



16 January 2008

## PIKE RIVER COAL

### **NZ\$100 Million Equity and Senior Debt Package for Pike River Mine Development**

A NZ\$100 million new equity and senior debt package is announced today by Pike River Coal Limited (Pike River) to complete development of its West Coast premium hard coking coal mine and support operations until steady state production from hydro monitor mining is achieved.

Pike River Managing Director Mr Ward said "This funding package, the arrival of the tunnel at the pit bottom area and the long term transport contract with Solid Energy to transport coal to Lyttelton for export have significantly de-risked and added value to the Pike River project in the last two months".

The equity element of the funding package will comprise an underwritten Renounceable Rights Issue to existing shareholders and noteholders to raise NZ\$60 million. In addition, shareholders will be invited to approve a Senior Debt Issue of US\$30 million (approximately NZ\$40 million) of convertible bonds to Liberty Harbor LLC, an investment fund which is part of Goldman Sachs Asset Management with offices in Singapore.

The Renounceable Rights Issue will be pro rata and comprise one new share for consideration of NZ\$1.00 for every 3.56<sup>1</sup> Pike River shares held (existing note holders participating on an as-converted basis) on the record date at close of business on Friday 30 January 2008. McDouall Stuart Securities Limited is the Lead Manager of the issue. The issue will be fully underwritten by McDouall Stuart Group Limited, and the company's three principal shareholders - New Zealand Oil & Gas Limited (NZOG), Gujarat NRE Limited (a wholly owned Gujarat NRE Coke Limited subsidiary) and Saurashtra World Holdings Private Limited (a Saurashtra Fuels Private Limited subsidiary).

The funding package replaces the mandate held by the Westpac Banking Corporation to provide funding of NZ\$65 million for development of the mine. The new funding package includes NZ\$13 million for capital and other costs associated with the new long term transport arrangements with Solid Energy NZ Limited, additional capital expenditure of NZ\$11 million for tunnelling costs (advised to the market in September 2007) and to fully refresh the project contingency of NZ\$11 million which has now been utilised.

Pike River Managing Director Gordon Ward says the funding package now being put in place is more favourable for the Company and shareholders compared to the terms of the proposed Westpac senior debt facility. Several terms of the proposed Westpac facility, including the unavailability to draw down the facility until the tunnel had reached first coal (which has been extended by a further two months as a result of the change in pit bottom excavation strategy to assist de-risk this process), restricted the availability and flexibility of the financing. This combined with alterations in the credit market which would be reflected in higher interest rates under the facility, the need for guarantees from NZOG (with the associated costs of this guarantee), and the need to bring in a second bank resulted in the Board reconsidering the desirability of the Westpac facility as offered.

Mr Ward said "The terms and conditions of the Liberty Harbor convertible bond facility provide certainty of funding and greater flexibility for the Company to effectively manage its funding requirements during the early stages of production. It removes both the need for bridge finance until the proposed Westpac facility could be drawn and the requirement for a guarantee from NZOG which was not deemed appropriate or necessary given Pike River's status as a separately listed stand-alone entity."

<sup>1</sup> Rounded from actual entitlement ratio of 1 Right for every 3.5576594 shares held

The issue of the convertible bonds to Liberty Harbor will rank as senior debt pari passu with another (yet to be identified) provider(s) of debt facilities of up to NZ\$15 million, primarily transactional banking facilities (eg for foreign exchange lines of credit). Liberty Harbor is an investment vehicle with more than US\$2.5 billion of net assets focussing on corporate investment opportunities. Christchurch based Murray & Company Limited was the arranger for the convertible bond placement.

Interest of 6.75% will be paid on the bonds quarterly in arrears during the three year term. The bonds can be converted to ordinary shares at any time at the discretion of the bondholders.

Any bonds outstanding at the end of three years are to be repaid by Pike River in cash. Pike River's principal shareholders, NZOG, Gujarat and Saurashtra who account for 48.8% per cent of the shares on issue, have indicated their intentions to vote in favour of the resolution at the special meeting of shareholders to be held on 4 February 2008 to approve the issue of convertible bonds to Liberty Harbor. The resolution will require a simple majority.

A New Zealand Investment Statement and Australian Prospectus for the Renounceable Rights Issue (Offer Document) and an accompanying Entitlement and Acceptance Form will be mailed to shareholders on or about 31 January 2008<sup>2</sup> and will be available to be viewed online at [www.pike.co.nz](http://www.pike.co.nz). The Offer will open on 31 January 2008 and close on 27 February 2008 with allotment of shares made on 3 March 2008. Rights trading will commence on the NZSX on 31 January and on the ASX on 23 January 2008.

Eligible shareholders and noteholders should carefully read the Offer Document when they receive it. If they wish to participate in the Offer, they will need to complete the Entitlement and Acceptance Form accompanying the Offer Document in accordance with the instructions set out in the Offer Document.

Commenting on the forward outlook, Mr Ward said "Attention will now turn to the negotiations by Australian coal producers to set the benchmark price for hard coking coal supplied to Japanese steel mills from 1 April 2008. Indications are for a significant increase on the US\$101 per tonne current at the time of the Company's Initial Public Offering of shares earlier this year, with market observers currently picking hard coking coal prices for next year being well above US\$130 per tonne<sup>3</sup>."

Tunnelling is now 85 per cent complete at 1960 metres. With the exception of the tunnel costs, announced in September 2007, all significant project costs have been tracking at or below budget. Excavations commenced for construction of the pit bottom area in mid December 2007. This will be where the coal is initially processed before entering a 10.6 kilometre slurry pipeline for transport to the coal preparation plant for dewatering, stockpiling and export to customers through the port of Lyttelton.

For further information please contact:

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<sup>2</sup>These 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.

<sup>3</sup> Refer to page 10 of the McDouall Stuart Securities Limited Equity Research Report dated 17 December 2007 which is available at [www.pike.co.nz](http://www.pike.co.nz).

<sup>4</sup>Application has been made to NZX for permission to list the rights and all the requirements of NZX relating thereto that can be complied with on or before the date of this announcement have been duly complied with. The new shares have been accepted for listing by NZX and will be quoted upon completion of allotment procedures. However, NZX accepts no responsibility for any statement in this announcement.

## Summary details<sup>1</sup>

### Renounceable Rights Issue

Offer	One new share for every 3.56 <sup>2</sup> shares held as at 30 January 2008
Subscription price	\$1.00 per share
Total new shares issued	60,000,000
Total shares on issue at completion of offer	263,367,820
NZ Prospectus and NZ Investment Statement and Australian Prospectus registered/lodged	17 January 2008
Record Date	30 January 2008
Offer opens	31 January 2008
Offer closes	27 February 2008
Allotment	3 March 2008

### Convertible Bond Facility

Bond issuer	Liberty Harbor LLC (an investment fund which is part of Goldman Sachs Asset Management)
Size of issue	\$US30,000,000
Coupon	6.75 per cent paid quarterly in arrears
Term	3 years
Conversion timing	Any time at bondholders' option
Conversion price	30% premium to Rights Issue subscription price (ie \$ 1.30) payable in US currency based on the NZD:USD cross-rate at time of issue
Pike River Coal Limited shareholder meeting to approve bond facility	4 February 2008

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<sup>2</sup> Rounded up from actual entitlement ratio of 1 Right for every 3.5576594 shares

#### Editor's note:

Pike River Coal Limited owns the rights to a premium hard coking coal resource located 50 kilometres north-east of Greymouth, New Zealand.

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