PIKE RIVER COAL

FOR RELEASE: 27 FEBRUARY 2009

Results for announcement to the market

Reporting period: 6 months ended 31 December 2008
Previous reporting period: 6 months ended 31 December 2007

	6 months to 31 December 2008	6 months to 31 December 2007	Increase / (decrease)
	NZD 000's	*NZD 000's*	%
Operating revenue	-	-	-
(Deficit)/surplus from ordinary activities after tax attributable to security holders	(9,551)	(1,579)	n/a
Net (deficit)/surplus attributable to security holders	(9,551)	(1,579)	n/a

	As at 31 December 2008	As at 31 December 2007	Increase / (decrease)
Net tangible assets per share [1]	$ 0.734	$ 0.765	(4) %

		Amount per security	Imputed amount per security
Interim/final dividend		n/a	n/a
Record date	n/a		
Dividend payment date	n/a		

[1] NTA per share calculated with reference to the average number of shares on issue during the relevant six month period (being 282,225,000 for the six months ended 31 December 2008 and 201,708,000 for the six months ended 31 December 2007)

PIKE RIVER COAL

FOR RELEASE: 27 FEBRUARY 2009

Results for announcement to the market (continued)

Reporting period:	6 months ended 31 December 2008
Previous reporting period:	6 months ended 31 December 2007

Commentary:

Pike River Coal Limited ('Pike River') reports a net deficit of NZ$9,551,000 for the six months ended 31 December 2008. The result reflects the pre-production status of the Pike River premium hard quality coking coal mine and the effect of the significant decline in the New Zealand dollar exchange rate relative to the United States dollar, on the convertible bonds held by Liberty Harbor. An unrealized exchange loss of $10.8 million was reported on the convertible bonds, and this loss will reverse if those bonds are converted into shares during their term (expiring March 2011).

Pike River made the breakthrough to coal during the half year ended 31 December 2008 and has now completed all surface infrastructure needed for mining.

Some geological challenges in the tunnel and pit bottom area have been encountered and overcome in the past six months. Most recently, work has been required to remedy an unexpected rock fall 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.

On the international front, the hard coking coal market appears to be in reasonable shape despite the international downturn. Self-restraint exercised by major coal producers in cutting back production and signs of recovery in China are expected to support coal prices at levels significantly higher than forecast at the time of Pike River's 2007 initial public offer.

At the mine all surface infrastructure has been completed and commissioned including the coal preparation plant and rail loadout facility. Once the ventilation shaft is reinstated the company will work through a ramp-up period to achieve full production in the fourth quarter of 2009.

All the construction challenges to date have been overcome through the commitment of Pike River's skilled staff and the contract staff of the award-winning McConnell Dowell construction company. McConnell Dowell shouldered much of the work of cutting the 2.3 kilometre access tunnel, carving out pit bottom and constructing the ventilation shaft.

Throughout this process the Pike River mine has maintained a solid safety record, with no significant injuries or safety issues above or below ground.

Pike River has been recognised by the Government for its efforts in safeguarding an outstanding scenic environment by harmonising a commercial mine with its natural surroundings.

Once the shaft is fixed, the stage will be set for a successful long term mining operation, with a strong revenue stream from exports of a high quality product.

Accompanying this announcement are Pike River's condensed interim financial statements for the six months ended 31 December 2008 that have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP) and give a true and fair view of the matters to which the financial statements relate.

Pike River's auditors (KPMG) have reviewed the interim financial statements and their review report is attached to the financial statements.

This announcement together with the attached financial statements provides the information required in accordance with NZSX Listing Rule 10.4.1, NZSX Listing Rule Appendix 1 and ASX Listing Rule 4.2A.

PIKE RIVER COAL

Condensed interim financial statements

For the six months ended 31 December 2008

Contents

Condensed interim income statement

In thousands of New Zealand dollars	*Note*	**6 months ended 31 December 2008** *(NZIFRS unaudited)*	**12 months ended 30 June 2008** *(NZIFRS audited)*	**6 months ended 31 December 2007** *(NZIFRS unaudited)*
Revenue		-	10	2
Operating expenses	5	(33)	-	-
Administrative expenses	6	(4,519)	(5,842)	(4,254)
Operating loss from operating activities		**(4,552)**	**(5,832)**	**(4,252)**
Finance income	*7a*	4,003	6,535	2,768
Finance expenses	*7b*	(2,022)	(1,974)	(95)
Unrealised foreign exchange losses	*7b(ii)*	(10,805)	(2,004)	-
Net finance costs		**(8,824)**	**2,557**	**2,673**
Loss before income tax		**(13,376)**	**(3,275)**	**(1,579)**
Income tax benefit		3,825	2,131	-
Loss for the period		**(9,551)**	**(1,144)**	**(1,579)**
Loss per share				
Basic (cents per share)	*16*	(3.38)	(0.51)	(2.43)
Diluted (cents per share)	*16*	(3.38)	(0.51)	(2.43)

The notes on pages 7 to 18 are an integral part of these condensed interim financial statements.

