



KordaMentha

**Administrators' Report to
Creditors for the purposes of
the joint Watershed Meeting**

10 September 2015



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1 Introduction

Purpose of this report

This report is provided to creditors of the Solid Energy group of companies ('Solid Energy Group'). Administrators were appointed to each of the companies in the group on 13 August 2015. A schedule of the companies is attached at Appendix 1. This report is the Administrators' report pursuant to s239AU(a) of the Companies Act 1993 ('Act') for the purposes of the joint watershed meeting.

The watershed meeting is the meeting at which creditors of the companies have the opportunity to vote on the future of the Companies in Administration.

This report records our opinion as to the course of action which is in the interests of creditors of the companies and is intended to contain the information you need to make a fully informed decision as to how you will vote at the watershed meeting. However, if you have further queries, please contact us at the addresses set out in the report.

The body of our report addresses our opinion and the relevant information at a Group level. Our opinions as to the course of action which is in the interests of creditors of each Company, are set out at Appendix 2.

This report addresses the following matters:

1. Who and what is the Solid Energy Group;
2. What does the Solid Energy Group do;
3. How has the Solid Energy Group performed;
4. Issues facing the Solid Energy Group now;
5. How can the issue be addressed;
6. What is the Administrators' opinion on the options to address the issue; and
7. Other general matters relevant to the conduct of the watershed meeting.

Purpose of the Watershed Meeting

The watershed meeting is an opportunity for creditors of the companies in Administration to consider the options for the future of the companies, and to vote on three resolutions. The three potential resolutions for each company are:

1. *that the Company execute the proposed Deed of Company Arrangement ("**DOCA**")*; OR
2. *that the Company be placed into liquidation*; OR
3. *that the Administration of the Company should end and control of the Company be returned to the Directors.*

At the time of our appointment, the Board of Directors of the Solid Energy Group delivered a draft proposal to be considered for incorporation into a DOCA. The proposal, and a simple summary of key terms, has been available at www.solidenergy.co.nz.

The DOCA to be considered at the watershed meeting is the final version reflecting the proposal delivered by the Board. The general principles remain consistent with the Board's draft proposal. However there have been some changes as a result of negotiations with creditors, customers and stakeholders during the Administration.

This report is accompanied by a statement setting out the details of the proposed DOCA. The proposed DOCA is expected to be available in final form for consideration and if so decided, full approval by creditors at the watershed meeting.

The DOCA will be a group document. To be approved, the DOCA must receive support from more than 50% of each Company's creditors by number, and more than 75% of each Company's creditors by value. In order to be executed and effective the terms of the proposed DOCA require that it be approved by resolution of the creditors of all 14 Companies. But if the creditors of any one or more of the 14 Companies do not resolve to approve the proposed DOCA then the creditors of all of the Companies will be asked to vote on:

- (1) a resolution that each such Company be placed into liquidation (and if passed, the relevant Company will be in liquidation immediately); and if such liquidation resolution fails,
- (2) a resolution that the administration of each such Company should come to an end and control of the Company be returned to the Directors. For completeness we expect the practical effect of such a resolution would be that the Directors would themselves seek liquidation of the Group.

Restrictions

Please note this report contains information derived from various sources including the Solid Energy Group, and the information has not been verified to third party sources. The information includes reference to forecasts of future events.

The report should be read together with the restrictions at Appendix 3.

2 Summary of this Report

Who and what is the Solid Energy Group

1. Solid Energy New Zealand Limited ('SENZ') is a state owned enterprise. It was established in 1987 as Coal Corporation of New Zealand Ltd and purchased a large part of the business of State Coal Mines. It changed its name to Solid Energy in 1997.
2. The banks and MTN Noteholders which provide significant facilities to the Group, are unsecured.
3. There are 144 security interests registered against the Solid Energy Group on the Personal Property Securities Register.

What does the Solid Energy Group do

1. The Solid Energy group develops, extracts and markets New Zealand coal resources. Its operations are in three business units – North Island, South Island and Export.
 - a. The recent loss of the Genesis contract and the renegotiation of contractual arrangements with NZ Steel have had a material impact on the North Island operations and the existing mining plans are being reassessed in light of these changes.
 - b. As with the North Island business, supply relationships in the South Island are based on term contracts at fixed prices. The key risks facing this business are competitor activity in the form of aggressive pricing impacting on market share and margin, and containing operating costs to avoid margin erosion.
 - c. The oversupply and dampened demand in the Export business has meant there is increased retention risk of the long term customers both from a demand perspective and alternative supply.
 - d. The Solid Energy Group's strategy through the current low priced environment has been to take Stockton mine to a minimum operating level to maintain its current customer base. This has seen production reduce from 1.8 Mt in FY14 to a forecast production in the current year of 957 kt. Cost has been driven out of the business including a reduction in workforce from over 800 to the current workforce of 246.
 - e. While the recent weakening in the NZD against the USD has mitigated to some extent the ongoing pricing pressure, the current price environment in Export is not sustainable in the near future and requires a reasonable and sustained increase in NZD returns to justify further investment.
2. The Solid Energy Group maintains a full internal administration function and the Administrators have been provided with all the records and assistance we have requested.

How has the Group performed

1. In addition to challenges in its coal business, Solid Energy Group has suffered significant write-downs in alternative energy investments.
2. At the end of the 2012 financial year, Solid Energy Group's equity was \$423 million.
3. In March 2013, SENZ entered into an interim support arrangement with its major lenders with the aim of securing the ongoing operation of Solid Energy Group while the lenders and Treasury (on behalf of the Crown) carried out an assessment of Solid Energy Group's future funding requirements.
4. By June 2013 equity had fallen to \$92 million.
5. In October 2013, a financial support package was agreed with the majority of the lenders, the largest medium term notes (MTNs) holder and the Crown. The package reduced the Solid Energy Group's bank debt from \$300.5 million to \$239.3 million and MTNs from \$95 million to \$81.2 million.
6. In September 2014, the Crown provided further balance sheet support to the Solid Energy Group by means of an environmental rehabilitation and reimbursement arrangement with a nominal limit (as at that date) of \$103 million.

7. Since that time various announcements by the Crown have made clear that no further financial support should be expected from the Crown as shareholder.
8. In the face of deteriorating performance, the Solid Energy Group has undertaken a number of significant operational reorganisations. These have included:
 - a. Spring Creek Mine going onto care and maintenance;
 - b. Capital investment being reduced;
 - c. Optimisation of production and costs;
 - d. Sale of the Biodiesel business;
 - e. Shutdown and suspension of development programmes;
 - f. Reductions in staff numbers.

