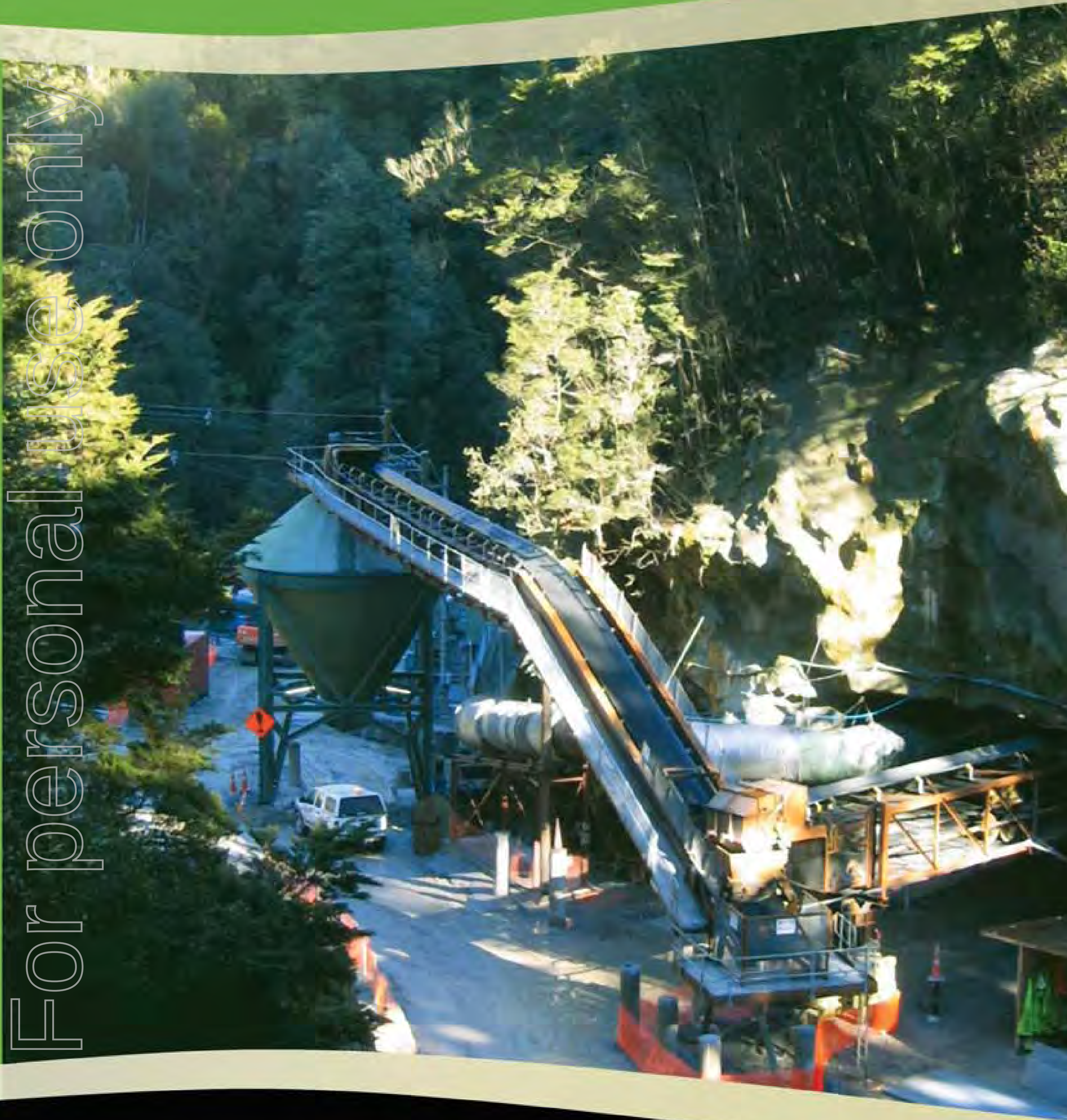
Pike River Coal Limited

Annual Report 2007



PIKE RIVER COAL

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ANNUAL GENERAL MEETING

Shareholders of Pike River Coal Limited (Pike River) are invited to attend the 2007 Annual Meeting to be held at the mine site offices, 586 Logburn Road, Atarau, Greymouth on 24 October 2007 at 12.00 noon.

COMPANY PROFILE

Pike River is an independent company listed on the New Zealand and Australian stock exchanges. Pike River owns a major coking coal mine project under development in New Zealand's South Island.

2007 ANNUAL REPORT

The 2007 Annual Report of Pike River Coal Limited is approved for and on behalf of the Board.

Director **Director**

Pike River Coal Limited
NZ Reg. Coy. No. 114243
ARBN 119 304 148

Letter from the Managing Director

24 August 2007

Dear Investor

On behalf of the Board it is my pleasure to provide you with Pike River's first annual report as a listed company.

The company has made solid progress developing the premium quality hard coking coal deposit at Pike River during the year ended 30 June 2007. The Initial Public Offer (IPO) which closed in July 2007 was very successful, with $85 million raised from more than 5,000 new investors, most of whom are New Zealanders. We also received strong institutional support, with 36% of the IPO subscribed for by New Zealand and Australian institutions.

Having now raised $156 million by share and convertible note issues to fund Pike River mine development costs, the remaining step is to complete a $65 million debt facility. We aim to complete this process by the end of January 2008.

Progress on the tunnel, which provides access to the coal deposit, has been slower than originally expected due to conditions encountered, but the halfway mark has been passed. All other supporting infrastructure for the mine is either in place or construction is proceeding according to schedule. Recent milestones include the completion of power supply to the mine and relocation of Pike River staff from Greymouth to the mine site. Recruitment of staff remains a challenge in a tight labour market, so it is pleasing to observe that we have continued to attract high calibre employees.

Significant volatility in domestic and international financial markets has been experienced since the IPO. The consequences have been felt in the New Zealand stock market generally and Pike River shares are trading below the IPO issue price. Whilst this is unexpected, it is relevant to note that the Pike mine development is generally progressing according to plan and that international commodity markets remain strong - underpinned by demand from the Indian and Chinese economies and coking coal prices are likely to improve later this year. Pike River also benefits from a weakening New Zealand dollar. Accordingly, the fundamental ingredients remain sound for the success of Pike River as it moves towards becoming New Zealand's second largest export coal mine.

Gordon Ward
Managing Director

INITIAL PUBLIC OFFER AND LISTING

Pike River shares listed on the New Zealand stock exchange (NZX) on 20 July 2007, after the company successfully completed the largest public equity raising on the NZX in the year to date. The company subsequently listed on the Australian stock exchange (ASX) on 25 July 2007.

Strong interest from investors in New Zealand and Australia resulted in all 65 million shares in the Initial Public Offer (IPO) being allocated together with an additional 20 million shares in oversubscriptions, raising a total of $85 million. The funds will be used for the ongoing development of the premium hard coking coal resource owned by Pike River near Greymouth and reduce the amount of debt required.

At April 2007 coal prices and exchange rates, the Pike River coal mine is expected to generate $2.3 billion in export receipts over its lifetime.

FIGURE 1: LOCATION - PIKE RIVER COAL MINE

PREMIUM HARD COKING COAL

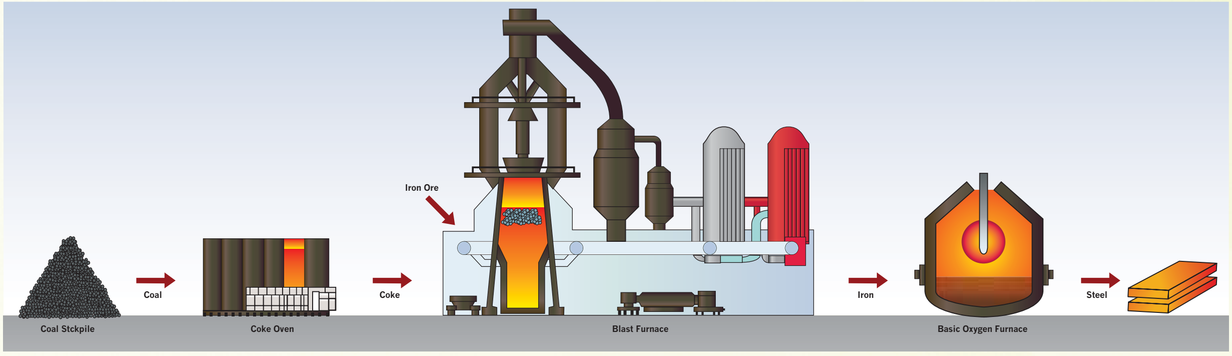
Coal Production and Quality

First coal from the Pike River mine is now currently scheduled for April 2008 with the tunnel approximately one month behind schedule compared to the timeframe set out in the company's prospectus for the IPO. Once in production, the Pike River mine will produce premium hard coking coal, a type of metallurgical coal, which will be exported and used in the production of coke and steel. The mine is currently under development with production of approximately 240,000 tonnes of saleable coal targeted for the first full year of production (commencing 1 April 2008), building to approximately 1 million tonnes in the following year (commencing 1 April 2009).

Independent analysis by AME Consulting Pty Limited (AME), an Australian expert on coal mining and metals markets, has confirmed that Pike River coal's uniquely low ash content of approximately 1%, is an attractive property that enables it to be used to reduce overall ash levels in coking coal blends suitable for use by international steel mills and coke making plants. International steel and coke makers (such as Japan) are generally importing hard coking coals with an ash content in the range of 6.5% to 9.8%. Ash is a by-product in making coke and has to be disposed of, typically being added into cement. Other advantages of the Pike River coal for steel and coke makers will be the high fluidity (a measure of how fluid the coal becomes when heated to form coke) and very low phosphorous levels (phosphorous being another by-product).

Metallurgical coal is an essential raw material used in the coke making process. Coke is the carbon material, burnt to provide most of the energy required by blast furnaces to make pig iron, which is then processed to steel in basic oxygen furnace (BOF) converters. The blast furnace/BOF process is still the lowest-cost steelmaking method, and currently accounts for more than 60% of world steel production.

FIGURE 2: COKE AND STEEL MAKING PROCESS



Coal Market and Prices

Global steel production continues to rise, and consequently metallurgical coal imports are forecast to continue to grow strongly from 219 million tonnes (Mt) to 259Mt (average 4.2% per year) between now and 2010 (AME, May 2007). The forecast global coal import growth rate is more than three times the actual rate over the last 10 years. The major driver of the forecast higher rate of coking coal demand is expected to be the increasing inability of India and (to a lesser extent) China to service their total coking coal requirements from local production. Indian and Chinese coking coal imports are expected to be around 70% higher in 2010 than current volumes.

Coal prices have been firming since the Japanese Fiscal Year (JFY) 2007 settlement reached in December 2006. Some recent premium hard coking coal spot sales have been well in excess of US$115 per tonne. A stronger Australian dollar (AUD) against the United States dollar (USD) puts upwards pressure on coal prices and the AUD has appreciated 10 cents against the USD since December 2006. This points to the JFY 2008 coal price being significantly higher than last years US$96 per tonne (the Australia – Japan reference price for Goonyella brand).

KEY MINE DEVELOPMENT STEPS

At 31 July 2007, 47% of the mine access and infrastructure construction work was complete, with $81m of the $174 million mine development budget (excluding working capital) having been expended.

The remaining key mine development steps for Pike River to achieve first coal production are:

Development of a mine tunnel to reach the coal seam: The 2.3 kilometre tunnel being driven in stone commenced in late September 2006 and is expected to be completed in April 2008 with the intersection of the coal seam west of the Hawera fault. Whilst not currently anticipated, there remains potential for delays of between one to three months against the current mine development schedule.