Condensed interim statement of changes in equity

In thousands of New Zealand dollars	*Note*	**Share capital** *(NZIFRS unaudited)*	**Retained earnings** *(NZIFRS unaudited)*	**Total equity** *(NZIFRS unaudited)*
Balance at 1 July 2007		**81,464**	**965**	**82,429**
Total recognised income and expense for the period				
Loss for the period		-	(1,579)	**(1,579)**
Contributions from owners				
Issue of share capital	14	78,204	-	**78,204**
Value of employee services received	14/15	404	-	**404**
Balance at 31 December 2007		**160,072**	**(614)**	**159,458**
Balance at 1 January 2008		**160,072**	**(614)**	**159,458**
Total recognised income and expense for the period				
Profit for the period		-	435	**435**
Contributions from owners				
Issue of share capital	13/14	57,903	-	**57,903**
Value of employee services received	14/15	57	-	**57**
Balance at 30 June 2008		**218,032**	**(179)**	**217,853**
Balance at 1 July 2008		**218,032**	**(179)**	**217,853**
Total recognised income and expense for the period				
Loss for the period		-	(9,551)	**(9,551)**
Contributions from owners				
Issue of share capital	14	3,457	-	**3,457**
Value of employee services received	14/15	411	-	**411**
Balance at 31 December 2008		**221,900**	**(9,730)**	**212,170**

The notes on pages 7 to 18 are an integral part of these condensed interim financial statements.

Condensed interim balance sheet

In thousands of New Zealand dollars	*Note*	**As at 31 December 2008** *(NZIFRS unaudited)*	**As at 30 June 2008** *(NZIFRS audited)*	**As at 31 December 2007** *(NZIFRS unaudited)*
Assets				
Property, plant and equipment	*8*	49,471	246	296
Tangible mine development assets	*9*	182,350	188,080	140,564
Intangible mine development assets		4,909	3,105	5,102
Bonds and deposits	*10*	4,390	5,050	5,750
Deferred tax assets		5,956	2,131	-
Total non-current assets		247,076	198,612	151,712
Cash and cash equivalents		22,371	63,909	18,644
Trade and other receivables		3,532	2,082	737
Inventories		686	103	-
Deferred expenditure		-	334	758
Total current assets		26,589	66,428	20,139
Total assets		273,665	265,040	171,851
Liabilities				
Convertible bonds		46,200	37,826	-
Provisions	*12*	1,269	676	606
Total non-current liabilities		47,469	38,502	606
Convertible notes	*13(a)*	-	501	872
Trade and other payables	*11*	13,522	8,046	10,828
Employee benefits		504	138	87
Total current liabilities		14,026	8,685	11,787
Total liabilities		61,495	47,187	12,393
Net assets		**212,170**	**217,853**	**159,458**
Equity				
Share capital	*14*	221,900	218,032	160,072
Retained earnings		(9,730)	(179)	(614)
Total equity		212,170	217,853	159,458

John Dow (Chairman)

Stuart Nattrass (Director)

Date: 26 February 2009

Date: 26 February 2009

The notes on pages 7 to 18 are an integral part of these condensed interim financial statements.

Condensed interim statement of cash flows

In thousands of New Zealand dollars	*Note*	**6 months ended 31 December 2008** *(NZIFRS unaudited)*	**12 months ended 30 June 2008** *(NZIFRS audited)*	**6 months ended 31 December 2007** *(NZIFRS unaudited)*
Cash flows from operating activities				
Cash paid to suppliers and employees		(7,491)	(6,051)	(1,713)
Interest received		2,895	3,841	2,198
Interest paid		(2,127)	(361)	(88)
Other		-	-	(39)
Net cash used in operating activities	***17***	**(6,723)**	**(2,571)**	**358**
Cash flows from investing activities				
Acquisition of tangible mine development assets		(35,544)	(97,659)	(51,092)
Acquisition of intangible mine development assets		(212)	(1,597)	(724)
Acquisition of other fixed assets		-	(136)	(124)
Repayment of bonds and deposits		660	2,617	(883)
Payment of bonds and deposits		-	(2,800)	-
Net cash used in investing activities		**(35,096)**	**(99,575)**	**(52,823)**
Cash flows from financing activities				
Proceeds from issue of share capital	*14*	281	140,106	85,000
Proceeds from issue of convertible bonds		-	37,377	-
Deferred expenditure		-	(334)	(2,797)
Repayment of borrowings		-	(18,500)	(18,500)
Net cash from financing activities		281	158,649	63,703
Net (decrease)/increase in cash and cash equivalents		(41,538)	56,503	11,238
Opening cash and cash equivalents		63,909	7,406	7,406
Closing cash and cash equivalents		**22,371**	**63,909**	**18,644**