Issues facing the Group now

1. Solid Energy Group's equity of \$12.5 million at June 2014 has turned to a deficit of \$95.0 million at June 2015 (at the time of writing, and subject to any further accounting adjustments, audit and Director approval). The equity position will be further impacted by:
 - a. Realisation costs;
 - b. Crystallisation of contingent obligations which might arise in the circumstances of realisation of assets including staff redundancy, damages claims for breach of contract, and claims from lessors for unexpired portions of their contractual entitlements;
 - c. Uncertainties around environmental rehabilitation costs and the relevant Crown indemnities.
2. The key issues for the Solid Energy Group are:
 - the Solid Energy Group's equity has been eroded by a number of asset write-downs and an extended period of adverse trading conditions. It is insolvent.
 - the outlook for the coal business in the short to medium term remains significantly challenging.
 - the Solid Energy Group's banking facilities of approximately \$239 million expire in September 2016 and the Solid Energy Group has no foreseeable means of repaying them.
 - the Crown has made it clear that no further financial support will be provided.

How can the issues be addressed

1. The issues can be addressed by either of two courses of action:
 - a. Execution of a DOCA with the approval of creditors. A DOCA is an agreement between a company and its creditors as to how the debts of the company may be restructured and how the affairs of the company may be conducted. The Board of Directors of the Solid Energy Group had commenced negotiations with key creditors, customers and stakeholders including the shareholder with the goal of allowing the Solid Energy Group to conduct an orderly sell down of assets in the context of a solvent capital structure. The negotiations have continued in the Administration and this report considers the final DOCA proposal which creditors may consider and vote on at the watershed meeting; or
 - b. Liquidation of the Solid Energy Group.
2. The DOCA proposes a progressive two-and-a-half year sell-down programme, in the context of a solvent capital structure.
 - a. This has been made possible by negotiating arrangements with customers, creditors and the shareholder. Most particularly:
 - i. Certain trading partners have agreed to waive or cap termination rights and contingent damages claims;
 - ii. The Crown has agreed to support the Solid Energy Group's historic environmental rehabilitation obligations;

- iii. Councils have agreed to cap their claims for historic environmental rehabilitation obligations;
- iv. The most material financial creditors have agreed to subordinate their claims behind the claims of staff, day to day trade creditors, and certain lease payments; in agreeing to do so they require certain other significant financial claims also to subordinate their position (the subordinated creditors being 'Participant Creditors'). The DOCA contains the full definition of Participant Creditors;

Some risk remains in this strategy, which is borne by the Participant Creditors.

- b. Overall, in our view, the DOCA process might result in payment in full to non-Participant Creditors and payment to Participant Creditors in the range **35 to 40 cents in the dollar** on their claim at the date of our appointment;
 - c. A statement setting out the details of the DOCA accompanies this report.
3. The alternative is liquidation of the Solid Energy Group.
- a. A liquidator would consider whether further recoveries for creditors could be achieved via legal actions including:
 - i. Pursuit of voidable preferences;
 - ii. Recoveries from past and present officers of the Solid Energy Group for breaches of duties owed to the relevant Group company. This would include where the Group company has traded recklessly or incurred obligations without reasonable grounds to believe that the Solid Energy Group company would be able to perform the obligation when it was required to do so.
 - b. We note that we have not yet had opportunity to fully consider these matters in any depth. However, we are aware that the Board has had the benefit of comprehensive and timely financial information throughout, and independent advice. We are conscious also that the Board and its shareholder have been up-front about the financial challenges facing the Solid Energy Group. At this preliminary stage, we have no information indicating that any creditors have been preferred by the Solid Energy Group, or that officers have breached their duties in any way.
 - c. Overall, in our view, a liquidation might result in a return to all unsecured creditors in the range **15 to 20 cents** in the dollar on their unsecured debt at the date of our appointment.

Administrators' opinion on the options

1. The group is in a difficult financial position in an industry which is itself under stress. The issue is to analyse potential future events in that context. The group believes that it has minimised the variables for the necessary analysis, but there remains risk in the anticipated return under the DOCA, for the Participant Creditors.
2. The analysis is straightforward in regard to staff and the day to day trade creditors. They will receive less than full payment of their frozen debt in a liquidation. Under the DOCA, they are to receive payment in full and the funds already on hand are available for that.
3. For Councils and Local Authorities, the analysis is also straightforward. At the cost of a cap on the historical environmental rehabilitation obligations at the level of the Crown indemnities, they access the Crown indemnities in full.
4. For partly secured creditors such as lessors, the DOCA continues instalment payments for equipment which remains in the possession of the Group, and allows them early possession of equipment not required so that it can be realised. The risk of a large volume of equipment being released into the market in a short timeframe is reduced.
5. The analysis for Participant Creditors is less straightforward. In an immediate liquidation, they would be entitled to share equally with other creditors in the proceeds of the liquidation (save for the preferential sums payable to staff and IRD). Under the DOCA, the Participant Creditors forego the right to share equally in the proceeds of the sell down process, and they allow all other creditors to be paid in preference to them. They accept all the information risk in the group's forecasts. A particular risk is that an unforeseen event occurs which gives rise to costs which will be borne by the Participant Creditors alone. The business operates in the resource extraction industry where unforeseen events are not uncommon.

6. As we are not aware of any voidable preferences or breaches of duty by officers in relation to the Group, we have no reason to believe that placing the Group into liquidation to pursue recoveries under these heads would result in any additional recoveries that would be available for creditors in a liquidation.
7. The administration and legal costs are assessed as being lower under the DOCA. Whilst the costs of achieving a signed DOCA may be higher than Liquidation through the same period, post DOCA signing these would reduce substantially as control of the Group returns to the Board. Deed Administrator and monitoring costs would be lower than Liquidation costs.
8. On our analysis, the outcome under the DOCA would be higher for creditors than it would be in a liquidation. Creditors must now decide for themselves whether the potential return is sufficient, and sufficiently certain, to merit the risks inherent in the DOCA.
9. On balance, it is our opinion that it would be in the interests of creditors for the Group to execute the DOCA. By implication, we do not consider it is in the interests of creditors for the administration to end and control of the Group to be returned to the Directors, or for the Group to be placed in liquidation immediately. Our opinions, set out by each of the 14 Companies, are at Appendix 2.