Construction of mine pit bottom facilities and coal slurry pipeline for transport of coal to the coal preparation plant: Prior to continuous coal production, a system of roadways and large excavations is required to establish the mine pit bottom to the east of the Hawera fault. These are required for underground ventilation, electrical and coal handling systems. The tunnel will be progressed in parallel with these excavations from the fault for a further 300 metres until the coal seam is intersected. Continuous coal extraction will occur after this phase of development. A coal slurry pipeline needs to be installed to transport coal from the mine to a coal preparation plant.

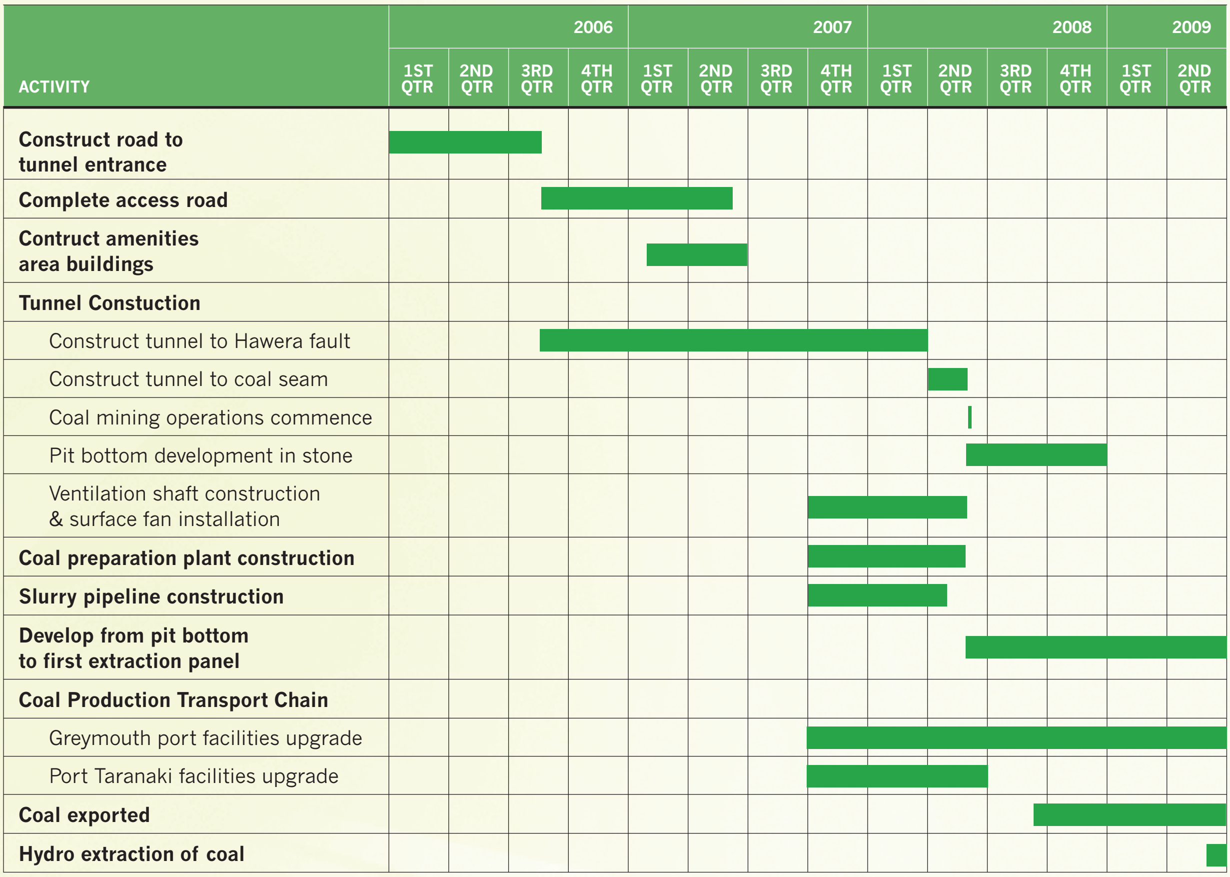
Construction of a coal preparation plant to prepare coal for export: The coal preparation plant is being constructed under a design and build contract and will be operated by Pike River.

Recruitment of mine production personnel to operate the mine: A recruitment plan is being implemented with all key management and some engineering and support staff already employed. The first mine production staff are expected to be employed later in 2007 in advance of coal production.

Construction of road headers and hydraulic mining equipment for coal extraction: The primary roadway development equipment of a road header and continuous miners will be leased and mobilised over the first six months after the completion of the mine tunnel. One roadheader and two continuous miners are under construction. The hydraulic monitor units will be purchased by Pike River and mobilised in late 2008.

The target development timetable to achieve coal production is set out in the Table 1 below.

TABLE 1: TARGET DEVELOPMENT TIMETABLE



Tunnelling Progress

Construction of the tunnel sets the critical path to first coal. The tunnel is proceeding satisfactorily, currently at 1331 metres (9 September 2007) having advanced 958 metres in the past six and a half months. There remains a further 969 metres to complete the 2.3 kilometre project which is approximately one month behind the timeframe set out in the IPO prospectus. Tunnel construction is by the "drill and blast" technique. A drilling unit (Atlas M2D Rocket Boomer) drills holes into the rock, where explosive charges are laid and then detonated. The rate of tunnel advance depends on the rock type encountered, as is usual for projects of this nature. If the rock is more fractured (e.g. class 4 or 5 rock) progress is slower as more support is required in the roof. Support is provided by application of shotcrete, and rockbolting and meshing. Much of the recent tunnel progress has been in more heavily fractured ground than expected and whilst tunnelling progress has been good, this class of rock attracts a higher contract cost. The cost to complete the tunnel has now been reforecast at an additional $13.0 million approximately (including allowance for inflation adjustments) compared to the mine development budget in the IPO prospectus. The purpose of the contingency allowance is to cover such events and the possibility of more difficult rock conditions had been anticipated by the company, although not to the full extent encountered. The majority of the other mine development costs are only expected to be subject to inflationary type adjustments.

Installation of a rock conveyor in the tunnel has significantly improved tunnel advance rates with daily and weekly records being set during April 2007. The conveyor moves the blasted rock from the tunnel face to a hopper positioned outside the tunnel entrance, where trucks can self load and remove the rock.

Holes being drilled in tunnel for explosive charges, by Atlas M2D rocket boomer

Coal Preparation Plant Under Construction

Pike River signed a $19 million contract (included, within the IPO budget) with Brightwater-PEAT Limited in June 2007 for construction of a coal preparation plant. This plant will receive all of the raw coal from the mine through the 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. Building the plant will take approximately 10 months. The construction contract has a significant local involvement, with Brightwater-PEAT being owned 50% by Nelson engineering and construction company Brightwater Engineering Limited.

Aerial view of the coal preparation plant site

Part of the technology in the coal preparation plant is an elemental analyser to perform continuous on-line, real-time and precise analysis of coal moving on the coal conveyor belt. This will assist Pike River optimise returns, by grading coal into the correct classes.

Slurry Pipeline Installation

Installation of the 10.6 kilometre coal slurry pipeline is expected to commence in September 2007. The cost of the coal slurry pipeline purchased from Mitsui, was within budget.

Other Infrastructure

During July 2007, an $11.6 million electricity infrastructure contract was completed within budget, by local supply company Westpower Limited (Westpower) and national transmission infrastructure owner Transpower New Zealand Limited (Transpower). Electricity will be used to power the coal preparation plant, pumps, mine ventilation, mining equipment and for offices and workshops.

The electricity infrastructure includes a new switch station commissioned by Transpower in the Grey Valley, 40 kilometres north-east of Greymouth. The 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 electricity line to a new main substation at Pike River's coal preparation plant. This substation 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 4 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.

Electrical switch station under construction

Separately, Pike River has contracted Meridian Energy Limited 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 were completed in August 2007 and the Pike River project team has moved from their offices in Greymouth to the new mine site buildings.

Mine Personnel and Recruitment

Pike River has employed a highly experienced mine management team (refer page 15) with extensive international mining experience. Over the remainder of 2007 and into early 2008, a further 45 employees will be recruited in time for first coal production.

Once at peak production in 2009, the mine will employ approximately 150 employees. In obtaining staff Pike River has, and will continue to recruit extensively within New Zealand but will also seek to recruit expatriates and overseas candidates to ensure an optimal mix of skills and experience.

Mining Equipment

The first major piece of mining equipment, the roadheader, is on schedule for delivery to the mine site in October 2007. The roadheader was built in Germany within budget and delivered into Australia for customisation work to meet New Zealand/Australian mining standards. The two continuous miners are scheduled for delivery to the mine site in January 2008.

Pike River roadheader mining equipment

NEW TRANSPORT CHAIN

Pike River has established a completely new coal transport chain with the West Coast Coal Company Limited (WCCC) for the transfer of coal from the mine stockpile to the export port The WCCC consortium is comprised of Port Taranaki Limited, TNL Group Limited, Jebsens GmbH and Greyport Terminals Company Limited.

PRC Brunner self propelled vessel (image prepared from detailed design)

Capital Costs and Financing

WCCC will fund the capital works to establish the transport chain, which are capped at $93 million to Pike River (April 2007 costs but subject to inflation escalation). The transport chain requires extensive port upgrades at Port Westland and Port Taranaki and construction of two purpose-built self propelled vessels for transfer of coal from Greymouth to Taranaki. These transport chain capital costs and associated financing costs, will be recovered from Pike River on a monthly basis as part of the transport fee over the 18 year term of the transport services agreement. Pike River has the right to renew the transport services agreement for an additional five year period.

Financing arrangements for the transport chain have been significantly progressed by the WCCC consortium over the past few months. In June 2007, Port Westland Limited announced details of the planned redevelopment of the Greymouth port for Pike River coal transport. A port terminals company has been created to develop the cargo port in a $20 million venture between Port Westland (owned by the local district council) and Port Taranaki Limited (Port Taranaki). Financing for the port terminals venture is being underwritten by Port Taranaki. Port Taranaki is currently negotiating new senior debt facilities with its bankers, for the purposes of funding its commitments at both Port Westland and Taranaki. Port Taranaki has recently agreed with its shareholder, Taranaki Regional Council, that subject to the satisfactory completion of a public consultation process, the shareholder would be prepared to support Port Taranaki's debt financing via provision of a guarantee. WCCC and Pike River have extended the expected date for completion of ship and port development financing to 30 September 2007 (or such later date as the parties agreed).

Trucking

Pike River coal will be transported by road to Greymouth by TNL Group. The appeal on the transport resource consents was fully resolved in May 2007 when the Environment Court confirmed 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.

Panamax Export Facility

Port Taranaki is in the process of significantly upgrading its cargo handling capability to become a new panamax facility, capable of berthing vessels carrying up to 60,000 tonnes of coal. Dredging of the port's three wharves and the harbour entrance from the existing 11 metre to a 12.5 metre water depth was completed during the June 2007 quarter. The Taranaki harbour could subsequently be deepened by dredging to 14 metres if desirable for even larger vessels. Port Taranaki has an advantage over New Zealand's only existing coal export facility at Lyttelton in Christchurch, being approximately a days sailing time closer to Asian customers than Lyttelton. Pike River's customers will typically be located in India, Japan, China, Brazil and Europe.