The notes on pages 7 to 18 are an integral part of these condensed interim financial statements.

1. Reporting entity

Pike River Coal Limited (‘Pike River’) is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (‘NZX’) and Australian Stock Exchange (‘ASX’). Pike River is an issuer in terms of the Financial Reporting Act 1993.

Pike River is primarily involved in the exploration and evaluation, development, and production of coal in New Zealand.

2. Basis of preparation

(a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (‘NZGAAP’). They comply with New Zealand equivalents to International Financial Reporting Standards (‘NZIFRS’), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The condensed interim financial statements also comply with International Financial Reporting Standards (‘IFRS’).

These condensed interim financial statements were approved by the Board of Directors on 26 February 2009.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for derivative financial instruments, which are measured at fair value

(c) Functional and presentation currency

These financial statements are presented in New Zealand dollars ($), which is Pike River’s functional currency. Unless otherwise indicated, all financial information presented in New Zealand dollars has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 9 – Tangible Mine Development Assets
- Note 13 – Provisions
- Note 16 - Share based payments
- Note 19 - Contingencies

(e) Adoption status of relevant new NZIFRS and Interpretations

Pike River has elected not to early adopt the following standards which have been issued but are not yet effective:

- NZ IAS 1 *Presentation of financial statements* – revision approved in November 2007 and effective for annual reporting period beginning on or after 1 January 2009.
- NZ IAS 23 *Borrowing costs* – revision approved in July 2007 and effective for annual reporting period beginning on or after 1 January 2009.
- NZ IFRS 8 *Operating segments* – approved in December 2006 and effective for annual reporting period beginning on or after 1 January 2009.

Upon adoption, these standards are not expected to have a material impact on Pike River's condensed interim financial statements.

3. Accounting policies

The condensed interim consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") for interim financial statements and in particular NZ IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not include all of the information required for full annual statements.

The same accounting policies, presentation and methods of computation are followed in the condensed interim consolidated financial statements as applied in the company's latest annual audited financial statements.

4. Segment reporting

Pike River currently operates within one primary segment, being the operation of the Pike River coal mine based near Greymouth on the West Coast of the South Island, New Zealand. Sales revenues are expected to be initially derived primarily through sales of coal to the Asia Pacific region.

5. Operating expenses

Pike River became an operational coal mine on 17 October 2008 at the point of 'first coal' (i.e. the point at which the access tunnel first intersected with the Brunner coal seam). However, as at balance date the main activity of the mine remains development of the mine infrastructure and coal seam with only limited extraction of coal in commercial quantities having occurred as at 31 December 2008. Consequently, all direct operating costs and the majority of indirect overheads in the current period have been capitalised.

Operating expenses recognised in the current period represent indirect overheads incurred by Pike River since the date of first coal.

6. Administrative expenses

The following items of expenditure are included in administrative expenses:

Administrative expenses		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
TSA termination expenses	*(i)*	(770)	(2,066)	(1,674)
Value of employee services provided		(411)	(461)	(404)
Other administrative expenses		(3,338)	(3,315)	(2,176)
		(4,519)	**(5,842)**	**(4,254)**

(i) TSA termination expenses

Included within Administrative Expenses for the six months ended 31 December 2008 is an amount of $770,000 (six months ended 31 December 2007: $1,674,000) representing the cost of Pike River's obligations under certain indemnities provided to West Coast Coal Company Limited ('WCCC') in connection with a Transport Services Agreement ('TSA') for transportation of Pike River's coal that was terminated by Pike River on 18 November 2007. The basis for recognition of this expense and the method of settlement are discussed further in notes 11 and 18.