Voting Arrangements

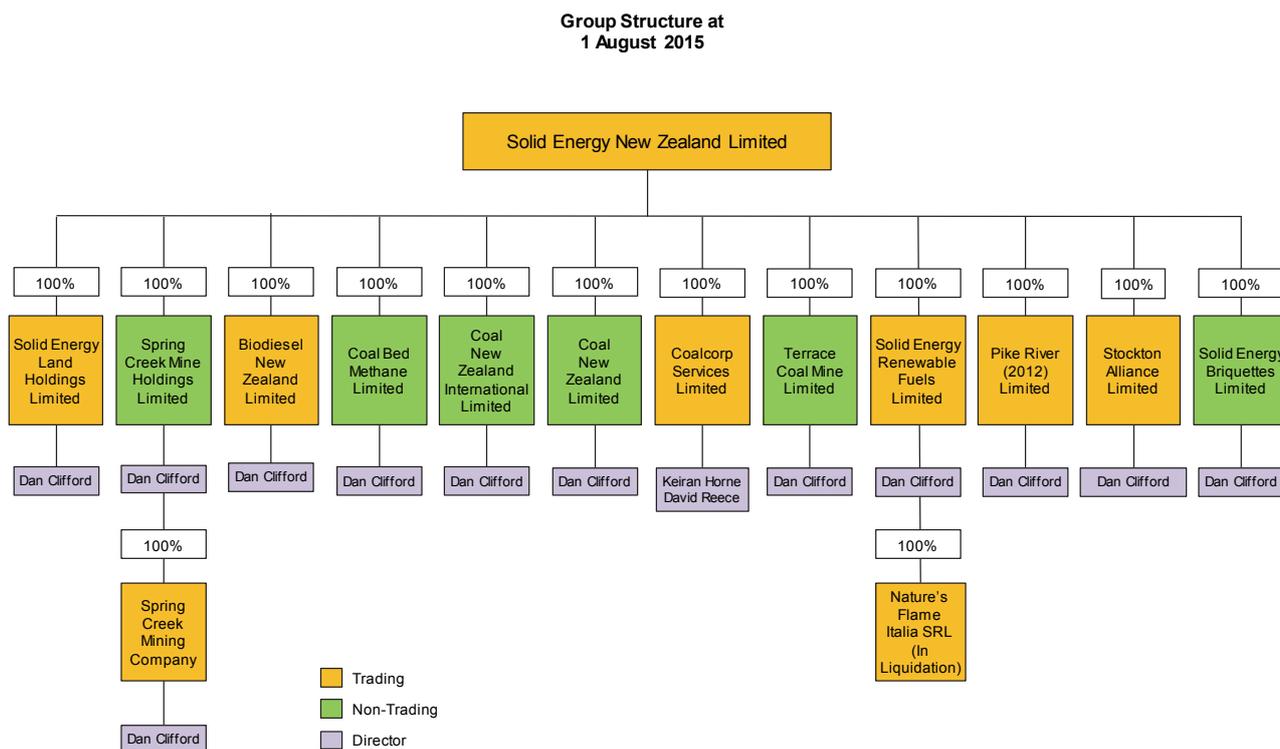
Other general matters

1. For the purposes of section 239AX of the Act the Administrators are required to disclose, before the joint watershed meeting of creditors of the Solid Energy Group votes on any resolution, any arrangement of which the Administrator or any director the companies in the Solid Energy Group is aware that requires 1 or more creditors of companies in the Solid Energy Group to vote in a particular way on any resolution that will or may be voted on at the watershed meeting.
2. The Administrators have been provided with a number of documents which record commitments made by the following creditors in respect of the relevant companies in the Solid Energy Group of which they are a creditor to vote in favour of the proposed DOCA: Bank of New Zealand, ANZ Bank New Zealand Limited, TSB Bank Limited, Commonwealth Bank of Australia, Westpac New Zealand Limited, The Bank of Tokyo-Mitsubishi FUJI Ltd , Grey District Council, Buller District Council, Gore District Council, West Coast Regional Council, Southland District Council, Southland Regional Council, Waikato District Council, Waikato Regional Council, Kiwirail, Lyttelton Port Company, Roa Mining Company Limited, and Fonterra.
3. The Administrators have been provided with a number of documents which record commitments, some of which may be subject to conditions and some of which are still in the process of being finalised, made by various creditors to vote in favour of the DOCA.
4. We note these votes have not yet been exercised and remain subject to the same voting procedures as all creditor votes.

3 Who and what is the Solid Energy Group

3.1 Group structure

The structure of the Solid Energy group of companies is set out below:



Changes in the Boards of the subsidiaries in the previous 12 months were:

Company	Director	From	To
Bio Diesel New Zealand Limited	Stephen SurrIDGE	30/07/2014	27/02/2015
	Anthony King	27/02/2015	31/07/2015
	Dan Clifford	31/07/2015	Present
Coalcorp Services Limited	Stephen SurrIDGE	25/02/2015	27/02/2015
	Keiran Horne	25/02/2015	present
	David Reece	28/02/2015	present
Stockton Alliance Limited	Stephen Esposito	1/10/2012	31/07/2015
	Dan Clifford	31/07/2015	present

3.2 Holding Company Board of Directors

The directors of Solid Energy New Zealand Ltd ('SENZ') at the date of our appointment were:

Director name	Appointment date
Richard Andrew Coupe	1 October 2013
Keiran Anne Horne	1 January 2014
Rabin Sockalingam Rabindran	1 January 2014
David Harold Reece	9 June 2014
Neville William Sneddon	8 November 2012

Changes in the Board in the previous 12 months were:

- Resignation of Phillipa Jane Dunphy on 5 February 2015.

3.3 Holding Company Shareholders

SENZ is a state-owned enterprise. With the establishment of state-owned enterprises (**SOEs**) in 1987, Coal Corporation of New Zealand Limited (**Coalcorp**) was incorporated as a private company. Coalcorp purchased a large part of the business of State Coal Mines, which had run for many years under Crown ownership. Coalcorp changed its name to Solid Energy New Zealand Limited in 1997.