Shipping

Long lead items for the first coastal ship were contracted by Jebsens GmbH some months ago, a shipbuilding contract signed with a Chinese shipyard in April 2007, and detailed design of the ship is now nearly completed. The signed shipyard contract for the two ships is subject to board approval by Kristian Jebsens Rederi AS (the parent company of Jebsens GmbH), and delivery of a refund guarantee by the shipyard. WCCC is evaluating various interim shipping solutions for delivery of up to 50,000 tonnes of Pike River coal pending delivery of the first coastal vessel (the "PRC Brunner"), expected in October 2008, about a month later than previously scheduled.

After allowing for likely weather related delays gaining access to the Greymouth port, the two self propelled vessels have a combined theoretical annual carrying capacity of between 1.5 to 1.8 million tonnes. As annual production from the Pike River mine is forecast at 1 million tonnes, opportunity exists for Pike River to reduce costs if the ships are used to transport products for third parties, as a proportion of those revenues would go to Pike River.

ENVIRONMENTAL & SOCIAL RESPONSIBILITIES

General Management

Pike River is committed to operating in a manner consistent with industry best standard environmental practices during development and mine operations. Many mine design initiatives have already been implemented to reduce potential environmental effects from the mine and to minimise ecological disturbance. The physical design aspects of the mine site were developed in close consultation with a variety of regulatory authorities and experts to minimise the physical impact of mining, processing and transportation of coal. In addition, the Pike River operation is subject to strict access agreement and resource consent conditions to ensure that any effects on the local environment are eliminated or significantly mitigated. Pike River is also supporting local conservation programmes. These initiatives, controls and conservation programmes include:

- the use of underground mining methods (rather than by open-cut)
- access to the coal deposit by a tunnel (rather than by the surface)
- coal transport from the mine to the coal preparation plant by a coal slurry pipeline (rather than by trucking)
- accepting limits on underground coal extraction to protect the surface area above the mine from adverse subsidence effects
- development of a narrow access road from the coal preparation plant to the mine in cooperation with the Department of Conservation (DOC) to minimise forest impact
- a pest control programme to reduce levels of local and exotic pests
- a blue duck (Whio) enhancement programme
- strict controls on discharge to water and air via resource consent conditions; and
- a rehabilitation programme to remove all mine and process facilities upon completion of mining, and replanting of the access road and other cleared areas

These are important aspects of the overall Pike River development and the company is proud of the comprehensive level of local community engagement and environmental consultation which preceded the granting of mining consents and approval to begin construction activities, and of the successful implementation of the development to date.

Access road to the Pike mine site

Environmental Performance

Pike River has a commitment to protecting the environment and strives to achieve continuous improvement in environmental performance by seeking to prevent, mitigate, reduce, or offset the environmental impacts of its activities.

During the year ended 30 June 2007 a total of five minor technical environmental incidents occurred all in respect of one clean-up pond, which involved breaches of water resource consent turbidity discharge compliance limits and were managed without any adverse affects to the environment. These were self-notified by the company to the relevant regulators. Measures have been taken to remedy pond water treatment so it meets consent conditions. There were no prosecutions, significant offences, or moderate environmental incidents during this period. There were no complaints made against the company's operations. Other than the technical breaches noted above, the company's operations were in compliance.

The total footprint of the Pike River mine on DOC land is approximately 13 hectares. Rehabilitation work has been undertaken for all disturbed areas on DOC land, that are not required for ongoing operations. An independent assessment of the company's environmental risk determined that the risk level has not changed in the past year.

Financial assurances and cash bonds have been put in place as required under access agreement and resource consent conditions. This includes public liability insurance cover of $20 million and an environmental insurance cover of $5 million.

Conservation Programmes

Native fauna in the Pike Stream area are heavily affected by predation by a variety of exotic pests including rats, stoats and possums. A pest and predator control programme to reduce the level of exotic pests is presently being developed by Pike River in consultation with DOC, covering the lower Pike Stream and Kakapo Catchments – an area of 1350 hectares. These catchments consist mainly of 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. DOC 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.

Carbon Dioxide Emissions

Pike River has estimated that fugitive methane gas emissions from the mine are likely to be approximately 1.4 million tonnes (carbon dioxide equivalent) 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 carbon dioxide equivalent emissions over the mine life 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).

Rehabilitation at Mine Closure

Rehabilitation of the mine site will involve the removal of all structures and buildings. Disturbed areas will be re-contoured where possible and the retaining walls and road will be broken up. Topsoil and logs will then be spread over any disturbed areas and hydro-seeded with native seeds. All entrances to the mine site will be sealed and the water draining from the tunnel entrance will be treated if required.

Iwi & Community Relations

Pike River has established a good relationship with local iwi and has worked with them to identify and protect any areas of cultural significance to Maori within the proposed mining area, such as the White Knight Stream. To demonstrate this close working relationship, the local iwi, represented by Ngati Waewae, held a ceremony in January 2006 to bless the land on which the mine is being developed. Regular site visits are undertaken by Ngati Waewae.

Pike River has also been active in the sponsorship of local and community based events and services as well as having employee involvement in many events. Pike River's main sponsorships in 2006/2007 have included major sponsorship of the Pike River Coal West Coast Search and Rescue bus; the Pike River Coal Sports West Coast School Holiday programme; the West Coast Sports Awards; the Moonlight Biathlon; and the Ikamatua Golf Open. Pike River also provides sponsorship to a number of other qualifying individuals and clubs in the Grey Valley. In addition to formal sponsorships, Pike River's growing workforce and their families are also very active in sporting and community groups in the district.

Health and Safety Performance

The Pike River Board, management and employees are committed to providing a safe and healthy workplace and environment for all employees, visitors and the general public. The company embraces occupational health and safety as a cornerstone of management philosophy. Pike River will, through competent engineering practice, training, risk identification, assessment and control processes, address hazard, incident and injury prevention with equal priority to its objective of producing coal.

A total of 293 safety inductions have been completed on the development to date involving 4 main contracting firms and 17 sub-contracting firms. During the year ended 30 June 2007 a total of seven injuries have been reported to Pike River by its contractors. There have been 119,000 person hours worked on the mine development to date. This results in an all injury frequency rate of 11.7 or one event for every 17,000 hours worked.

Safety & Training Initiatives

Pike River intends to become accredited under the ACC Workplace Safety Management Programme by the time that the mine goes into coal production. To this end there has been an extensive amount of work completed on the mine's safety management system. This system, at its heart, is risk based i.e. the area of operation where there is significant risk will be managed by the appropriate risk treatment controls.

There have been a number of training events organised in association with training partners such as Tai Poutini Polytechnic, and University of Canterbury. These events have involved technical applications of software for mine planning and development. Pike River has also taken the initiative in organising a streamlined process of obtaining cross-accreditation of overseas qualifications for certain staff with the New Zealand Qualifications Authority, Tai Poutini Polytechnic and the Extractive Industries Industry Training Organisation.

FINANCE FACILITIES

Westpac Banking Corporation (Westpac) has been mandated on an exclusive and best efforts basis to arrange debt facilities totalling $65 million (Finance Facilities) for Pike River. Westpac's participation in the Finance Facilities is conditional upon completion of certain matters including due diligence, formal credit approval and legal documentation.

Westpac has been mandated to arrange three separate finance facilities, and a hedging facility:

- **Term Facility:** NZ$55 million for the remaining funding of the development and operation of the mine, including mine construction, infrastructure, and interest capitalisation and associated finance fees. The maturity date for the term facility would be 6.5 years after project completion, or earlier in certain circumstances. The term facility would be drawn in US dollars and have an interest rate set at a margin to US$ LIBOR.
- **Working Capital and Bank Guarantee Facility:** NZ$5 million for the purpose of partially financing coal inventory, stock and receivables, and guarantee obligations.
- **Cost Overrun Facility:** NZ$5 million to partially fund cost overruns associated with the development of the mine, including associated financing costs. The cost overrun facility would be drawn in US dollars and have an interest rate set at a margin to US$ LIBOR.
- **Hedging Facilities:** Hedging facilities are to be agreed from time to time by Pike River and its lenders.

The mandate contains indicative terms and conditions on which Westpac has agreed to arrange the Finance Facilities. Westpac has a right of first refusal to participate, and is to work together with another bank or banks experienced in mining finance (yet to be identified) to fund the Finance Facilities and its participation is conditional on such other banks also agreeing to participate. Westpac will assist Pike River in consulting with other bank(s) which may be interested in participating in the Finance Facilities.

The Finance Facilities would be secured by a general security deed over Pike River property and by mortgages over all of Pike River's freehold property. Availability of funding would be subject to satisfaction of various covenants and a range of conditions precedent, many of which are usual for facilities of this type. In addition, initial funding would not occur until mine construction and design had proceeded to such a stage that the mine tunnel had been constructed through the Hawera fault region and roadway development in coal seam reserves had commenced; an independent technical engineer had confirmed that the design, costs and time schedule for the construction of the mine pit bottom were appropriate; and that construction of the coal preparation plant would be completed in time for first coal production.

Shareholder Support from New Zealand Oil & Gas Limited (NZOG)

Funding under the Finance Facilities is intended to be available upon mine development into first coal, which is now expected to be April 2008. It is Pike River's intention to raise interim funding to meet its requirements pending funding under the Finance Facilities 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 Finance Facilities), NZOG has agreed that at any time after 1 January 2008, if Pike River requests funding to complete the development of the Pike River mine into first coal production, having expended 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 which have yet 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.

UPSIDE OPPORTUNITIES - INCREASED RESOURCE RECOVERY

Pike River believes there is significant opportunity to enhance the company's value by taking advantage of several options not currently included in the mine plan.

Should all of the upside identified below be realised (which may or may not be possible), total additional coal recoveries of approximately 11 million tonnes (or a 63% increase on the current proposed extraction) could be available to Pike River from within the current mining permit area. Extraction within the Brunner and Paparoa seams would also better utilise the mine infrastructure and the transport chain being developed by Pike River, although extraction from the Paparoa seam would require significant additional capital expenditure (yet to be determined) to access the coal seam.

- **Mine Plan:** Application of less conservative mine design parameters in the Brunner coal seam whilst still maintaining the integrity of the surface subsidence protection measures could lead to extraction of a further 1 to 2 million tonnes from within the current mine plan area. On current planning, substantial barrier pillars of coal will be left in ground to reduce or avoid the impacts of subsidence. Only 17.6 million tonnes is currently included in the mine plan as saleable coal, out of a total resource of 58.5 million tonnes, a recovery rate of 30%. Local mining experience within the Brunner Seam and other coal mines on the West Coast suggest the application of a less conservative mine design, whilst still maintaining the integrity of the surface, is possible.
- **Hawera Fault:** Recovery of additional coal adjacent to the Hawera Fault of 0.5 to 1 million tonnes is possible.
- **Paparoa Seam:** Potential recovery of up to 8 million tonnes of run of mine production from the deeper Paparoa coal seam (if typical coal recovery rates from the Brunner coal seam are applied) is a significant upside opportunity for Pike River. This potential resource is located about 200 metres below the Brunner coal seam and has been identified by outcrop sampling at several locations along the escarpment and one drill hole. Golder Associates (May 2006) has reviewed the available exploration data for the Paparoa coal seam and concluded that the seam has potential to provide additional coal resources. Further exploration is required to establish the size and coal quality characteristics of this potential, additional resource. Once the Brunner mine has been developed, further drilling will be undertaken to define a resource for which an estimated tonnage, and coal quality characteristics, may be reported in compliance with the JORC Code. This will allow more detailed mine planning and scheduling to be evaluated. Mining of the Paparoa coal seam will require additional approvals from the Minister of Conservation, possible amendments of existing resource consents and/or the obtaining of new resource consents.

It is to be recognised that significant work is required to prove the potential of these upside opportunities, particularly the Paparoa seam. Pike River plans to further analyse and develop these opportunities in parallel with the development of the target area within the Brunner coal seam.