7. Net finance costs

(a) Finance income

Finance income		6 months ended 31 December 2008	12 months ended 30 June 2008	6 months ended 31 December 2007
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Interest income	*(i)*	1,643	4,218	2,178
Realised foreign exchange gains		31	1,711	19
Unrealised foreign exchange gains		2,186	606	571
Change in fair value of derivatives	*(ii)*	143	-	-
		4,003	**6,535**	**2,768**

(i) Interest income

Interest income represents amounts earned on investment of surplus cash funds in on-call deposits, term deposits or registered investment securities with major domestic and international financial institutions. Consistent with Pike River's investment policy, all investments are entered into with financial institutions maintaining a credit rating of at least AA from Standard & Poor's (or the equivalent rating from Moody's or Fitch).

(ii) Change in fair value of derivatives

The change in fair value of derivatives arises in relation to short term foreign exchange derivative instruments which Pike River has entered into to manage its foreign exchange risk in relation to purchases of specific items of mine development expenditure. Pike River has not elected to seek hedge accounting for these derivatives and instead recognises the change in fair value through the profit and loss..

(b) Finance expense

Finance expense		6 months ended 31 December 2008	12 months ended 30 June 2008	6 months ended 31 December 2007
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Interest expense	*(i)*	(1,908)	(806)	-
Realised foreign exchange losses		(83)	-	(70)
Unwind of discount on provisions		(21)	(67)	(7)
Amortisation of discount on convertible bonds		-	(156)	-
Other finance expenses		(10)	(945)	(18)
		(2,022)	**(1,974)**	**(95)**

(i) Interest expense

Interest expense represents the coupon payable on the convertible bonds issued by Pike River.

(ii) Unrealised foreign exchange losses

Unrealised foreign exchange losses arise primarily in relation to the translation of the USD convertible bond financial liability as at balance. These losses may be reversed in future periods to the level of any conversion of the convertible bonds that takes place in the relevant period.

8. Property, plant and equipment

Property, plant and equipment		6 months ended 31 December 2008	12 months ended 30 June 2008	6 months ended 31 December 2007
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Opening net carrying amount		246	231	231
Additions		134	136	124
Transfers in from mine development assets		49,625	-	-
Disposals			-	-
Depreciation charge		(534)	(121)	(59)
Closing net carrying amount		**49,471**	**246**	**296**

As outlined in note 5, as at balance date Pike River has not yet commenced production of coal in commercial quantities and is still completing the final development phase of the mine and its infrastructure. Accordingly, as at balance date there are a significant number of property, plant and equipment items that have not yet been fully commissioned or are still in development activities. Costs associated with these items of property, plant and equipment continue to be recorded within tangible mine development assets pending transfer.

Items transferred during the current period represent those items of property, plant and equipment which are in use and are not directly involved in development activities.

9. Tangible mine development assets

Tangible mine development assets (at cost or deemed cost)		6 months ended 31 December 2008	12 months ended 30 June 2008	6 months ended 31 December 2007
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Opening balance		188,080	97,749	97,749
Additions		37,305	92,009	44,031
Transfers out to mine production assets		-	-	-
Transfers out to property, plant and equipment		(49,625)	-	-
Amounts capitalised/(expensed)		6,590	(1,678)	(1,216)
Closing balance		**182,350**	**188,080**	**140,564**

An amount of $6,590,000 was capitalised for the six months ended 31 December 2008 as meeting the recognition criteria for capitalised development interests. In the six months to 31 December 2007 all mine development costs had been capitalised with $1,216,000 being identified as no longer meeting the recognition criteria and consequently had been charged to profit and loss.

Immediately prior to commencement of coal production in commercial quantities, Pike River will undertake a further review of mine development assets with a view to reclassifying the capitalised tangible mine development assets into either property, plant & equipment or tangible mine production assets.

As at 31 December 2008 tangible mine development assets with a carrying amount of $16.5 million (31 December 2007: Nil) are subject to a registered first ranking charge in favour of the Bank of New Zealand Limited ('BNZ') by way of security granted in relation to the CreditPlus committed bank facility (refer note 14(c)).

10. Bonds and deposits

Bonds and deposits	6 months ended 31 December 2008	12 months ended 30 June 2008	6 months ended 31 December 2007

In thousands of dollars	Note	(NZIFRS unaudited)	(NZIFRS audited)	(NZIFRS unaudited)
Bonds		2,249	2,249	2,249
Deposits		2,141	2,801	3,501
		4,390	**5,050**	**5,750**

Deposits at balance date relate to the cash-backed third party guarantee provided to Westpower Limited (‘Westpower’) in relation to an agreement for supply and installation of high voltage electricity supply infrastructure to the mine. Under the terms of the third party guarantee Pike River has an amount of $1,810,000 (31 December 2007: Nil) cash lodged with ANZ National Bank Limited (‘ANZ’) (the provider of the guarantee) as at balance date. Cash lodged with the ANZ to secure the guarantee will be refunded by the ANZ to Pike River on a monthly basis in line with Pike River’s satisfaction of its monthly obligations under the Westpower infrastructure supply agreement.