The shareholders in the holding company, Solid Energy New Zealand Ltd, at the date of our appointment were:

Shareholder name	Number of shares held	Class of share
Simon William English, Minister of Finance	30,450,000	Ordinary
Todd Michael McClay, Minister for State Owned Enterprises	30,450,000	Ordinary
BNZ Equity Investments No.2 Limited	16,304,348	Non-voting Redeemable Preference (RPS)
The Bank of Tokyo-Mitsubishi UFJ Ltd	16,304,348	RPS
TSB Bank Limited	13,756,793	RPS
Simon William English, Minister of Finance	12,500,000	RPS
Todd Michael McClay, Minister for State Owned Enterprises	12,500,000	RPS
Westpac New Zealand Limited	11,311,141	RPS
Commonwealth Bank of Australia	9,171,196	RPS
ANZ Bank New Zealand Limited	8,152,174	RPS
Total	160,900,000	

There were no changes in shareholdings in the 12 months leading up to our appointment (save for change of a shareholding minister).

3.4 Secured Creditors

The Solid Energy Group is subject to a number of security interests registered on the Personal Property Securities Register. There is one General Security Agreement registered against all Companies in the group, which is held by the Crown. This General Security Agreement will be released upon the DOCA being approved and executed

The banks and MTN holders which provide significant facilities to the Solid Energy Group, are not secured.

There are 144 security interests registered against group companies in regard to specific assets. We summarise these below:

Company Name	Number of Registrations
Solid Energy New Zealand Limited	100
Biodiesel New Zealand Limited	4
Solid Energy Land Holdings Limited	3
Solid Energy Renewable Fuels Limited	16
Spring Creek Mine Holdings Limited	2
Coal Bed Methane Limited	1
Coal New Zealand International Limited	1
Coal New Zealand Limited	1
Pike River (2012) Limited	6
Solid Energy Briquettes Limited	1
Stockton Alliance Limited	3
Terrace Coal Mine Limited	1
Spring Creek Mining Company	5
Coalcorp Services Limited	0

The majority of the value in these security interests relates to yellow goods leased by SENZ from two lessors. Yellow goods are pieces of major mobile plant such as bulldozers, excavators and trucks.

4 What does the Solid Energy Group do

The Solid Energy group develops, extracts and markets New Zealand coal resources. Its operations are in three business units – North Island, South Island and Export. The North Island mines are Rotowaro Opencast, Huntly East Underground and Maramarua Opencast, all in Waikato. The South Island mines, all opencast, are the New Vale and Ohai mines in Southland, Reddale Mine near Reefton and Strongman in the Grey District. The Export unit operates Stockton Opencast Mine in Buller.

North Island domestic business

- The North Island domestic business comprises three mines: East Mine (underground) and Rotowaro (open cast) located in Huntly, and Maramarua (open cast).
- East Mine and Maramarua are operated by SENZ. Rotowaro mining operations are contracted out to a third party operator, Stevenson Mining.
- SENZ held approximately 90% of the North Island coal market supplying two key customers in Genesis Energy (Huntly power station) and New Zealand Steel (Glenbrook steel mill).
- SENZ's main competitors are natural gas and imported coal rather than other domestic coal suppliers.
- Historically the North Island business was underpinned by fixed term fixed price contracts to three customers: New Zealand Steel ('NZS'), Genesis and Fonterra. NZS and Genesis represented the majority of the coal sales.
- Subsequent to SENZ going into administration, Genesis gave notice terminating its contract with SENZ which it was entitled to do under the contract as a result of the administration. Genesis will continue to take coal until the end of October 2015. Genesis has announced it is closing the coal-fired Huntly power station.
- NZS also had termination rights within its contract in the event of administration. As a result, management have progressed renegotiation of the NZS contract and subject to finalisation of the outstanding issues this will come into effect if the DOCA is approved.
- The loss of the Genesis contract and the NZS renegotiation have a material impact on the North Island operations and the existing mining plans are being reassessed in light of these changes.

South Island domestic business

- The South Island mines, all open cast, are the New Vale and Ohai mines in Southland, Reddale Mine near Reefton, and Strongman in the Grey District.
- The South Island domestic coal market is relatively fragmented and localised. The South Island business has more than 100 customers with several large key customers.
- Most large customers have no alternative to coal. There is no gas reticulation and bottled gas is comparatively expensive. Electricity for large scale steam generation is also expensive.
- The dairy industry accounts for over half of the market.
- As with the North Island business, supply relationships in the South Island are based on term contracts at fixed prices. The key risks facing this business are competitor activity in the form of aggressive pricing impacting on market share and margin, and containing operating costs to avoid margin erosion.

Export trading

- Stockton opencast mine drives the production for the Export business unit. In addition SENZ has an arrangement with Roa Mining Company Ltd to purchase coal to incorporate in its export blends.
- The Export business is reliant on the ongoing services of Kiwirail and the Lyttelton Port Company for delivery and port facilities between Westport and Lyttelton where the coal is loaded for export.
- SENZ main export customers have had long standing relationships some of which span in excess of 30 years, primarily in the Indian and Japanese markets and to a lesser extent China.

- Hard coking coal ('HCC') (34% of total volume), and SemiHard CC (40%) are the key export products with the balance being SemiSoft CC (15%) and thermal coal at 10% of forecast volume respectively.
- The Export business faces ongoing pressure from historically low pricing. The WoodMac Global Metallurgical Coal Short Term Outlook April 2015, notes three key drivers of recent falls in spot prices:
 - The Chinese property market continues to be weak and is critical to domestic steel consumption. Chinese steel mills have however maintained production levels driving growth of ~41% in steel exports from China in Q1 2015 on the same period last year.
 - Aggressive pricing and favourable credit terms offered by Chinese domestic coal suppliers continues to undermine market sentiment.
 - The ongoing efforts of Australian coal suppliers to push excess volume into China after satisfying their traditional markets.
- The oversupply and dampened demand has meant there is increased retention risk of the long term customers both from a demand perspective and alternative supply.
- SENZ's strategy through the current low priced environment has been to take the Stockton mine to a minimum operating level to maintain its current customer base. This has seen production reduce from 1.8 Mt in FY14 to a forecast production in the current year of 957 kt. Cost has been driven out of the business including a reduction in workforce from over 800 to the current workforce of 246.
- While the recent weakening in the NZD against the USD has mitigated to some extent the ongoing pricing pressure, the current price environment is not sustainable in the near future and requires a reasonable and sustained increase in NZD returns to justify further investment.
- The aim is to sell this business post the voluntary administration period.
- Key risks to the Export business are erosion of USD prices, appreciation of the NZ dollar eroding NZD returns, and customer retention.