EXTRACTABLE COAL

Pike River holds a 40 year coal mining permit (MP 41-453) over approximately 2,400 hectares of land. The original permit was granted by the New Zealand Minister of Energy to Pike River in 1997 and extended in 2000 to cover the present area.

In establishing the current mine plan and production schedule, Pike River has used best mine planning practices to optimise recovery of coal from the permit area. A total of 17.6 million tonnes of saleable coal is scheduled for extraction from the Brunner Seam under Pike River's mine plan. Of this saleable coal, approximately 9.7 million tonnes is scheduled for extraction from the Proved and Probable Reserves and 7.9 million tonnes is expected to be recovered from currently Inferred Resources and from various areas covered by the permit which are currently within mining control zones, but which Pike River believes will be able to be mined after review of Pike River's mining activities by the relevant regulator. The following table summarises the source of saleable coal resulting from the mine plan.

TABLE 2 : EXTRACTABLE AND SALEABLE COAL

EXTRACTABLE COAL (MILLION TONNES)	TOTAL ROM PRODUCTION[1]	REJECT[2]	DOLOMITE[3]	SALEABLE COAL[4]
Reserves	11.0	0.4	0.9	9.7
Northern area (Inferred Resource 15Mt)	6.9	2.0	0.3	4.6
South-east area (Inferred Resource 4.1Mt)	1.5	0.2	0	1.3
Extra auger tonnes and 10% from central area	1.5	0.1	0	1.4
Mining Control Zone (reduced zone)	0.7	0.1	0	0.6
Totals	21.6	2.8	1.2	17.6

1 Total ROM Production is the total Run of Mine (ROM) unprocessed production from the mine inclusive of all extracted material including coal, dolomite and reject.

2 Reject is the material such as rock which is extracted as part of ROM Production and is removed from the coal during the coal preparation process and is of no commercial value.

3 Dolomite is a precipitate found in nodules within the ROM Production seam which is extracted as part of ROM Production, is separated from the coal during the coal preparation process and is of some commercial value as a fertiliser.

4 Saleable Coal is the final saleable coal production of Pike River that is transported to Port Taranaki for export.

FINANCIAL INFORMATION FOR YEAR ENDED 30 JUNE 2007

The company announced a net deficit of $0.7 million for the year ended 30 June 2007 (2006: net surplus of $0.3 million). The current year result should be viewed in the context of the pre-production status of the company's development activities. Interest income in the current year reduced by $0.7 million (to $0.1 million) as a result of cash resources being invested into the Pike River mine development.

Development of the premium quality hard coking coal mine absorbed a further $56.9 million during the current year, taking the total amount now invested to $100.4 million.

Subsequent to balance date, the company completed a successful IPO in July 2007 which raised $85 million (prior to costs). This allowed repayment of short term loans from shareholders for mine development costs of $18.5 million in July 2007. The remaining financing step for the company is to secure debt funding of $65 million for remaining mine development and working capital requirements until full coal production is achieved. The company anticipates substantially completing those debt financing arrangements by the end of January 2008. As an interim measure, Pike River (post-IPO) secured funding support, if required, from NZOG of up to $25 million on arms-length commercial terms which are yet to be agreed (refer page 11 for futher details).

Board Of Directors

The Pike River Board is comprised of the following highly experienced individuals with proven records in listed public companies, the private sector and in the coal industry.

Mr John Dow

Independent Director and Chairman

John Dow holds a BSc(Hons) in Geology from Canterbury University and has had 38 years experience as a successful greenfields explorer, exploration manager, and mining executive. He has worked in New Zealand, Antarctica, Southeast Asia, USA and Latin America. His most recent executive appointment, until his retirement in 2005, was as Chairman and Managing Director of Newmont Australia Ltd, the Australian subsidiary of one of the world's largest gold producers. In addition to directorships on Troy Resources NL and Glass Earth Limited, John is Director of the Australasian Institute of Mining and Metallurgy and is the immediate past-President of the Society of Economic Geologists. He is Chairman of the external advisory boards of the Western Australia School of Mines, Kalgoolie and the CODES Centre of Excellence at the University of Tasmania. He is also Chairman of the Vision Waihi Trust. John resides in Nelson.

Mr Gordon Ward

Executive Director

Gordon Ward has 20 years experience in the resource sector and is the Managing Director of Pike River. Gordon was previously General Manager of New Zealand Oil & Gas managing the company's involvement in the Tui and Kupe field developments. Since 1998 Gordon has been responsible for all aspects of the Pike River Coal project, taking it through early conceptual design to the current construction phase. Gordon holds a Bachelor of Business Studies from Massey University (Palmerston North) and obtained his Chartered Accountant qualification whilst a senior auditor with Coopers & Lybrand (now PricewaterhouseCoopers).

Professor Raymond (Ray) Meyer

Non Executive Director

Ray Meyer has over 40 years experience in engineering and his career includes roles as Professor and Head of Mechanical Engineering, Dean of Engineering and Assistant Vice-Chancellor, Tamaki, at the University of Auckland. He was a director of the Electricity Corporation of New Zealand Limited, Transpower New Zealand Limited, Watercare Services Limited, Auckland Uni Services Limited, Chairman of the Forest Research Institute and is currently a director of Wellington Drive Technologies Limited and New Zealand Oil & Gas Limited (Deputy Chairman). Ray obtained his Bachelor of Engineering from the University of New Zealand (Canterbury) and his PhD from the University of Manchester. He is a Distinguished Fellow of the Institution of Professional Engineers New Zealand and past President of the Institution.

Mr Stuart Nattrass

Independent Director

Stuart Nattrass has 16 years experience in international financial markets, principally foreign exchange risk management. He was initially employed at the National Bank in Wellington and left the industry having held the position of Global Head of Foreign Exchange Risk for Westpac, based in Sydney. Stuart has been a director of Fonterra Co-operative Group Limited since June 2003, and is a director of a number of private companies. Mr Nattrass has a Bachelor of Agricultural Science with Honours from Lincoln University, and lives in Christchurch.

Mr Dipak Agarwalla

Non Executive Director

Dipak Agarwalla took over management of the many activities of the family business in 1974, and in 1994 Saurashtra Fuels Private Limited commenced operation of its first coking plant in Porbandar. His family has over 10 decades of experience in coal mining and were pioneers in coking coal mining in India. Today that business has become one of India's largest private sector coke producers. Dipak has held various positions in multilateral trade bodies, including the India Met Coke Manufacturers Association. He is based in Mumbai, the commercial hub of India. Dipak graduated from Bombay University, Mumbai with a Bachelors Degree in Commerce.

Mr Roy Antony (Tony) Radford

Non Executive Director

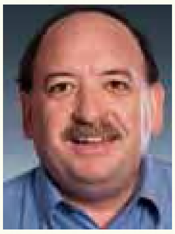
Tony Radford, ACA (NZ) has spent most of his career in petroleum and mining companies, including senior positions in the steel, minerals and oil and gas industries. He has 25 years experience in resource company management. Tony is a founding director of New Zealand Oil & Gas Limited, of which he is Chairman. Tony has been a Director of Pike River since 1983.

Mr Arun Jagatramka

Non Executive Director

Arun Jagatramka is the Vice Chairman and Managing Director of Gujarat NRE Coke Limited. He is a qualified chartered accountant with all India 1st rank and gold medal and industrial experience of 10 years in coal and coke production, as well as more than 15 years prior experience in consultancy and merchant banking. Under his leadership, the production capacity of Gujarat NRE Coke Limited has expanded five times in the last eight years to make it the largest non-captive metallurgical coke manufacturer in India, as well as the first Indian company to own and operate coal mines in Australia. Arun Jagatramka is a Fellow Member of the Institute of Chartered Accountants of India and is a member of a number of boards, including Rey Resources Limited, Pluton Resources Limited and Chairman of Gujarat NRE Resources NL, India NRE Minerals Limited and Gujarat NRE FCGL Pty Limited.

Management



Mr Peter Whittall

General Manager, Mines

Peter Whittall is highly experienced in the coal sector, having substantial experience with BHP Billiton Limited as a manager of underground coal mines in New South Wales (NSW), Australia. Peter's 26 years of experience includes development of the 5 million tonnes per annum greenfield Dendrobium mine for Illawarra Coal and operation of the Tower and Appin coal mines in NSW, Australia. Peter holds a Bachelor of Engineering (Mining) and a Masters of Business Administration, both from the University of Wollongong, NSW, Australia. Peter is registered in New Zealand as a Mine Surveyor and Mine Manager for both coal and underground metalliferous mines. Peter is a Fellow of the Australasian Institute of Mining and Metallurgy and Chairman of Minerals West Coast.

Mr Kobus Louw

Production Manager

Kobus Louw has a degree in Mining Engineering from the University of Pretoria. Prior to joining Pike River, he gained more than 12 years' extensive experience in the South African mining industry, working as a production shift boss, mine overseer, project engineer, underground manager and shaft manager for Sasol Mining.

Mr Ivan Liddell

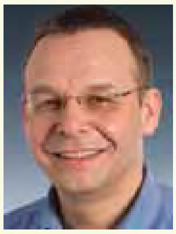
Environmental Manager

Ivan Liddell graduated from Waikato University in Hamilton, New Zealand with a Bachelor of Science and Master of Science degrees. Ivan worked for 10 years in environmental management in the dairy industry and was Waikato Regional Environmental Manager for Fonterra Co-operative Group Limited before joining Pike River.

Mr Paul Bywater

Financial Controller

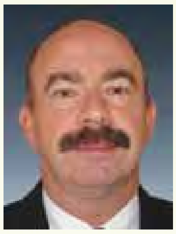
Paul Bywater has over 12 years experience in domestic and international financial markets. Graduating from Massey University with a Bachelor of Business Studies, he gained his Chartered Accountant status while working for KPMG (including 6 years in the London practice). Prior to joining Pike River, he spent nearly 3 years as Group Treasurer for Meridian Energy Limited focusing on financial risk management and capital structuring initiatives, including management of significant foreign exchange, interest rate and debt capital market exposures.



Mr Udo Renk

Technical Services Manager

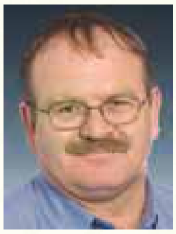
Udo Renk is a Mining Engineer with experience in the German, Australian and United States coal industries in both operational mines and project evaluation over 15 years with German mining company Ruhrkohle AG (RAG). Udo holds a Bachelor of Science (mining engineering), a Bachelor of Science (industrial engineering-economics) and a Master of Science (mining engineering).



Mr Bob Reynolds

Marketing Adviser

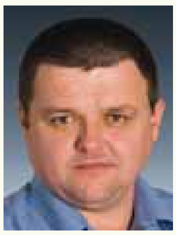
Bob Reynolds has 16 years coal marketing and 17 years coal mining management and engineering experience. He has secured coal sales contracts to a large and diversified customer base (Japan, Korea, Brazil, Europe and Australia), predominantly to steel mills and has previously secured 2.5 million tonnes of coal sales contracts whilst with Austar (formerly Southland Coal, Australia).



Mr Neville Rockhouse

Safety and Training Manager

Neville Rockhouse spent nearly 20 years in underground and open-cut operations in Australia, before becoming professionally qualified in safety management and returning to New Zealand to operate a safety consultancy business for 10 years. Neville holds a Post Graduate Diploma in Health and Safety and a Master of Occupational Health and Safety both from the University of Newcastle (NSW, Australia). He is National Operations Manager for New Zealand Institute of Safety Management (NZISM) and NZ representative on the Board of the International Safety and Health Practitioners Organisations (INSPO).



