrastructure contract was completed within budget, by local supply company Westpower Limited and national infrastructure owner Transpower New Zealand Limited.

Electricity will be used to power the CPP, pumps, mine ventilation, mining equipment and for offices and workshops. A new switch station was commissioned by Transpower in the Grey Valley, 40 kilometres north-east of Greymouth. This switch station takes power from the national grid line running from Reefton to Dobson. From the switching station, Westpower have installed a 7.5 kilometre line to a new main substation at Pike River’s coal preparation plant location. This sub station will supply power to the coal preparation plant and up to the mine portal. Fully insulated and extra strength “Hendrix” power cable has been used on the last four kilometres of line to the mine portal to minimise damage to native trees from fire or discharge should the cable be brought down by storm damage. Westpower will own and operate the electricity supply infrastructure.



Electricity infrastructure being installed

Pike River has also contracted Meridian Energy to supply power to the mine for the first three year period. The potential for on-site power generation from coal mine methane will continue to be evaluated by the company as the mine is developed.

In other on-site activities, the mine’s administrative and engineering buildings are close to completion. Work has commenced on the stores and workshop buildings at a small amenities area about 1.2 kilometres from the tunnel entrance. When water and telecommunications work completed in August 2007, the Pike River project team will move from their current offices in Greymouth to the new mine site buildings.

Meanwhile, off-site contracting activities continued. The first major piece of mining equipment, the roadheader, is on schedule for delivery in October 2007. Construction of the roadheader in Germany was completed and the machine delivered into Australia for customisation work to meet New Zealand/Australian mining standards.



Aerial view of the coal preparation plant area

TRANSPORT

Pike River coal will be transported by road to Greymouth and moved on two purpose built self propelled vessels to Port Taranaki for export to India, Japan, Brazil, Europe and other markets. During May 2007, the Environment Court confirmed the conditions of its December 2006 interim decision allowing Pike River to transport up to 1.3 million tonnes of coal per year by truck to the Greymouth port.

Financing arrangements for the transport chain were progressed by the West Coast Coal Company Limited (WCCC) consortium during the June 2007 quarter. In June, Port Westland Limited announced details of the planned redevelopment of the Greymouth port for Pike River coal transport. A port terminals company is being created to develop the cargo port in a \$20 million venture between Port Westland (owned by the local district council) and Port Taranaki Limited (owned by the Taranaki Regional Council). Financing for the port terminals company is being underwritten by Port Taranaki Limited.

The WCCC consortium includes international shipping line Jepsens, who are providing the two self propelled vessels. Long lead items for the first coastal ship were placed some months ago, a shipbuilding contract signed with a Chinese shipyard and detailed design of the ship is now nearly complete. WCCC and Pike River have extended the expected date for completion of ship and port development financing.

WCCC is evaluating various interim shipping solutions for delivery of up to 50,000 tonnes of Pike River coking coal pending delivery of the first coastal vessel (the "PRC Brunner"), now expected about September/October 2008.



Self propelled vessel image, generated by computer simulation

CARBON DIOXIDE EMISSIONS

Pike River has estimated that fugitive methane gas emissions from the mine are likely to be approximately 1.4 million tonnes over the mine life. The Brunner coal seam at Pike River is exposed to the atmosphere along the entire western escarpment which has resulted in considerably lower methane gas levels than is commonly found in underground mines. Total emissions could be reduced to as low as 184,000 tonnes if all methane is captured, burnt and therefore converted to carbon dioxide (depending on the economics and regulatory environment at the time).

CONSERVATION PROGRAMMES

Design of a pest and predator control programme covering the lower Pike Stream and Kakapo Catchments, an area of 1350 hectares, was advanced. These catchments consist of mainly lower level bush, river flats, and ridgelines. Approximately 35 kilometres of tracks will be established over the next year to service 460 rat bait stations and stoat kill traps.

Blue duck eggs will be collected this spring from the Pike Stream catchment area and ducklings raised in captivity for release into the neighbouring Moonlight Catchment, as part of the Paparoa Wildlife Trust (voluntary community group) operation nest egg programme.

The Department of Conservation is currently assessing different conservation areas for development of a blue duck enhancement programme, to which Pike River makes an annual grant of \$70,000.



Blue duck

If you wish to receive future quarterly, interim or annual reports electronically please go to the "Reports" section of the Pike River website at www.pike.co.nz to make this election. 1,062 investors have elected to receive reports electronically to date. If you wish to continue to receive reports by mail, please complete the enclosed postcard and return to Computershare.

SHAREHOLDER SUPPORT FROM NEW ZEALAND OIL & GAS ("NZOG")

As disclosed in the New Zealand Investment Statement and Australian Prospectus, finance under the Westpac finance facility is intended to be available upon mine development into first coal, which is expected to be March 2008. It is Pike River's intention to raise interim funding to meet its requirements pending funding under the Westpac facility becoming available.

In order to ensure that Pike River has sufficient working capital beyond January 2008 and in advance of the company obtaining debt facilities from third parties (including the Westpac facility), NZOG has agreed that at any time after 1 January 2008, if Pike River requests funding to meet the costs required to complete the development of the Pike River mine into first coal production, having expended in connection with the Pike River mine the \$85 million raised under the IPO, NZOG will provide equity funding or other financial support of up to \$25 million to Pike River on usual and reasonable 'arms' length terms and conditions to be agreed. The provision of such additional support is subject only to NZOG obtaining any necessary approvals, which NZOG has committed to use best endeavours to obtain.

BOARD AND MANAGEMENT

The Directors welcomed the appointment of Mr Arun Jagatramka, Gujarat NRE Coke's nominee, to the Board in July 2007 as signalled in the Prospectus. Mr Paul Bywater has joined as Pike River's Financial Controller, his previous position being Group Treasurer with Meridian Energy Limited.



Gordon Ward
Chief Executive
31 July 2007

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Pike River shares are quoted on the NZSX and the ASX under the code "PRC"