Solid Energy Group administration

The Solid Energy Group maintains a full internal administration function and the Administrators have been provided with all the records and assistance we have requested.

5 How has the Solid Energy Group performed

Comprehensive annual reports for the years ended 30 June 2013 and 2014 are available at the group's website www.solidenergy.co.nz. The annual report for the year ended 30 June 2015 is due to be filed by 30 September 2015 but is not yet complete.

The Group last declared a dividend to its shareholder in the year ended 30 June 2012. Solid Energy's position has deteriorated since then and that issue has been covered progressively in the media. We have therefore limited this section of our report to the highlight comments below.

Movements in Equity; Debt Reorganisation and Balance Sheet Support

In the financial year to end June 2012, the Solid Energy Group booked asset impairments of approximately \$149.2 million and announced a net profit after tax loss of \$40.2 million. At the end of the 2012 financial year, the Solid Energy Group's equity was \$423 million.

In March 2013, the Solid Energy Group entered into an interim support arrangement with its major lenders with the aim of securing the ongoing operation of the Solid Energy Group while the lenders and Treasury (on behalf of the shareholder) carried out an assessment of the Solid Energy Group's future funding requirements.

By June 2013 equity had fallen to \$92 million.

In October 2013, a financial support package was agreed with the majority of the lenders, the largest medium term notes (**MTNs**) holder and the Crown. The package reduced the Solid Energy Group's bank debt from \$300.5 million to \$239.3 million and MTNs from \$95 million to \$81.2 million. The package included:

- the lenders rescheduling their debts into a syndicated term loan facility, maturing on 7 September 2016;
- the lenders and largest MTN holder exchanging \$75 million of the debt owed by SENZ for \$75 million of equity in the form of non-voting redeemable preference shares;
- the Crown providing to SENZ a secured working capital loan of \$50 million, repayable within three years; a secured mortgage-backed facility of \$50 million, repayable within three years; and a secured standby facility of up to \$30 million, if required (no sums are outstanding or capable of being drawn under any of these facilities); and
- SENZ issuing the Crown a further \$25 million in non-voting redeemable preference shares in return for a cash injection of \$25 million.

In September 2014, the Crown provided further balance sheet support by means of an environmental rehabilitation cost reimbursement arrangement with a nominal limit (as at that date) of \$103 million.

Since that time various announcements by the Crown have made clear that no further financial support should be expected from the Crown.

In the face of its deteriorating position, the Solid Energy Group has undertaken a number of significant operational reorganisations.

Operational Reorganisations

From late 2012 the group has undertaken a number of operational reorganisations to reduce costs and/or improve efficiency. These include:

- September 2012 – February 2013:
 - Following negotiation of a settlement agreement with its joint venture partner in late 2011/early 2012, Spring Creek Mine put into care and maintenance with redundancy of 221 employees.

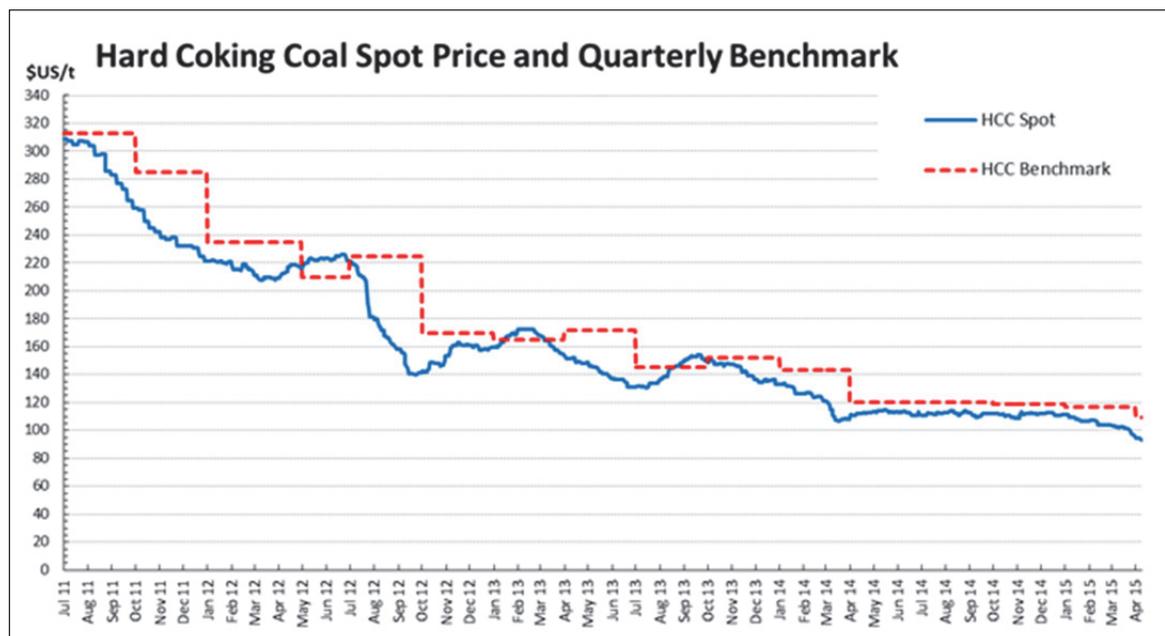
- Capital investment in upgrading ventilation and further development of Huntly East Mine ceased and the mining team was reduced from 234 to 171.
- Initiatives were put in place to optimise production and minimise costs at Stockton Mine.
- The biodiesel business was sold.
- The underground coal gasification pilot was shut down and coal seam gas developments suspended.
- Corporate, support services and development staff reduced from 313 to 151.
- Remainder of 2013:
 - Total capital expenditure was reduced by approximately \$100 million in the 2013 financial year.
 - Employee numbers reduced by approximately 800, to 867 at end of December 2013.
 - From May 2013, further progressive restructurings, including closure of the lignite conversion project, leasing the Mataura demonstration briquette plant to the technology provider, further reducing head office roles, a further reduction in management roles at Stockton Mine (15 employees) and a further production cut at Huntly East Mine in September 2013, with a reduction of 104 roles.
- 2014:
 - A further reorganisation of Stockton Mine in July 2014 reduced workforce by 135 to 386 and production from 1.8 million tonnes (Mt) of coal per year to 1.4 Mt.
 - Approximately 2,000 hectares of surplus Southland land was sold in May 2014.
 - In August 2014, a restructure of corporate services staff reduced numbers by 28 down to 69.
- 2015:
 - In June, a further reorganisation of Stockton Mine reduced workforce by 151 to 246 and production from 1.4 million tonnes (Mt) of coal per year to approximately 957 kt.
 - A reorganisation at the Spring Creek mine reduced staffing by approximately six full-time equivalent positions.
 - Roles at Reefton and in the Grey District servicing the SI domestic sector were also reduced by six.
 - Sale of the Mataura demonstration briquette plant.