Mr Tony Goodwin

Engineering Manager

Tony Goodwin has over 22 years experience in underground coal mines in NSW and Queensland. This experience included several senior engineering positions over the last 10 years in Queensland underground longwall operations.

Corporate Governance Statement

The Board of Pike River recognises the need for good corporate governance practice, and keeps under review the issues relevant to a company of its size and nature.

CORPORATE GOVERNANCE

The Board of directors is responsible for the overall corporate governance of Pike River including its strategic direction. Responsibility for the formulation of strategy and management of day to day operations and administration is delegated by the Board to the Managing Director.

Policy and other functions of the Board include:

- the approval of goals, strategy and planning for Pike River's future direction and monitoring the implementation of these objectives;
- discussion and approval of management recommendations, such as capital expenditure and investment decisions;
- monitoring Pike River's performance and results;
- providing continuous disclosure of material information relevant to investors; and
- meeting statutory, regulatory and reporting requirements of the New Zealand Companies Act, the NZX and the ASX.

The Board currently has a policy of having a minimum of five directors including at least two independent directors. For the purposes of the NZX Listing Rules, John Dow and Stuart Nattrass are independent directors. The nomination of directors is generally based on their ability to contribute the appropriate skills and experience required to assist Pike River in its operations and future development.

The Board continually monitors areas of significant business risk. It is the responsibility of the Board to identify risks and ensure that management takes such action as is required to manage those risks.

Board Sub Committees

The Board is served by the following sub committees:

Remuneration Committee

The purpose of the Remuneration Committee is to ensure Pike River attracts and retains the right people, by offering competitive remuneration packages. The current members of the Remuneration Committee are Ray Meyer (Chairman), Tony Radford and John Dow.

Audit Committee

The purpose of the Audit Committee is to review and monitor the financial affairs of Pike River. The current members of the Audit Committee are Stuart Nattrass (Chairman), Ray Meyer and Tony Radford.

Health, Safety and Environment Committee

The purpose of the Health, Safety and Environment Committee is to ensure that Pike River is providing a safe work place for its staff and contractors; to monitor compliance with environmental consents, permits and agreements; and to review projects. The current members of the Health, Safety and Environment Committee are John Dow (Chairman) and Ray Meyer.

The Board's three committee charters setting out roles and responsibilities are available on the company's website at www.pike.co.nz/shareholder-section/corporate

SHAREHOLDER REPORTING

The company complies with the continuous disclosure and other listing requirements of the NZX and ASX relating to shareholder reporting. The company provides security holders with annual, quarterly and interim reports, which are also posted on the company's website. Shareholders and interested parties can subscribe to receive the company's market announcements by email by going to the company's website at www.pike.co.nz/report/electronic-notices-reports

CONDUCT

The company recognises the need for directors and employees to observe the highest standards of behaviour and business ethics when engaging in corporate activity. All directors and employees are expected to act in accordance with the law and with the highest standards of propriety and integrity. The company's policy on business ethics can be viewed on the company's website at www.pike.co.nz/shareholder-section/corporate-governance

This policy addresses such matters as:

- conflicts of interest
- corporate opportunities
- confidentiality, receipt and use of corporate information
- fair dealing
- protection of and proper use of company assets
- compliance with laws and regulations
- a general obligation to act honestly and in the best interests of the company as required by law
- encouraging the reporting of unlawful or unethical behaviour.

Securities Trading Policy

The Board has a securities trading policy which sets out procedures as to when and how an employee or director can deal in company securities. This policy is consistent with the Securities Markets Act and the company's insider trading procedures and complies with the NZX and ASX rules. The securities trading policy is available on the company's website at www.pike.co.nz/shareholder-section/corporate-governance

Directors Interests Register

The company maintains an interests register in compliance with the Companies Act 1993 which records particulars of certain transactions and matters involving directors. Information from this register is reported on page 35 of this annual report.

INDEPENDENT DIRECTORS

The Board has determined in terms of NZX listing rules that as at 30 June 2007 John Dow and Stuart Nattrass are independent directors; and that Tony Radford, Dipak Agarwalla, Arun Jagatramka, Gordon Ward and Prof. Ray Meyer are not independent directors.

CORPORATE GOVERNANCE BEST PRACTICE CODES

Pike River's detailed corporate governance disclosure, and comparison to the best practice codes and recommendations can be viewed at the company's website at www.pike.co.nz/shareholder-section/corporate-governance

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE

	NOTE	2007 $000	2006 $000
Operating revenue	2(a)	102	784
Operating (deficit)/surplus before taxation	2(b)	**(779)**	**375**
Taxation benefit/(expense)	14	122	(122)
Operating (deficit)/surplus after taxation		(657)	253
NET (DEFICIT)/SURPLUS FOR THE YEAR		**(657)**	**253**

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE

	NOTE	2007 $000	2006 $000
Equity at beginning of year		**73,573**	**13,596**
Total recognised revenues and expenses:			
Net (deficit)/surplus for the year		(657)	253
Contributions from shareholders:			
Shares issued	3	-	59,724
EQUITY AT END OF YEAR		**72,916**	**73,573**

The notes on pages 22 to 30 form part of and should be read in conjunction with these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE

	NOTE	2007 $000	2006 $000
Current assets			
Short term securities and cash deposits	4	7,406	11,278
Receivables	5	562	20,778
Deferred expenditure	5	3,999	1,543
		11,967	**33,599**
Non-current assets			
Mine development	6	100,378	43,492
Other fixed assets	8	231	306
Bonds and deposits	7	4,867	2,580
Other non-current assets	8	626	-
		106,102	**46,378**
TOTAL ASSETS		**118,069**	**79,977**
Current liabilities			
Creditors and accruals	10	14,731	5,221
Provisions	11(a)	78	64
Short term borrowings	12(a)	18,500	354
		33,309	**5,639**
Non-current liabilities			
Convertible notes	12(b)	11,000	-
Provisions	11(b)	844	643
Deferred tax	14	-	122
		11,844	**765**
TOTAL LIABILITIES		**45,153**	**6,404**
NET ASSETS		**72,916**	**73,573**
Equity			
Attributable to shareholders of the company	3	72,916	73,573
TOTAL SHAREHOLDERS' EQUITY		**72,916**	**73,573**

On behalf of the Board of Directors

J Dow Chairman
24 August 2007

G Ward Director
24 August 2007

The notes on pages 22 to 30 form part of and should be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE

	NOTE	2007 $000	2006 $000
Cash flows from operating activities			
Cash was received from:			
Interest received		82	784
Cash was applied to:			
Payments to suppliers and employees		(220)	(1,386)
Directors' fees		(233)	(55)
		(453)	(1,441)
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**(371)**	**(657)**
Cash flows from investing activities			
Cash was applied to:			
Mine development		(46,367)	(24,064)
Purchase of other fixed assets		(24)	(262)
Lodgment of bonds and deposits		(2,287)	(2,562)
Payment of option fee		-	(209)
Advances		(626)	-
		(49,304)	(27,097)
NET CASH OUTFLOWS FROM INVESTING ACTIVITIES		**(49,304)**	**(27,097)**
Cash flows from financing activities			
Cash was received from:			
Issue of shares		19,400	40,324
Issues of convertible notes		11,000	-
Short term borrowings		18,500	249
		48,900	40,573
Cash was applied to:			
Deferred expenditure		(2,767)	(1,543)
Repayment of short term borrowings		(330)	-
		(3,097)	(1,543)
NET CASH INFLOWS FROM FINANCING ACTIVITIES		**45,803**	**39,030**
Net (decrease)/increase in cash		**(3,872)**	**11,276**
Cash at beginning of year		11,278	2
CASH AT END OF YEAR		**7,406**	**11,278**
Represented by:			
Short term securities and cash deposits	4	7,406	11,278

The notes on pages 22 to 30 form part of and should be read in conjunction with these financial statements.

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 30 JUNE

RECONCILIATION OF NET (DEFICIT)/SURPLUS FOR THE YEAR WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	NOTE	2007 $000	2006 $000
Net (deficit)/surplus after taxation		**(657)**	**253**
Adjusted for non-cash items:			
Fixed asset depreciation		99	35
Movement in deferred tax		(122)	122
		(23)	157
Movement in working capital items:			
Receivables		-	(1,276)
Creditors and accruals		94	-
Provisions		215	-
		309	(1,276)
Items included in other cash flow categories:			
Option fee write-off		-	209
NET CASH OUTFLOWS FROM OPERATING ACTIVITIES		**(371)**	**(657)**

The notes on pages 22 to 30 form part of and should be read in conjunction with these financial statements.

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

The reporting entity is Pike River Coal Limited (Pike River or company). The company changed its name from Pike River Coal Co Limited on 13 March 2006.

Statutory Base

The financial statements have been prepared in accordance with generally accepted accounting practice and in compliance with the Companies Act 1993 and the Financial Reporting Act 1993.

Measurement Base

The measurement base adopted is historical cost as adjusted by the revaluation of certain assets. All amounts shown in the financial statements are exclusive of GST.

Changes in Accounting Policies

There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used in the previous period.

Production, Mine Development, Exploration and Evaluation Expenditure

Expenditure incurred on coal 'areas of interest' is accounted for using the successful efforts method. An area of interest is defined by the company as a licence or permit area. Exploration and evaluation expenditure is written off in the statement of financial performance under the successful efforts method of accounting in the period that exploration work demonstrates that an area of interest, or any part thereof, is no longer prospective for economically recoverable resources or when the decision to abandon an area of interest is made.

Where expenditure carried forward in an area of interest or any part thereof, exceeds the directors' valuation of that area of interest, the costs are written down to the directors' valuation.

Directors' valuations of areas of interest, especially projects at a pre-development stage, are dependent upon a number of factors that are uncertain or tentative at the time of valuation and which may be subject to change. Such factors include the ability to secure sales contracts, levels of resources, production profiles, estimates of future product sales prices, operating costs, capital expenditures, exchange rates, availability of financing and tax losses and legislative changes.

(a) *Production interests*

Production interests comprise exploration, evaluation and development costs (excluding fixed asset expenditure) incurred in relation to areas of interest in which coal production has commenced.

Expenditure on production interests is amortised using the production output method resulting in an amortisation charge proportional to the depletion of economically recoverable proven resources. Where such costs are considered not to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

(b) *Development interests*

Development interests comprise costs incurred on areas of interest which are being developed for production. No amortisation is provided in respect of development areas of interest until they are reclassified as production areas following commencement of coal production.

(c) *Exploration and Evaluation interests*

Exploration and evaluation interests comprise costs incurred in areas of interest for which rights of tenure are current and:

(i) such costs are expected to be recouped through successful development and exploitation of the area, or alternatively, by its sale; or

(ii) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment and/or evaluation of the existence or otherwise of economically recoverable resources, and active and significant operations in, or in relation to, these areas are continuing.

The ultimate value of areas of interest is contingent upon the results of further exploration and agreements entered into with other parties and also upon meeting commitments under the terms of permits granted and any other related agreements.

Sales of prospecting and mining permit rights are shown as revenue in the period earned.

Restoration and Rehabilitation Expenditure

Significant restoration and rehabilitation expenditure to be incurred subsequent to the cessation of production from production areas of interest, is provided for and expensed in the Statement of Financial Performance based on best estimates of the expenditure required to settle the present obligations at balance date.

Trade Receivables

Trade receivables are stated at their estimated net realisable value after providing for debts where collection is doubtful. Bad debts are written off in the accounting period in which they are identified.