11. Trade and other payables

Included within Trade And Other Payables at 31 December 2008 is an amount of $412,000 (31 December 2007: $1,116,000) representing accrual of Pike River’s outstanding cash obligations in relation to indemnities granted to WCCC in relation to the TSA. These obligations are discussed in further detail in note 19.

12. Provisions

Rehabilitation provision		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of shares	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Opening balance		676	210	210
Provision made during the period		321	373	373
Unwind of discount		21	67	7
Impact of change in discount rate		251	26	16
Closing balance		**1,269**	**676**	**606**

Under an agreement with the Department of Conservation, Pike River is obliged to rehabilitate any affected land area to an approved condition once coal production from the Pike River mine has ceased. This provision represents the costs expected to be incurred to rehabilitate areas where mine development work has occurred as at balance date.

Because of the long term nature of this liability, the biggest uncertainty in estimating the provision is the quantum of costs that will be incurred to rehabilitate the affected areas. In particular, Pike River has assumed that the site will be restored using technology and materials that are available currently.

The provision has been calculated using a discount rate of 4.62% as at 31 December 2008 (31 December 2007: 6.45%). The expected remaining life of mine used in the determination of the provision is estimated at 18.5 years as at 31 December 2008 (31 December 2007: 19.5 years).

13. Interest bearing loans and borrowings

This note provides information about interest-bearing loans and borrowings issued and repaid during the periods presented.

(a) Convertible notes

Convertible notes		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Opening balance		501	1,280	1,280
Unwind of discount		(501)	(779)	(408)
Closing balance		**-**	**501**	**872**

The convertible notes issued by Pike River were mandatorily converted into ordinary shares on 31 December 2008. This conversion feature resulted in separate recognition and valuation of the equity component of the convertible notes.

(b) Convertible bonds

Convertible bonds		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Opening balance		37,826	-	-
Net proceeds (after costs) from issue of convertible bonds		-	35,666	-
Conversions during the period		(3,307)	-	-
Amortisation of discount		387	156	-
Convertible bonds accrued interest		535	-	-
Unrealised foreign exchange loss on translation		10,759	2,004	-
		46,200	**37,826**	**-**

Convertible bonds issued by Pike River are denominated in USD, bear interest at a fixed rate of 6.75% (payable quarterly) and are convertible into ordinary shares of Pike River at any time prior to maturity (12 March 2011) at the bond-holders election. A condition of the convertible bonds is that coal mine production at the rate of 66,700 tonnes per month is reached by 30 June 2009.

The conversion price is currently fixed at one new ordinary share for each USD$0.9392 of outstanding bond principal but is subject to anti-dilution adjustments usual for this type of financial instrument. Ordinary shares issued on conversion will rank equally in all respects with all other existing ordinary shares on issue as at that time. Given that conversion is solely at the election of the bond-holder and if not converted the bonds are repayable in cash the instrument is recognised as a financial liability and carried at amortised cost translated into NZD at each reporting date.

Pike River has granted a first ranking charge over the company's assets by way of security for the convertible bonds (excluding certain items of mobile mining equipment which are subject to a charge granted to the Bank of New Zealand Limited ('BNZ') in relation to the CreditPlus committed bank facility (refer note 14(c)).

During the current period 50 convertible bonds (with a face value of USD$2,500,000) were converted into ordinary shares. Refer note 15 for further detail.

(c) Committed bank term debt facility

Pike River has in place a CreditPlus committed bank term debt facility with the BNZ. Similar to a revolving credit facility the facility is fully redrawable and repayable at Pike River's option over the term of the facility. The initial facility limit of $16,167,000 amortises on a monthly basis down to a maximum facility limit of $4,181,000 by the facility maturity date. The facility is priced at a margin above 90 day BKBM with a quarterly rate reset.

The CreditPlus facility is secured via a first ranking charge provided over certain items of mobile mining equipment (as set out in note 9).

As at 31 December 2008 Pike River has not drawn against the CreditPlus facility.

