

## Pike River plans to complete all rock drilling before starting on coal

28 January 2008 - Pike River Coal has decided to complete all rock tunnelling including its pit bottom facilities before driving across the Hawera fault into the first coal seam.

In an update on progress at the new West Coast coking coal mine project, managing director Gordon Ward said the decision to halt the tunnel would cause delays.

Construction of the pit bottom facilities in parallel tunnels in rock with conventional drill and blast tunnelling equipment would push back intersecting the coal seam from April to July 2008.

"This is a risk mitigation step which should result in more cost-efficient construction of the pit bottom area," he said.

When the pit bottom is completed and the main tunnel started again through the fault, the tunnel will be deemed to be a coal mine. All non-flameproof equipment will be removed and replaced with purpose built coal mine equipment.

The tunnel is now at 1,960 m, 85% complete.

Mr Ward said tunnelling costs would raise total cost of the mine to about \$240 million - about \$35 million above that budgeted a year ago. Other non-tunnel costs were within budget.

The company said it planned to raise \$100 million of new equity and debt to complete the mine. A renounceable rights issue to existing shareholders and noteholders would raise \$60 million and a debt issue of \$40 million of convertible bonds to investment fund Liberty Harbor would replace a mandate held by Westpac to provide \$65 million.

Pike River has also reforecast a more conservative coal production in the rampup of first year of the mine. Production of 200,000 tonnes of coal in the first 12 months is now forecast as compared to 240,000 tonnes in the prospectus.

Coal output is expected to start in the third quarter.