Land

Land is stated at cost, except where in the directors' opinion, there is a permanent diminution in value, in which case it is recorded at its estimated recoverable amount.

Fixed Assets

Fixed assets are stated at cost less an allowance for depreciation.

Depreciation has been provided for on a straight line basis so as to charge the cost of fixed assets over their estimated economic lives assessed as follows:

Technical and computer equipment	2 to 5 years
Plant and equipment	4 to 18 years
Motor vehicles and trucks	5 years
Office furniture and fittings	5 to 8 years
Buildings	18 years

Production and processing facilities are amortised over their useful life, on a basis consistent with the recognition of revenue over their useful life or a straight line basis, whichever is more appropriate. The useful life of such equipment is dependent on future production and remaining resources. Where such costs are not considered to be fully recoverable under existing conditions, an amount is provided to cover the shortfall.

Investments in Short Term Securities

Investments in short term securities are recorded at cost, or at cost adjusted for premium or discount amortisation. Premiums and discounts are capitalised and amortised from the date of purchase to maturity.

Foreign Currencies

The financial statements are presented in New Zealand dollars which is the company's functional and presentation currency.

Foreign currency transactions are converted at New Zealand dollar exchange rates prevailing at the date of the transaction.

At balance date assets and liabilities that are denominated in foreign currencies are translated at the closing rate, and exchange variations are recognised in the Statement of Financial Performance as operating gains/losses. Assets and liabilities that are hedged to manage the risk of currency fluctuation are translated at the hedged rate.

Financial Instruments

The company is a party to financial instruments as part of its day to day operating activities. These financial instruments include bank deposits, short term securities, receivables, creditors and borrowings. All of these are recognised in the Statement of Financial Position. The company may use forward rate foreign exchange contracts and options to manage foreign currency exposure.

Revenues and expenses (including gains and losses) in relation to all financial instruments are recognised in the Statement of Financial Performance.

Statement of Cash Flows

(a) *Cash* includes cash on hand and at bank, short term deposits, bank bills and government stock less any overdraft.

(b) *Operating cash flows* represents cash received from customers and paid to suppliers and employees including production operating expenses and royalties.

(c) *Investing cash flows* represents cash flows arising from the acquisition and divestment of investment and productive assets. Productive assets comprise fixed assets and accumulated coal expenditure.

(d) *Financing cash flows* represents cash flows arising from cash transactions affecting the capital structure of the company and cash flows from debt financing activities excluding interest on debt finance which is included in operating cash flows.

Certain cash flows are netted in order to provide more meaningful disclosure.

Taxation

Income tax is recognised on the operating (deficit)/ surplus before taxation adjusted for permanent differences between taxable and accounting income. Deferred tax is calculated using the comprehensive basis under the liability method. This method involves recognising the tax effect of all timing differences between accounting and taxable income as a deferred tax asset or liability in the Statement of Financial Position. The future tax benefit or provision for deferred tax is stated at the income tax rates prevailing at balance date and a future tax benefit is only recognised if there is virtual certainty of realisation.

Comparative Figures

Where necessary, the amounts for the previous year have been reclassified to facilitate comparison.

2. TOTAL OPERATING REVENUE AND OPERATING (DEFICIT)/SURPLUS BEFORE TAXATION

		12 MONTHS ENDED 30 JUNE 2007 $000	12 MONTHS ENDED 30 JUNE 2006 $000
Operating (deficit)/surplus before taxation has been determined after:			
(a) Operating revenue			
Interest income		**102**	**784**
(b) Operating expenses			
Directors' fees		233	55
Fixed asset depreciation		99	35
Fees paid to company auditors		19	18
Fees paid to company auditors for other services			
– taxation advisory services		42	-
– advisory services related to the Initial Public Offering		49	40
– financial model review		-	24
Unrealised and realised exchange losses		3	-
Interest expense		-	9
Bank fees		3	-
Other		433	228
Operating expenses		**881**	**409**

3. SHAREHOLDERS' EQUITY

	NOTE	AS AT 30 JUNE 2007 SHARES	$000	AS AT 30 JUNE 2006 SHARES	$000
Paid in share capital					
Opening balance		56,550,854	71,721	35,304,248	11,997
Issue of shares	(i)	22,240,723	-	21,246,606	59,724
Share subdivision	(ii)	36,208,423	-	-	-
Closing balance		**115,000,000**	**71,721**	**56,550,854**	**71,721**
Share options on issue					
Opening balance		7,075,472	-	-	-
Share options issued	(iii)	8,340,272	-	7,075,472	-
Share option subdivision	(ii)	7,084,256	-	-	-
Closing balance		**22,500,000**	**-**	**7,075,472**	**-**
Reserves					
Opening retained earnings			(1,039)		(1,292)
Net (deficit)/surplus for the year			(657)		253
Closing retained earnings			**(1,696)**		**(1,039)**
Asset revaluation reserve					
Opening and closing balance			**2,891**		**2,891**
Total Shareholders' Equity			**72,916**		**73,573**

(i) The company had previously entered into the following:

- an Equity Subscription Agreement (ESA) dated 20 September 2005 between the company, NZOG and Saurashtra Fuels Private Limited (Saurashtra) under which NZOG and Saurashtra had previously contributed $23,000,000 and $17,000,000 respectively in return for the issue of 6,298,773 and 5,345,912 new ordinary shares at an issue price of $3.18 per share
- an ESA dated 12 June 2006 between the company, NZOG and Gujarat NRE Coke Limited (Gujarat) under which Gujarat had previously contributed $20,000,000 in return for the issue of 6,289,308 new ordinary shares at an issue price of $3.18 per share.

The terms of the Saurashtra and Gujarat ESA's provided that the price paid for the issuance of new shares would be no more than the effective price at which shares would be offered to investors under the company's planned IPO process. Accordingly, having set the proposed IPO price for each share at $1.00, the company has issued (for no additional consideration) 22,240,723 of adjustment shares such that all shares issued have an effective issue price of $1.00. Distribution of these adjustment shares was as follows:

NZOG Services Limited (acting as nominee for NZOG)	8,167,347 shares
Saurashtra World Holdings Private Limited (acting as nominee for Saurashtra)	6,301,538 shares
Gujarat	7,413,574 shares
Other	358,264 shares

Adjustment shares rank equally in all respects with ordinary shares issued by the company.

(ii) Following the issue of the adjustment shares the company undertook a pro-rata share and share option subdivision. Under the terms of this subdivision existing shares and share options in the company were subdivided at the ratio of 1:1.459547 resulting in the issue (for no additional consideration) of 36,208,423 new shares and 7,084,256 new share options. Distribution of the new shares and share options was as follows:

NZOG Services Limited (acting as nominee for NZOG)	19,609,006 shares
Saurashtra World Holdings Private Limited (acting as nominee for Saurashtra)	5,352,550 shares
Gujarat	6,297,118 shares
Other	4,949,749 shares

NZOG Services Limited (acting as nominee for NZOG)	3,468,687 options
Saurashtra World Holdings Private Limited (acting as nominee for Saurashtra)	2,676,273 options
Gujarat	787,139 options
Other	152,157 options

(iii) The terms of the Saurashtra and Gujarat ESA's provided that share options were to attach (at varying rates of attachment) to issuance of adjustment shares. Consequently, as a result of the issue of adjustment shares during the year, 8,340,272 of additional share options were issued. Distribution of the new share options was as follows:

NZOG Services Limited (acting as nominee for NZOG)	4,083,674 options
Saurashtra World Holdings Private Limited (acting as nominee for Saurashtra)	3,150,770 options
Gujarat	926,697 options
Other	179,131 options

(iv) All share options issued by the company are exercisable by the option-holder at any time on or prior to 30 June 2009 at an exercise price of $1.30. Upon exercise the option-holder is entitled to one ordinary share for each share option exercised. Shares issued upon exercise of the option rank equally in all respects with other ordinary shares issued by the company. Options do not carry any voting rights.

(v) All shares on issue rank equally in regards to the company's residual assets. Each fully paid share issued is entitled to one vote.

4. SHORT TERM SECURITIES AND CASH DEPOSITS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Bank	12	5,316
Cash on deposit	7,394	5,962
Short Term Securities and Cash Deposits	**7,406**	**11,278**

Included in cash on deposit is a $75,000 bond payable to New Zealand Exchange Limited (2006: nil). The bond is required as part of the company's application for listing on the New Zealand Stock Exchange. This amount is therefore unable to be applied to any other purpose.

5. OTHER CURRENT ASSETS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Receivables		
Trade receivables	2	1,378
Prepayments	20	-
Share issue proceeds receivable	-	19,400
Other	540	-
Receivables	**562**	**20,778**
Deferred Expenditure	**3,999**	**1,543**

Deferred expenditure relating to the preparation of the company's planned IPO will be charged against share capital in the 2008 financial year, when the issue and allotment of IPO shares occurs.

6. MINE DEVELOPMENT

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Opening balance	43,492	14,903
Mine development expenditure during the year	56,886	28,589
Mine Development	**100,378**	**43,492**

7. BONDS AND DEPOSITS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Bonds and Deposits	**4,867**	**2,580**

Bonds of $1,049,247 (2006: $1,049,247) have been deposited with the Department of Conservation (DOC) in accordance with the conditions of access agreement permits granted to the company. In the event access agreement conditions are not maintained, the bonds may be forfeited.

Bonds of $1,200,000 (2006: $1,200,000) have been deposited with various local body authorities in accordance with conditions attaching to resource consents issued to the company. In the event that resource consent conditions are not maintained, the bonds may be forfeited.

As part of arrangements to establish a transport chain for the shipping of its coal product, the company has paid a refundable deposit of $330,797 (2006: $330,797) to the West Coast Coal Company Limited (WCCCL) relating to the purchase of certain long lead time equipment. This deposit is expected to be refunded within the 2008 calendar year.

A bond of $2,287,000 (2006: nil) has been deposited with Westpower Limited (Westpower) in relation to an agreement for supply and installation by Westpower of a high voltage electricity supply infrastructure to the mine. The bond will be released upon satisfaction of the company's obligations under the supply agreement.

8. OTHER FIXED ASSETS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Cost	369	345
Accumulated depreciation	(138)	(39)
Other Fixed Assets	**231**	**306**

Other fixed assets include land of $65,000 (2006: $65,000). The land has a government valuation (dated 1 September 2006) of $68,000 (2006: $54,000).

9. OTHER NON-CURRENT ASSETS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Advances	**626**	**-**

The company has agreed to make a short term interest free advance of USD 341,000 (2006: nil) to Jebsens GmbH to assist them in securing a vessel construction contract that forms an integral part of the company's coal transport chain. This advance will be reimbursed by the WCCCL upon vessel delivery.

10. CREDITORS AND ACCRUALS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
Trade creditors	2,419	485
Accruals	11,489	4,560
Other creditors	823	176
Creditors and Accruals	**14,731**	**5,221**

11. PROVISIONS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
(a) Provisions - Current		
Provision for holiday pay:		
Opening balance	64	-
Charge to operating surplus	14	64
Closing balance	**78**	**64**
(b) Provisions - Non-current		
Provision for rehabilitation:		
Opening balance	643	-
Charge to operating surplus	201	643
Closing balance	**844**	**643**

Under an agreement with the DOC, the company is obliged to rehabilitate any affected land area to an approved condition once coal production from the mine has ceased. This provision represents the costs expected to be incurred to rehabilitate any area where mine development work has commenced.

12. BORROWINGS

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
(a) Borrowings - Current		
Short term borrowings	18,500	354

The company has short term borrowings of $18,500,000 (2006: $354,000) which have been extended by certain of its shareholders to fund mine development costs, pending the outcome of the IPO process. Funds advanced are interest bearing and are repayable on demand. Interest rates on short term borrowings vary between 13.09% and 13.35%. These borrowings were subsequently repaid by the company in July 2007.