(d) Multi-option committed bank facility

Immediately prior to balance date Pike River put in place a $10,000,000 committed Multi-option debt facility with the BNZ. Structured as a series of flexible and scaleable sub-facilities, the Multi-option facility allows Pike River to fund some of its short term working capital and other operational requirements via a fully redrawable and repayable committed credit line over the next twelve months. The Multi-option facility is a floating rate facility with pricing at various margins dependant on the type of sub-facility being utilised.

The Multi-option facility is secured via a charge over the company's assets (excluding certain items of mobile mining equipment) that ranks pari-passu with the charge granted to the convertible bond-holders.

As at 31 December 2008 Pike River has not drawn against the Multi-option facility pending satisfaction of conditions precedent to the initial draw-down.

14. Share capital

This note provides information about equity instruments issued during the periods presented.

Share capital - number		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of shares	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Fully paid ordinary shares				
Opening balance		267,027	115,000	115,000
Shares issued on initial public offering		-	85,000	85,000
Shares issued following renounceable rights issue		-	66,667	-
Shares issued on conversion of convertible bonds		2,662	-	-
Shares issued on exercise of share options		-	-	-
Shares issued on conversion of convertible notes		12,272	-	-
Issue of ordinary shares to senior management		-	200	200
Re-issue of forfeited partly-paid shares as fully paid ordinary shares		358	160	-
Closing balance		**282,319**	**267,027**	**200,200**
Partly paid ordinary shares				
Opening balance		3,577	-	-
Partly paid shares issued pursuant to the ESOP		1,760	3,737	3,168
Forfeiture of partly paid shares		(358)	(160)	-
Closing balance		**4,979**	**3,577**	**3,168**
Total share capital		**287,298**	**270,604**	**203,368**

Share capital - value		6 months ended 31 December 2008	12 months ended 30 June 2008	6 months ended 31 December 2007
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Fully paid ordinary shares				
Opening balance		207,793	71,783	71,783
Shares issued on initial public offering		-	78,204	78,172
Shares issued following renounceable rights issue		-	57,567	-
Shares issued on conversion of convertible bonds		3,116	-	-
Shares issued on exercise of share options		-	-	-
Shares issued on conversion of convertible notes		9,570	-	-
Issue of ordinary shares to senior management		-	-	-
Re-issue of forfeited partly-paid shares as fully paid ordinary shares		281	239	-
Closing balance		**220,760**	**207,793**	**149,955**
Partly paid ordinary shares				
Opening balance		97	-	-
Partly paid shares issued pursuant to the ESOP		16	37	32
Forfeiture of partly paid shares		(2)	(2)	-
Proceeds from sale of rights attaching to partly paid shares held in escrow		-	62	-
Closing balance		**111**	**97**	**32**
Other				
Opening balance		10,142	9,681	9,681
Equity component of convertible notes		(9,524)	-	-
Value of employee services provided		411	461	404
Closing balance		**1,029**	**10,142**	**10,085**
Total share capital		**221,900**	**218,032**	**160,072**

15. Share based payments

(a) Share based payments – issue of fully paid shares for nil consideration

On 28 July 2006 Pike River shareholders approved the issue of 100,000 fully paid shares in the entity for nil consideration to the current Chief Executive. These shares are held in escrow by Pike River and are subject to forfeiture should current Chief Executive not be in the employment of Pike River as at 22 May 2009 (being two years from the date of IPO).

The fair value of services received in return for the fully paid shares granted is measured by reference to the fair value of the shares at the point of grant (being the initial public offering price of $1.00 per share).

(b) Share based payments – Employee Share Ownership Plan

On 4 August 2006, Pike River established an Employee Share Ownership Plan ('ESOP') that entitles key management personnel and employees to purchase partly-paid ordinary shares in the entity. Partly-paid shares issued under the ESOP are subject to an initial vesting period; an allocation price which is set at a premium (between 15% and 35%) above the market price at the time of allocation; and a final expiry date by which the employee must have either paid the full allocation price or the partly-paid shares are forfeited. Partly-paid shares are transferred to the ownership of the relevant individual upon completion of the initial vesting period and payment in full of the allocation price.

During the six months ended 31 December 2008, a further 1,760,926 partly paid-shares were issued in accordance with the ESOP rules.

Where an employee leaves the employment of Pike River prior to expiry of their relevant escrow period, the ESOP provides for these shares to be forfeited by the employee and sold into the market as fully paid ordinary shares at the prevailing market rate. During the six months ended 31 December 2008, 699,570 partly-paid ordinary shares were forfeited and sold.

