



Office of Hon Phil Heatley

MP for Whangarei
Minister of Energy and Resources
Minister of Housing

10 MAY 2012

Dr Don Elder
Chief Executive
Solid Energy New Zealand Limited
PO Box 1303
Christchurch 8013

Dear Dr Elder

Pike River Coal Mine: Body recovery

As you know, the Government's expectation is that any incoming commercial operator of the Pike River Mine would be committed to undertaking recovery of the remains of the 29 men who died in the Pike River Coal Mine tragedy in November 2010 (**body recovery**), provided it can be achieved safely, is technically feasible and is financially credible.

I understand that Solid Energy New Zealand Limited (**Solid Energy**) and Pike River Coal Limited (in receivership) (**PRC**) are in the process of finalising a formal Sale and Purchase Agreement for PRC's assets, which will be conditional on (among other things) Solid Energy and the Crown executing an agreement in relation to body recovery on terms acceptable to Solid Energy and PRC.

This letter records a preliminary agreement between the Government and Solid Energy New Zealand Limited (**Solid Energy**) in relation to body recovery.

Preliminary agreement

The Government and Solid Energy agree and acknowledge as follows:

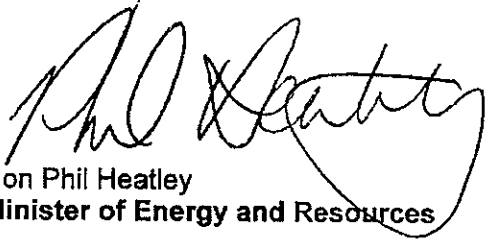
1. Solid Energy's intention in purchasing PRC's assets is to develop the Pike River coal resource, provided that is safe, technically feasible and commercially viable.
2. If Solid Energy proceeds with the purchase of PRC's assets, it will, in conjunction with commercial mining operations it undertakes within the Pike River mining permit, take all reasonable steps to recover the remains of the men in the Pike River mine, provided that it reasonably considers this can be achieved safely, is technically feasible and is financially credible. This commitment applies regardless of where Solid Energy ultimately decides to carry out commercial mining operations within the Pike River permit area.

3. The Government acknowledges that if commercial mining operations do not proceed, whether for safety, technical feasibility or commercial reasons, it is highly unlikely that the men's remains would be recovered.
4. Following the purchase of the Pike River Mine, Solid Energy will develop options for the commercial reopening of the Mine which must include plans for body recovery if Solid Energy reasonably considers it can be achieved safely, is technically feasible and is financially credible. It is noted that the commercial reopening of the Mine may not occur for several or more years.
5. If Solid Energy develops a plan under which in its reasonable view body recovery can be undertaken safely, is technically feasible and financially credible, it will notify the Government of that plan and the estimated time and costs of the body recovery.
6. If Solid Energy considers that body recovery cannot be achieved safely, is not technically feasible and/or is not financially credible, it will notify the Government of that and the reasons why.
7. In assessing whether body recovery is financially credible, Solid Energy will discuss with the Government what level of funding the Government is prepared to contribute.
8. The Government may at its discretion establish a trust or other independent appointment, which will:
 - a. peer review Solid Energy's body recovery plan and report to the Government on whether the plan is safe and technically feasible and the estimated time and costs are reasonable (if paragraph 5 applies); or
 - b. peer review Solid Energy's decision that body recovery cannot be achieved (if paragraph 6 applies) and report to the Government on whether that decision is reasonable.
9. Solid Energy will provide reasonable information and assistance to the trust or independent appointment as requested and consents to the Government sharing its report with third parties.
10. If the trust or independent appointment does not agree that Solid Energy's body recovery plan is safe and technically feasible and the estimated time and costs are reasonable, it will give reasons and Solid Energy will address those reasons and revise the plan.
11. If a revised plan cannot be agreed with the trust or independent appointment, but Solid Energy still considers its plan is safe, technically feasible and financially credible, it may proceed with implementing the plan, subject to meeting any regulatory requirements including health and safety requirements.
12. Solid Energy will use its reasonable endeavours to implement the body recovery plan, subject to meeting any regulatory requirements including health and safety requirements, with oversight from the trust or independent appointment if the Government so wishes.
13. Any trustees (or other independent appointment) will be appointed by the Government following consultation with Solid Energy and affected families. The Government will meet the costs associated with the Trust/independent appointment.

14. If the mining permit is sold or transferred any third party purchaser or transferee must "stand in the shoes" of Solid Energy and meet these obligations.
15. Solid Energy and the Government will enter into a deed that records the arrangements between them set out above including further detail or process requirements as appropriate.

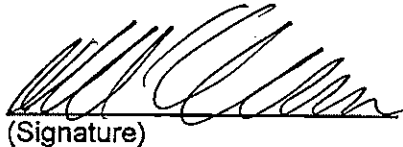
Please sign in the space provided below to show your agreement to the matters set out in this letter.

Yours faithfully



Hon Phil Heatley
Minister of Energy and Resources

Agreed on behalf of Solid Energy Limited
Don Elder, Chief Executive


(Signature)

10 May, 2012
(Date)