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
(b) Borrowings - Non-current		
Convertible notes	11,000	-

During the year the company issued convertible notes with a face value of $11,000,000 (2006: nil). Under the terms of the various Convertible Note Subscription Deeds, interest on these notes is payable at a rate of 8.50% semi-annually until their maturity on 31 December 2008. Upon maturity the notes will convert to ordinary shares using a prescribed conversion rate of 0.9174 shares for each convertible note. New shares issued upon conversion will rank equally in all respects with all other existing shares issued as at that time.

13. FINANCIAL INSTRUMENTS

Exposure to foreign currency and interest rate risks arise in the normal course of the company's business activities.

(a) *Foreign Exchange Risk*

The company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than New Zealand dollars. The company manages foreign currency risk on foreign currency exposures on a case by case basis via the use of foreign exchange forward contracts and foreign exchange options.

As at 30 June 2007 the company had contracts denominated in foreign currencies in respect of capital expenditure commitments and an advance to secure completion and delivery of a vessel to be utilised by an entity involved with the company's coal production transport chain. These foreign currency exposures are primarily denominated in United States, Australian and Euro dollars.

(b) *Credit Risk*

Financial instruments which potentially subject the company to credit risk consist primarily of short term securities and cash deposits. The company has no reason to believe credit losses will arise from any of these financial instruments given the high credit rating of the financial institutions with whom the company deals. However, the maximum amount of loss which may possibly be realised is the carrying value of the relevant financial instrument in the Statement of Financial Position.

As at 30 June 2007 there were no significant concentrations of credit risk.

(c) *Fair Values*

The carrying amount of short term securities and cash deposits, trade receivables and creditors approximates fair value due to the short maturity of these instruments. Adequate provision is made in respect of trade receivables.

As at 30 June 2007, the fair value is considered to be materially the same as the carrying value for all financial assets and liabilities.

(d) *Interest Rate Risk*

The interest rate spread, interest rate re-set information together with the contractual maturity dates of the company's short-term securities, cash deposits and borrowings are set out within the relevant section of these financial statements.

(e) *Loan Facilities*

The company has mandated Westpac New Zealand Limited on an exclusive and best efforts basis to arrange debt funding facilities of up to $65,000,000. Funding obtained under these facilities will be utilised primarily to fund future mine development activities. As at balance date these facilities had not been formally established.

14. TAXATION

	NOTE	12 MONTHS ENDED 30 JUNE 2007 $000	12 MONTHS ENDED 30 JUNE 2006 $000
Operating (deficit)/ surplus before taxation		(779)	375
Income tax benefit/ (expense) at 33%		257	(124)
Adjusted for:			
Deferred tax asset not recognised		(135)	-
Non-deductible expenses		-	(69)
Prior year tax losses		-	71
Taxation benefit/ (expense)	**(i)**	**122**	**(122)**
The taxation benefit/ (expense) consists of:			
Current taxation		-	-
Deferred taxation	(ii)	122	(122)
		122	**(122)**

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(i) The company generated tax losses of $2,833,982 during the year. Consequently, as at balance date the company has tax losses available to carry forward of $3,625,552 (2006: $791,570). These tax losses are not recognised in the Statement of Financial Position as the requirement to meet virtual certainty cannot yet be satisfied. As a result, the current year tax benefit attaching to these tax losses has not been recognised in the Statement of Financial Performance.

(ii) During the year the company has taken the decision to write-back to the Statement of Financial Position the deferred tax liability previously recognised in relation to the year ended 30 June 2006. The effect of this write-back is reflected in the taxation benefit/(expense) recognised in the Statement of Financial Performance.

15. RELATED PARTY DISCLOSURES

The following amounts are due (from)/to related parties as at balance date:

	AS AT 30 JUNE 2007 $000	AS AT 30 JUNE 2006 $000
NZOG		
Other creditors	453	-
Short term borrowings	16,264	354
Convertible notes	3,500	-
	20,217	**354**
Saurashtra		
Short term borrowings	**1,027**	-
Gujarat		
Short term borrowings	**1,209**	-

In addition to transactions disclosed elsewhere within these financial statements, the company undertook the following transactions with related parties during the year:

(i) NZOG provided consultancy services for the company to the value of $609,358 (2006: $447,758) which were charged on an arms-length time and cost basis.

(ii) During the year the company paid or has payable to NZOG a total of $806,785 (2006: $805,000) in relation to loan facility fees, interest on borrowings and convertible notes or underwriting fees provided in relation to new share issues.

(iii) The company paid a commitment fee of $600,000 (2006: nil) to Gujarat during the year in connection with the issuance of new shares pursuant to the Gujarat ESA.

(iv) Agreements for the sale of coal once production commences have been entered into as follows:

(a) Coal sales agreement with Saurashtra for 150,000 tonnes of hard coking coal per annum for the life of the mine with a further option for Saurashtra to take up to a further 100,000 tonnes per annum;

(b) Coal sales agreement with Gujarat NRE Coal Pty Limited (GNCPL) for 100,000 tonnes of hard coking coal in 2008, increasing to 400,000 tonnes per annum from 2009 for the life of the mine with an annual variation of +/- 10% at the company's or (GNCPL's) option

Pricing for each of these agreements is to be negotiated annually based on market derived hard coking coal prices.

There are no additional related parties with whom material transactions have taken place.

16. GEOGRAPHICAL SEGMENTS

The company operates in the coal industry in New Zealand.

17. COMMITMENTS

(a) Operating Lease Commitments

	12 MONTHS ENDED 30 JUNE 2007 $000	12 MONTHS ENDED 30 JUNE 2006 $000
Payable within 1 year	59	-
Payable between 1 to 2 years	45	-
Payable between 2 to 5 years	48	-
Payable after 5 years and greater	-	-
Operating lease commitments	**152**	**-**

Operating lease commitments are for vehicles, office equipment and rental of office space.

(b) Finance Lease Commitments

As at 30 June 2007 the company had no finance lease commitments (2006: nil).

(c) Capital Commitments

As at 30 June 2007 the company had $18,400,000 (2006: $5,600,000) of capital commitments that would be payable if the current mine development activities were terminated. These commitments relate to committed non-cancellable purchases of equipment required as part of the ongoing mine development.

18. CONTINGENT LIABILITIES

The company has provided an indemnity of approximately $2,200,000 under an agreement dated 22 December 2006 in relation to the construction of vessels required to establish the coal transport chain which would be payable if the company did not proceed with the construction of the vessels under the current contract.

The company has also entered into agreements with various local body authorities for upgrade of roads that may be used by the company in connection with the transportation of its coal to the port of Greymouth. As at 30 June 2007 a contingent liability of $160,000 existed in relation to roading upgrade agreements for low priority work on roads that may not be required.

19. INTERNATIONAL FINANCIAL REPORTING STANDARDS

New Zealand International Financial Reporting Standards (NZIFRS) apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007.

The company will adopt NZIFRS for the year ending 30 June 2008. Transition from existing NZ GAAP to NZIFRS will be made in accordance with NZIFRS 1 *'First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards'*. Upon adoption of NZIFRS, comparative information will be restated to conform to the requirements of NZIFRS and the impact that adoption of NZIFRS has had on the company's financial statements will be disclosed.

Transition to NZIFRS will affect a number of the company's accounting policies and procedures. In particular accounting for the company's deferred taxation, asset revaluation reserve and financial instruments are some of the significant areas that are likely to be affected by the changes.

The company is currently working through a process to identify the accounting policies, disclosures, presentation and classification differences that would affect the manner in which transactions or events are presented. This process entails assessing the impacts of changes in financial reporting standards on the company's financial reporting and other related activities, then designing and implementing processes to deliver financial reporting on an NZIFRS compliant basis, as well as dealing with any related business impacts.

The board of directors has not quantified the effects of the differences. The impact of adopting NZIFRS will only be finalised when the first set of NZIFRS compliant financial statements is prepared. Accordingly there can be no assurances that the financial performance and financial position as disclosed in these financial statements would not be significantly different if determined in accordance with NZIFRS.

20. EARNINGS PER SHARE

	12 MONTHS ENDED 30 JUNE 2007
Basic and diluted earnings	$ (0.0096)
Weighted average number of ordinary shares outstanding during the year used in the calculation	68,560,952

21. EVENTS AFTER BALANCE DATE

Subsequent to year end the company issued 85,000,000 shares at an issue price of $1.00 per share via an IPO process (revised upwards from the original intention to issue 65,000,000 shares as a result of strong investor demand). Post IPO, the Pike River shares have listed on both the NZX and ASX. The company intends to utilise funds raised via the IPO primarily for the purposes of ongoing mine development activities. Short term borrowings of $18,500,000 as at 30 June 2007 were repaid from the IPO proceeds in July 2007 (refer note 12).

In July 2007 the company entered into a contract with Brightwater-PEAT Limited to design, construct and commission a coal processing and handling plant to be located at the mine site. The total value of the contract entered into is estimated to be $19,149,709.

No other significant events have occurred after balance date that would materially affect these financial statements.

Audit Report

KPMG

To the shareholders of Pike River Coal Limited

We have audited the financial statements on pages 18 to 30. The financial statements provide information about the past financial performance of the company and its financial position as at 30 June 2007. This information is stated in accordance with the accounting policies set out on pages 22 to 23.

Directors' responsibilities

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the company as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date.

Auditors' responsibilities

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

Basis of opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgments made by the directors in the preparation of the financial statements;
- whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm has also provided other services to the company in relation to taxation and general advisory 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.

Unqualified opinion

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records;
- the financial statements on pages 18 to 30:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the company as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 24 August 2007 and our unqualified opinion is expressed as at that date.

KPMG

Wellington

Shareholder and Other Information

TOP 20 SHAREHOLDERS ON THE REGISTER AS AT 3 AUGUST 2007

NAME OF SHAREHOLDER	SHAREHOLDING	% OF SHARES
NZOG Services Limited	62,279,313	31.1
Gujarat NRE Coke Limited	20,000,000	10.0
Saurashtra World Holdings Private Limited	17,000,000	8.5
Citibank Nominees (New Zealand) Limited	5,616,000	2.8
J P Morgan Nominees Australia Limited	4,008,862	2.0
HSBC Custody Nominees (Australia) Limited	3,878,546	1.9
Graeme Duncan	3,063,768	1.5
New Plymouth District Council	2,866,500	1.4
David Meldrum	2,572,959	1.3
National Nominees New Zealand Limited	2,360,561	1.2
HSBC Nominees (New Zealand) Limited	1,892,492	0.9
Forsyth Barr Custodians Limited	1,718,000	0.9
Robert de Jongh	1,579,135	0.8
Westpac NZ Shares 2002 WholesaleTrust	1,453,500	0.7
Accident Compensation Corporation	1,397,987	0.7
Gemscott Limited	1,000,000	0.5
Rotorua Trust Perpetual Capital Fund Limited	1,000,000	0.5
HSBC Nominees (NZ) Limited	920,000	0.5
Douglas Eldrid Spence	893,183	0.5
Logan Nominees Limited	818,500	0.4
Top 20 Shareholders	136,319,306	68.1
Total Share Capital	**200,200,000**	**100.0**

In the above table, the holdings of New Zealand Central Securities Depositary Limited have been reallocated to its applicable members.