The terms and conditions of the partly-paid shares issued during the current period are as follows; all exercise of partly-paid share allocations are settled by physical delivery of Pike River ordinary shares:

Issue date	Participants	Number of instruments	Vesting conditions	Remaining allocation price	Contractual life of partly-paid shares
8 July 2008	Employees	456,450	Between 1 April 2010 and 1 June 2010	$1.17 to $1.88	Between 1 April 2013 and 1 June 2013
9 September 2008	Employees	382,000	Between 1 June 2010 and 4 August 2010	$1.88 to $2.51	Between 1 June 2013 and 4 August 2013
14 October 2008	Employees	482,142	Between 30 June 2010 and 1 September 2010	$2.19 to $2.51	Between 30 June 2013 and 1 September 2013
1 December 2008	Employees	355,704	Between 1 September 2010 and 3 November 2010	$1.66 to $2.21	Between 1 September 2013 and 3 November 2013
29 December 2008	Employees	84,630	Between 20 October 2010 and 3 November 2010	$1.66 to $1.79	Between 20 October 2013 and 3 November 2013
		1,760,926			

The fair values of services recognised for the purposes of *NZIFRS2 – Share-based Payment* in return for partly-paid shares issued to management and employees are measured by reference to the fair value of partly-paid shares issued. The estimate of the fair value of services received is measured based on a Black-Scholes option valuation model due to the inherent optionality around take-up and payment of outstanding allocation price in relation to the partly-paid shares issued under the ESOP. The contractual lives of the partly-paid shares are used as an input into this model.

Other key assumptions used in arriving at the fair values are set out in the following table:

	Partly-paid shares issued during the current period
Fair value at measurement date	Between $0.27 and $1.36
Quoted share price	Between $0.90 and $2.10
Exercise price	Between $1.17 and $2.51
Expected volatility (based on the historical volatility of Pike River shares since initial listing in July 2007)	Between 47% and 54%
Partly-paid share contractual life	As above
Expected dividends (based on historic dividend pay-outs made by Pike River)	0%
Risk-free interest rate (based on government bonds)	Between 5.03% and 6.44%

16. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share at 31 December 2008 is based on the loss attributable to ordinary shareholders of $9,551,000 (six months ended 31 December 2007: loss of $1,579,000) and a weighted average number of ordinary shares outstanding during the six months ended 31 December 2008 of 282,225,000 (six months ended 31 December 2007: 201,708,000), calculated as follows:

Profit attributable to ordinary shareholders	**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of New Zealand dollars	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Net loss attributable to ordinary shareholders (basic)	(9,551)	(1,144)	(1,579)

Weighted average number of ordinary shares		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of shares	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Issued ordinary shares		267,027	115,000	115,000
Effect of shares issuable upon conversion of mandatorily convertible notes		12,323	10,092	10,092
Effect of shares issued on initial public offering		-	81,041	76,616
Effect of partly-paid shares issued pursuant to the ESOP		32	21	-
Effect of shares issued following renounceable rights issue		-	20,091	-
Effect of re-issue of forfeited partly-paid shares as fully paid ordinary shares		116	25	-
Effect of shares issued on partial conversion of convertible bonds		2,625	-	-
Effect of shares issued on partial exercise of share options		3	-	-
Effect of shares issued on completion of escrow period for contingently issuable shares		99	-	-
Weighted average number of ordinary shares (basic)		**282,225**	**226,270**	**201,708**

No adjustment to profit attributable to ordinary shareholders for the six months ended 31 December 2008 has been made in respect of interest paid on the mandatorily convertible notes as all such interest payments during the period have been capitalised to tangible mine development assets.

(b) Diluted earnings per share

The calculation of diluted earnings per share at 31 December 2008 is based on the loss attributable to ordinary shareholders of $9,551,000 (six months ended 31 December 2007: loss of $1,579,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 282,225,000 (six months ended 31 December 2007: 201,708,000), calculated as follows:

Profit attributable to ordinary shareholders		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of New Zealand dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Net loss attributable to ordinary shareholders (basic)		(9,551)	(1,144)	(1,579)
Interest expense on convertible bonds, net of tax	(i)	-	-	-
Net loss attributable to ordinary shareholders (diluted)		**(9,551)**	**(1,144)**	**(1,579)**

Weighted average number of ordinary shares		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of shares	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Weighted average number of ordinary shares (basic)		282,225	226,270	201,708
Effect of exercise of outstanding share options	(i)	-	-	-
Effect of conversion of outstanding convertible bonds	(i)	-	-	-
Effect of contingently issuable shares	(i)	-	-	-
Weighted average number of ordinary shares (diluted)		**282,225**	**226,270**	**201,708**

The average market value of Pike River's shares for the purposes of calculating the dilutive effect of share options and convertible bonds is based on an average quoted market price for the six months ended 31 December 2008 of $1.52 per share.