Employee headcount today is 524 compared to 1,658 in June 2012 when operational reorganisations started.

The reductions in the Solid Energy Group's equity have arisen for a number of reasons, including significant write-downs in alternative energy investments. These investments are historic. In regard to the coal business, a very significant cause of the difficulties for the Solid Energy Group was the fall in international coal prices throughout this period.

International Coal Prices - Fall

As can be seen by the graph below, from July 2011 prices for internationally traded coking coal – a coal grade used in the manufacture of steel - have fallen significantly. Lower demand from the main market, China, combined with rapidly rising supply following a long period of heightened investment in mine development including in other countries saw the market price for coking coal tumble. Coking coal is an essential component of the Export business which has comprised between 56% and 53% of Solid Energy's revenues between July 2011 and April 2015. As a proportion of net earnings (before interest, depreciation and tax), the Export business reduced in the period from 81% to 4%. Strength in the New Zealand dollar through part of this period compounded the effect of the falling prices on the group in terms of New Zealand dollar returns.



Current Industry forecasts indicate a gradual recovery in Hard Coking Coal benchmark pricing to USD140/t by 2020 (at a rate of approximately 8% per annum). This relies on an assumed level of increase in Chinese steel demand over 2015 levels. The New Zealand dollar has eased in recent months and if that continues as forecast, will assist the prospects of the Solid Energy Group's export business.

However the prospects of the New Zealand industry must also be considered in the international context. Commentators refer to:

- three major bankruptcies in United States mining companies in 2015, including the largest metallurgical coal mine in the US filing for Chapter 11 on 3 August;
- an all-time low freight market;
- significant cost reductions achieved by Australian mining companies;
- policies in China aimed at supporting domestic miners.



6 Issues facing the Solid Energy Group now

6.1 Current Financial Position and Contingent Obligations/Assets

Current Financial Position report

The actual audited financial position of the Solid Energy Group for reporting purposes for the period ended 30 June 2015 is still being compiled. However, the Group has provided us with a statement of financial position as at 30 June 2015 which is well advanced. While it remains subject to further adjustments, audit and Director approval, that statement provided to us may be summarised as follows (with comparisons to the reporting values as at 30 June 2014):

\$m	2015	2014
Cash and cash equivalents	65.0	71.7
Surplus assets	30.9	62.3
Debtors/Prepayments	44.8	59.0
Sundry	6.8	4.0
Sub total – non-mining assets	147.5	197.0
Inventories	54.0	74.3
Deferred Tax	117.5	
Business Assets	127.2	304.7
Realisable Assets	298.7	576.0
Crown rehabilitation indemnity	99.0	60.1
Total Assets	545.2	636.1
Provision for rehabilitation obligations	189.4	166.1
Debt and Provisions	450.8	457.5
Total Liabilities	640.2	623.6
Total Equity	(95.0)	12.5

These 2015 numbers are compiled on the basis that the assets are held for resale, rather than the more usual valuation basis for reporting which is that the reporting entity is a going concern. The 2014 comparatives were based on the assumption that the Solid Energy Group remained a going concern. A breakdown of the position of each company in the Solid Energy Group is attached at Appendix 4.

We note that in our experience, commercial assets realised by an insolvent company are likely to realise less than their carrying value. However, on the basis of this balance sheet, if all the assets of the Solid Energy Group were realised for their values as recorded, creditors would suffer a shortfall of \$95.0 million, prior to:

- Realisation costs;
- Crystallisation of any contingent obligations which might arise in the circumstances of realisation of the assets, including:
 - Staff redundancy entitlements;
 - Damages claims for breach of contract with a number of operational suppliers and customers;
 - Claims from lessors of plant and premises for the unexpired portions of their contractual entitlements.
- Uncertainties around environmental rehabilitation costs and the Crown rehabilitation indemnities.

Realisation costs would reflect the assumed circumstances of realisation of the Group's assets; for example, the current options for the Solid Energy Group under the DOCA, and realisation in a liquidation.

Contingent obligations

- Staff redundancy entitlements: we estimate contingent liabilities to staff for redundancy in total at \$20.1 million. This is the total allowance and has not been sensitised for assumptions made about continuity of individual business units and the terms of associated employment offers to staff.
- Operational suppliers and customers: we estimate contingent liabilities to contractual counterparties, in addition to existing balance sheet accruals, in the region of \$145 million. The range depends on the assumptions made about continuity of individual business units.
- Lessors of plant: we estimate contingent liabilities to lessors of plant (in addition to existing balance sheet accruals) in the region of up to \$16 million, depending on the assumptions made.
- Lessors of premises: we have not yet estimated the potential impact of contingent liabilities to lessors of premises.

We stress the actual value of the various contingent liabilities cannot be known with any certainty until such time as reliable assumptions can be made as to the extent to which the contingencies would be crystallised. However, any actual liabilities that crystallised would increase the shortfall to creditors.

Contingent Assets - Environmental Rehabilitation Obligations, and Crown Indemnities

The Solid Energy Group is obliged, pursuant to its licences, permits and consents, to rehabilitate its mine sites to specified standards. The liability for environmental rehabilitation, per the statement of financial position above, was reflected at an aggregate of \$189.4 million.

The Solid Energy Group holds the benefit of relevant indemnities from the Crown pursuant to agreements reached with the Crown in 1987 and 2014. Accordingly, for environmental rehabilitation work carried out by the Solid Energy Group under the terms of the indemnities, the Solid Energy Group can claim reimbursement of the costs from the Crown.

However these indemnities are not all available to third parties such as potential purchasers of the businesses and the Regional and District Councils who administer the regions and districts in which the rehabilitation obligations accrue.

Assumptions made around these issues affect the estimated outcomes of realisable value of the mine assets, and the creditor claims to which the Solid Energy Group would be subject.