TOP 20 OPTIONHOLDERS (UNLISTED) ON THE REGISTER AS AT 3 AUGUST 2007

NAME OF OPTIONHOLDER	OPTIONHOLDING	% OF OPTIONS
NZOG Services Limited	11,016,747	49.0
Saurashtra World Holdings Private Limited	8,500,000	37.8
Gujarat NRE Coke Limited	2,500,000	11.1
Neil Ruddell & Alan Hugh Ross	45,024	0.2
New Zealand Methodist Trust Association	42,094	0.2
Alexander John Fahey	30,057	0.1
Colin James Robertson & Linda Irene Robertson	23,030	0.1
Crescent Custodians Limited	21,465	0.1
Cathedral Investments Limited	19,945	0.1
David Graeme Jackson & Kelvin John Syms	19,837	0.1
C G Redding & Redding Management Limited	16,530	0.1
Barrie James Voss & Gaylene Ray Voss	16,530	0.1
P T Waller & K V Waller & Webb Ross JohnsonTrustees Ltd	16,530	0.1
Christopher John Talbot	15,900	0.1
Carl Grove Limited	15,445	0.1
P M Freeman & M J Freeman & W E Mallett	13,224	0.1
R I Young & H M Young & R S Jamieson & Northplan Trustees Ltd	13,224	0.1
H T Garlick & P G Garlick & B W Garlick	12,386	0.1
Katie Margaret Kennedy	10,672	0.1
Allan Ray Cameron	9,918	0.1
Top 20 Optionholders	22,358,558	99.8
Total Optionholders	**22,500,000**	**100.0**

DISTRIBUTION OF ORDINARY SHARE HOLDINGS AS AT 3 AUGUST 2007

HOLDING RANGE	HOLDERS	%	QUANTITY	%
1 to 500	17	0.4	5,479	-
501 to 1,000	20	0.4	19,554	-
1,001 to 5,000	3045	60.2	11,094,998	5.5
5,001 to 10,000	1013	20.0	8,533,906	4.3
10,001 to 100,000	887	17.5	25,895,691	12.9
100,001 and over	78	1.5	154,650,372	77.3
Total	**5,060**	**100.0**	**200,200,000**	**100.0**

A marketable parcel is 500 shares or more when the market price is under $1.00, and 200 shares when the price is between $1.00 and $2.00.

DISTRIBUTION OF OPTION HOLDINGS AS AT 3 AUGUST 2007

HOLDING RANGE	HOLDERS	%	QUANTITY	%
1,001 to 5,000	9	20.4	35,917	0.2
5,001 to 10,000	16	36.4	115,443	0.5
10,001 to 100,000	16	36.4	331,893	1.5
100,001 and over	3	6.8	22,016,747	97.8
Total	**44**	**100.0**	**22,500,000**	**100.0**

SECURITIES ON ISSUE

The following securities were issued by Pike River at 3 August 2007:

Listed ordinary shares	200,000,000
Unlisted ordinary shares	200,000
Total ordinary shares	200,200,000
Unlisted options	22,500,000

Voting Rights

The company's constitution (Article 22.5) provides that subject to any rights or restrictions for the time being attached to a share, on a show of hands every shareholder present in person or by representative shall have one vote, and upon a poll, shall have one vote for each fully paid ordinary share held, and if not fully paid a fraction of a vote in accordance with the amount paid on each share held.

Options do not carry any voting rights. When options are exercised the resulting ordinary shares have the same voting rights as other ordinary shares, as detailed in the previous paragraph.

On-Market Buy-Back

The company is not involved in an on-market buy-back.

Trading Statistics

The company's shares have been officially quoted on the NZX and the ASX since July 2007.

Shares were not listed in the year ended 30 June 2007, and there are no trading statistics for that period.

Business Objectives

During the financial year ended 30 June 2007, and to the date of this annual report, the company has used the cash and assets readily convertible to cash that it holds in a way consistent with its business objectives.

Stock Exchange And Takeovers Code Disclosures

(a) All waivers granted and published by the NZX and the ASX are set out at Pike River's website at www.pike.co.nz/reports/other-documents

(b) All Takeovers Code exemptions granted by the Takeovers Panel are set out at Pike River's website at www.pike.co.nz/reports/other-documents

(c) Pike River is incorporated in New Zealand, Companies Office number 114243.

(d) Pike River is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

(e) There is no limitation on the acquisition of Pike River securities in New Zealand other than the requirements of the Takeovers Act 1993, and the related Takeovers Code.

Directors' Remuneration

The total remuneration and other benefits to directors for services in all capacities during the year ended 30 June 2007 was $269,780 being to or in respect of D Wood $37,500; J Ogden $22,115; and G Duncan $25,000 (all resigned 8 December 2006); Prof. R F Meyer $51,902; D Agarwalla $45,000; J Dow $21,528; R Radford $11,250; S Nattrass $17,778; and G Ward $37,707 (G Ward does not receive remuneration separately in his capacity as a director. He commenced employment as Pike River's Chief Executive on 22 May 2007).

Employees' Remuneration

During the year ended 30 June 2007, six employees (not including directors) received remuneration of at least $100,000, four employees being in the income band: $100,000-$109,999; and one in each of the following two bands: $170,001-$180,000; $290,001-$300,000.

Directors' Securities Interests and Dealings

The interests of directors in equity securities of the company at 30 June 2007 were - G Ward in respect of 100,000 shares (allocated but not issued at that date) and 1,000,000 partly paid shares (allocated but not issued at that date).

Acquisition/Disposition of Relevant Interests in Securities of the Company

Except as stated above, there were no acquisition or disposition of interests in securities by directors.

Transactions in which Directors were Interested

There were no transactions in which directors were interested during the year ended 30 June 2007.

Interests Disclosures

Disclosures of interest by directors entered into the company's interests register during the period up to 3 August 2007 are as follows:

DATE APPOINTED	NAME	NATURE OF INTEREST	INTEREST
26 September 2005	Dipak Agarwalla	Director/shareholder Director	Saurashtra Fuels Private Limited Saurashtra World Holdings Private Limited
22 February 2007	John Dow	Director	Glass Earth Limited, Troy Resources NL, Australasian Institute of Mining & Metallurgy
28 June 2000	Ray Meyer	Director	New Zealand Oil & Gas Limited (and subsidiaries), Wellington Drive Technologies Limited
22 February 2007	Stuart Nattrass	Director Director/shareholder	South Canterbury Finance Limited, Canterbury Finance Limited, Face Finance Limited Fonterra Co-operative Group Limited
27January 1992	Roy Antony Radford	Director/shareholder	New Zealand Oil & Gas Limited, Pan Pacific Petroleum NL
28 July 2006	Gordon Ward	Shareholder	New Zealand Oil & Gas Limited
17 July 2007	Arun Jagatramka	Director/shareholder Director	Gujarat NRE Coke Limited Gujarat NRE Coal Pty Limited, Rey Resources Limited, Gujarat NRE Resources NL, Gujarat NRE FCGL Pty Limited, India NRE Minerals Limited, Pluton Resources Limited

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Directors and Officers' Liability Insurance

The company has arranged a directors' and officers' liability insurance policy, which, together with a deed of indemnity, seek to ensure to the extent permitted by law that directors and officers will incur no monetary loss as a result of actions legitimately taken by them as directors and officers.

Substantial Shareholders

Substantial shareholder notices are received pursuant to the Securities Market Act 1988. Under the provisions of that Act substantial shareholders are only required to notify changes in relevant interests when those changes exceed 1% of the total issued voting securities; and more than one party can hold a relevant interest in the same shares, such as is the case with a subsidiary. For those reasons the number of shares stated in substantial shareholder notices can differ from the numbers shown in the share register.

SUBSTANTIAL SECURITY HOLDERS AS AT 3 AUGUST 2007

RELEVANT INTEREST HOLDER	NUMBER OF SHARES IN WHICH RELEVANT INTEREST IS HELD	NATURE OF RELEVANT INTEREST	CONSIDERATION AND TERMS AND CONDITIONS, IF ANY
NZOG Services Limited	62,279,313	Beneficial	$33,954,687[1]
NZOG Services Limited	17,000,000	Non-beneficial	Pursuant to Saurashtra Equity Subscription Agreement [3]
NZOG Services Limited	20,000,000	Non-beneficial	Pursuant to Gujarat Equity Subscription Agreement [4]
NZOG	62,279,313	Non-beneficial	By virtue of shareholding in NZOG Services
NZOG	17,000,000	Non-beneficial	By virtue of shareholding in NZOG Services
NZOG	20,000,000	Non-beneficial	By virtue of shareholding in NZOG Services
Gujarat	20,000,000	Beneficial	$20,000,000 [4]
Gujarat	62,279,313	Non-beneficial	Pursuant to Gujarat Equity Subscription Agreement [4]
Saurashtra World Holdings Private Limited	17,000,000	Beneficial	$17,000,000 [2,3]
Saurashtra World Holdings Private Limited	62,279,313	Non-beneficial	Pursuant to Saurashtra Equity Subscription Agreement [2,3]
Saurashtra	17,000,000	Non-beneficial	By virtue of shareholding in Saurashtra World Holdings
Saurashtra	62,279,313	Non-beneficial	By virtue of shareholding in Saurashtra World Holdings

1 NZOG Services is a wholly owned subsidiary of NZOG.

2 Saurashtra World Holdings Private Limited is a subsidiary of Saurashtra

3 Note that these interests are subject (in whole or in part) to the Saurashtra Equity Subscription Agreement

4 Note that these interests are subject (in whole or in part) to the Gujarat Equity Subscription Agreement

GLOSSARY

"ASX"	means ASX Limited.
"Companies Act"	means the New Zealand Companies Act 1993.
"DOC"	means the Department of Conservation.
"Escarpment"	means a cliff or steep face of a ridge.
"GNCPL"	means Gujarat NRE Coal Pty Limited, an Australian subsidiary of Gujarat.
"Gujarat"	means Gujarat NRE Coke Limited.
"IFRS"	means International Financial Reporting Standards.
"Indicated Resource"	means a resource which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability.
"Inferred Resource"	means a resource where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.
"JFY" or "Japanese Fiscal Year"	means the 12 month period from 1 April in one year to 31 March in the following year.
"JORC"	means The Australasian Joint Ore Reserves Committee.
"JORC Code"	means the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves incorporated in the Listing Rules of ASX and NZX. These are the minimum standards for public reporting to ensure that investors and their advisers have all the information they would reasonably require for forming a reliable opinion on the results and estimates being reported.
"Measured Resource"	means a resource which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known.
"NZOG"	means New Zealand Oil & Gas Limited.
"NZX"	means New Zealand Exchange Limited.
"Relevant Interest"	is broadly defined in the New Zealand Securities Markets Act 1988 to include beneficial ownership, the power to vote, or control the exercise of votes attached to, voting shares, the power to acquire or dispose of or control the acquisition or disposition of voting shares, and an interest pursuant to any agreement, arrangement or understanding under which any of the foregoing rights arise, whether express, implied, direct, indirect, actual, contingent, present, future, legally enforceable or not. The term excludes certain limited interests arising from particular financial, custodial, trading and similar relationships.
"Saurashtra"	means Saurashtra Fuels Private Limited.
"Saurashtra World Holdings"	means Saurashtra World Holdings Private Limited, a wholly owned subsidiary of Saurashtra.

CORPORATE DIRECTORY

Board of Directors

John Dow (Chairman)
Gordon Ward
Roy Antony (Tony) Radford
Raymond Meyer
Stuart Nattrass
Dipak Agarwalla
Arun Jagatramka

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Shareholders are encouraged to receive company announcements directly via the internet. Register at: www.pike.co.nz/shareholder-section/electronic-notices-reports. 1,231 investors have elected to receive reports electronically to date.