(i) Anti-dilution effects

For the purposes of calculating diluted earnings per share as at 30 June 2008 these dilutive potential ordinary share items have been excluded on the basis that they would give rise to an anti-dilutive effect on the calculation of ordinary loss per share (i.e. reduce the ordinary loss per share). These items are only included in diluted earnings per share to the extent that they result in an increased loss per share or reduced earnings per share.

17. Reconciliation of the loss for the period with the net cash from operating activities

Reconciliation of profit/(loss) with net cash from operating activities		**6 months ended 31 December 2008**	**12 months ended 30 June 2008**	**6 months ended 31 December 2007**
In thousands of dollars	*Note*	*(NZIFRS unaudited)*	*(NZIFRS audited)*	*(NZIFRS unaudited)*
Profit/(loss) for the period		**(9,551)**	**(1,144)**	**(1,579)**
Adjustments for:				
Depreciation		343	121	59
Unwind of discount on provision for rehabilitation		21	-	7
Value of employee benefits provided	*14/15*	411	-	404
Net finance costs		(8,824)	(2,557)	(2,673)
Mine development assets expensed	*8a*	-	-	1,216
Change in trade and other receivables		1,450	(1,231)	-
Change in inventories		583	(104)	-
Change in trade and other payables		5,477	(462)	180
Change in employee benefits		366	-	8
Change in advances		-	-	626
Change in deferred tax		(3,825)	(2,131)	-
Interest received		2,895	3,841	2,198
Realised foreign exchange gains		31	1,711	-
Interest paid		(2,127)	(361)	(88)
Other		(563)	(254)	-
Pre-operational overheads capitalised		6,591	-	-
Net cash (used)/from operating activities		**(6,723)**	**(2,571)**	**358**

18. Contingencies

On 27 November 2007, Pike River terminated the TSA with WCCC for non-fulfilment of the financing condition as set out within the TSA. WCCC has alleged that Pike River unlawfully terminated the TSA and WCCC and/or its proposed subcontractors may claim entitlement to recover other alleged losses, costs or expenses incurred by them prior to, or as a result of, termination and, to date, have advised a claim of approximately $2 million additional to the indemnities given by Pike River. Pike River's view is that the TSA was lawfully terminated and WCCC does not have a valid legal basis to claim the majority of those costs. It has taken, and will continue to take, legal advice in relation to these matters.

19. Commitments

As at 31 December 2008, Pike River had $14,931,185 of capital commitments (31 December 2007: $25,208,005) that would be payable if the current mine development activities were terminated. These commitments relate to committed non-cancellable purchases of long lead time mining equipment and development activities required as part of the ongoing mine development.

On 27 November 2007 Pike River entered into a long term Coal Transportation Agreement ('CTA') with Solid Energy New Zealand Limited ('Solid Energy'). Under the terms of the CTA, Pike River has committed to certain minimum annual charges which are payable over the life of the CTA.

20. Subsequent events

Pike River Coal is considering a possible pro-rata rights issue of shares to raise additional capital due to the three month delay in coal production caused by a rock fall in the ventilation shaft.

Auditors' review report

To the shareholders of Pike River Coal Limited ('the Company')

We have reviewed the attached condensed interim financial statements on pages 3 to 18 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants. The condensed interim financial statements provide information about the past financial performance of the Company and its financial position as at 31 December 2008.

Directors' responsibilities

The Directors of the Company are responsible for the preparation of condensed interim financial statements which give a true and fair view of the financial position of the Company as at 31 December 2008 and the results of its operations and cash flows for the six months ended on that date.

Reviewers' responsibilities

It is our responsibility to express an independent opinion on the condensed interim financial statements presented by the Directors and report our opinion to you.

Basis of opinion

A review is limited primarily to enquiries of Company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Our firm has also provided other services to the company in relation to taxation and general accounting services. These matters have not impaired our independence as auditors of the Company. The firm has no other relationship with, or interest in, the Company.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the attached condensed interim financial statements on pages 3 to 18 do not give a true and fair view of the financial position of the Company as at 31 December 2008, the results of its operations and cash flows for the six month period ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 26 February 2009 and our opinion is expressed as at that date.

KPMG

Wellington