Accordingly, while the actual financial position of the Solid Energy Group depends on future events including the manner in which its assets will be progressively realised and the values which will crystallise in relation to a number of contingent liabilities and assets, the starting point is that the Solid Energy Group faces a shortfall in its obligations to its creditors, in a sum in excess of \$95.0 million. This is a very significant risk to the capital structure of the Solid Energy Group.

6.2 Risk to Capital Structure of the Group

The issue now for the Solid Energy Group is that the Board of Directors is faced with a position where it cannot continue to trade the business with its current capital structure. The shareholder has advised it will not put more money into the Solid Energy Group. The Board has to address the issue with its creditors, customers and stakeholders, or face immediate liquidation.

In summary:

- the Solid Energy Group's equity has been eroded by a number of asset write-downs and an extended period of adverse trading conditions in the coal business. It is insolvent.
- the outlook for the coal business in the short to medium term remains significantly challenging.
- the Solid Energy Group banking facilities of approximately \$239.3 million expire in September 2016 and the Group has no foreseeable means of repaying them.
- The Crown has made clear that no further financial support can be relied on.

We turn now to consider how the issues facing the Solid Energy Group can be addressed.

7 How can the issue be addressed

The issues can be addressed by either of two courses of action:

- Execution of a DOCA with the approval of creditors. A DOCA is an agreement between a company and its creditors as to how the debts of the company can be restructured and how the affairs of the company may be conducted. The Board of Directors of the Group had commenced negotiations with a number of key creditors, customers and stakeholders including the shareholder with the goal of allowing the Solid Energy Group to remain solvent in order to conduct an orderly sell down of assets in the context of a solvent capital structure. The negotiations have continued in the Administration and this report considers the final DOCA proposal which creditors may consider and vote on at the watershed meeting; or
- Liquidation of the Solid Energy Group.

We turn now to consider the impacts on creditors of each course of action.

7.1 Deed of Company Arrangement (DOCA)

At the time of our appointment, the Board of Directors of the Solid Energy Group delivered a draft proposal to be considered for incorporation into a final DOCA. The proposal, and a simple summary of key terms, has been available at www.solidenergy.co.nz.

The terms of the proposal have been progressed in the interim. For the convenience of creditors, a statement setting out the details of the proposed DOCA accompanies this report. The proposed DOCA is expected to be available in final form for consideration and if so decided, full approval by creditors at the watershed meeting.

The steps for the DOCA to be implemented are:

- the DOCA will be a group document. To be adopted, the DOCA must receive support from more than 50% of each Company's creditors by number, and more than 75% of each Company's creditors by value. The joint watershed meeting will therefore call for voting by the creditors of each of the 14 Companies in turn. In order to be executed and effective the terms of the DOCA require that it be approved by resolution of the creditors of all 14 Companies;
- the Board of Directors of each Company must by resolution authorise the deed to be executed by each Company. In this regard we note the Boards have signalled that they will only authorise the DOCA to be executed by the 14 companies if it results in a solvent liquidation of the Group (or in other words, that the Group is left with no outstanding liabilities once all assets are realised and proceeds distributed);
- once the creditors have approved the DOCA, and the Board has authorised execution by the Group, the Deed Administrators and each other named party will execute the DOCA and it will come into force.

Support from creditors, customers and stakeholders to achieve the DOCA

In the course of developing this proposal, the Solid Energy Group has canvassed a number of significant creditors and customers, and its shareholder the Crown. Within that process, the Solid Energy Group has sought support from those creditors, customers and the Crown by way of several avenues, including:

1. Waiver or renegotiation of commercial terms including contractual termination rights;
2. Waiver or restructuring of contingent obligations;
3. Restructuring of environmental rehabilitation obligations and indemnities;
4. Acceptance that staff and day to day trade creditors claims be paid in priority to certain creditors (specifically to be known as Participant Creditors). Participant Creditors include the Group's banks, Medium term noteholders, certain other long term debt such as the Spring Creek settlement payment and the Cobden Bridge finance lease, and certain contingent and other creditors. The DOCA contains the full definition of Participant Creditors.

One disappointing outcome is that Genesis Energy has exercised its right to cancel its existing contract. However, it is pleasing that accommodations have been reached with a number of key counterparties.

Key creditors, customers and stakeholders have agreed to support the DOCA by a combination of measures.

These measures will enhance the prospects of business continuity, but also reduce the potential claims against the Solid Energy Group by around \$150 million.

The details of renegotiated terms are commercially sensitive and are therefore excluded from our report. We are able to provide some detail around the shareholder support in regard to environmental rehabilitation, which we set out below.

Environmental rehabilitation indemnity support

For the benefit of creditors, including enhanced prospects of business continuity by supporting potential new mine operators to carry out rehabilitation work, agreements have been negotiated with the Crown and Regional and District Councils which:

- Allocate the present value of both existing indemnities to each mine asset, by extinguishing the existing indemnities and providing approximately 20 new indemnities on a mine by mine basis.
- Make the value of the new indemnities transferable to future mine owners, by permitting them to be 'cashed out' to an escrow agent prior to sale, who will hold the funds and reimburse certified rehabilitation work carried out by future owners.
- Provide Local Authorities with direct access to claim against the new indemnities (once cash out has occurred) in the event of non-performance of the mine owner's obligations.

In return the Regional and District Council have agreed, subject to approval of the DOCA, to waive any further historic rehabilitation claims against the Solid Energy Group.

We turn now to consider the potential outcome of the DOCA proposal for creditors.

Potential outcome of the DOCA for creditors

The DOCA will not make all creditors whole, and the final outcome for creditors relies on future events. The business has been under stress for an extended period, and the business challenges remain.

The DOCA provides for a progressive sell-down of and exit from the businesses conducted by the Solid Energy Group over a two-and-a-half year period. The Solid Energy Group will be conducting the sale process for the benefit of creditors. Throughout the DOCA period, the Solid Energy Group will need to monitor performance and to manage the businesses and the realisation process economically. The Solid Energy Group will need to monitor progress against its forecasts and the assumptions it has made, and be prepared to take prompt action to address threats to a successful outcome for creditors. The support which the Solid Energy Group has received from customers, creditors, and stakeholders will help reduce the downside risks of responding to any events which occur adverse to expectation.

The majority of the financial risk of trading and the asset realisation process in the DOCA period is borne by the Participant Creditors.

Forecasts of the DOCA outcome

The Solid Energy Group has compiled certain financial forecasts to ensure that it can meet the commitments undertaken in the DOCA. The forecasts contain significant information which is commercially sensitive and we have therefore refrained from reproducing the forecasts in this report.

We have reviewed the forecasts. In our opinion the forecasts reflect the assumptions made, within reasonable materiality; and they indicate that the Solid Energy Group expects to meet the particular obligations it undertakes within the DOCA. These include:

1. Prompt payment of day to day trade debt frozen at the date of our appointment;
2. Payment of accrued employee entitlements as per normal;
3. Payment when due of obligations incurred in ongoing trading including instalments on existing lease contracts while relevant equipment continues to be used;
4. Payment of any staff entitlements arising in the future from redundancy in the case of assets which prove unsaleable;
5. Conduct of a sell down process;
6. Payment to participant creditors of the remaining balance of funds realised.

The material assumptions made for the purposes of the forecasts include:

1. Assumptions as to volumes of coal sold. These volumes are lower than previous volumes and reflect in part the loss of Genesis Energy as a customer;
2. Assumptions as to average prices received for coal which reflect revised contracts or forecast pricing in the near term;
3. Prompt payment of the trade creditor debt frozen at the date of appointment of the Administrators in a sum of approximately \$25 million. This would be achieved from cash already on hand and in the possession of the Administrators;
4. Prompt payment of trading obligations incurred during the sell down period including instalments on leasing contracts while relevant equipment remains in the possession of the Group;
5. Assumptions as to value, terms and timing of sale realisations;
6. Assumptions as to the costs of putting unsaleable assets into a safe and secure state. These are estimated accounting provisions in respect of these costs and can only be refined once unsaleable assets have been determined, and engineering plans for a safe and secure exit from any relevant sites have been finalised. Even then actual costs may vary depending on any unforeseen events experienced in the implementation phase;
7. Staff redundancy costs. These are estimated accounting provisions in respect of these costs and again can only be refined once the sale process has been undertaken, and the extent of any staff redundancy claims has been established.

The forecasts reflect anticipated future events. We note that future events frequently do not occur as forecast and that the difference may be material. However we note that the proposal provides for monitoring of the realisation plan by the Deed Administrators and a monitoring committee of certain Participant Creditors; and that a general security deed to be granted in favour of creditors will allow the monitoring committee to take enforcement steps if certain specified events of default were to occur. The priorities in the payment waterfall would still apply in that case (i.e. that Participant Creditors would allow all other creditors to be paid in priority to them, that they would share pro rata in residual recoveries, and that any remaining debt would be released such that the Solid Energy Group would be liquidated solvently).

Risks in the DOCA forecasts

The DOCA is subject to a number of risks. The headline risks include:

Nature of Risk
Sales volumes are not met
Coal price and foreign exchange movements reduce average pricing returns
Capital sales prospects do not justify maintenance of loss-making operations
Capital sale expectations are not achieved
Costs estimates are exceeded
Event occurs which creates a post DOCA obligation payable in priority to Participant Creditors

Given that the DOCA would see trade creditors and staff paid in full, the impact of these risks would be borne by the Participant Creditors.

The key control over downside risk is the ability to respond to adverse events. The Group has endeavoured to maximise the flexibility available to respond to adverse events by minimising the costs of likely responses including reorganisation or closure of sites if necessary. This has been achieved by progressing a combination of:

- In the case of the Export business, allowing that business to be closed with minimal termination costs;
- In the case of the North Island business, having a fixed term and price contract for sale of coal to the key customer, backed by a consistent contract for extraction of coal (note the two contracts do not match exactly but management do not consider any eventual impact would be material);
- In the case of the South Island domestic business, having a full support commitment from the largest customer;
- Waiver or capping of termination payments;
- Having certainty in regard to the environmental rehabilitation indemnity from the Crown;
- Capping historical environmental rehabilitation claims from Councils and Local Authorities at the value of the Crown indemnity.

Any continuation of the business carries the risk of an unforeseen event on a mine site. The costs of such an event would reduce the realisations available to Participant Creditors in particular. However, from our observation, management are well versed and supported in managing the operations and controllable risks of the Solid Energy Group's sites.

We turn now to consider the impacts of the DOCA proposal on creditors in their respective tranches.

Effects on creditors in tranches

Our comments on the effects of the DOCA on the various tranches of creditors are as below.

1. Preferential claims

- a. Staff: staff claims including redundancy would be met in full. Depending on the level of staff redundancies actually crystallised at the conclusion of the sell down process, this would comprise a maximum payment of up to \$20 million in priority to other creditors, which would not occur in a liquidation (in a liquidation a significant portion of that \$20 million would be above each employee's preferential entitlement and would rank pro rata with other unsecured debt).
- b. IRD: no difference as against liquidation.

2. Partly Secured Creditors (Lessors)

- a. Yellow goods:
 - i. There are two significant lessors of yellow goods under the DOCA:
 - (1) Certain leases are terminated promptly, in regard to yellow goods which are no longer required. This process was agreed prior to the appointment of the Administrators and is in the course of being implemented in any case;
 - (2) The lessors make certain concessions on commercial terms including early return of equipment no longer required;
 - (3) Instalment payments continue as contracted while relevant equipment continues to be used;
 - (4) The lessors retain their security interest rights but pre-existing termination rights are waived; and
 - (5) Any eventual shortfalls on contracts once yellow goods are realised, share in the balance of proceeds.

- b. Other partly secured creditors:
 - i. Voting in favour of the DOCA: Secured creditors who vote in favour of the resolution approving the DOCA agree to waive all existing breaches which would entitle enforcement of their security and agree to permit the relevant Company to continue to use the secured assets until termination of agreement (by the relevant Company on notice to the Secured creditor) or the assignment of the agreement to a purchaser of assets from the Company (and any resulting claim from termination will be a Participant Claim);
 - ii. Voting against the DOCA: are free to enforce their security interests but any residual debt is classed as a Participant Creditor.

Partly secured creditors benefit from the DOCA in regard to ongoing receipt of instalments while their collateral remains in use. Partly secured creditors need to consider whether these instalments exceed any diminution in value of their collateral in the DOCA period, as against the realisable value of their equipment in a liquidation construct.

- 3. Trade creditors are paid in full under the DOCA. This is a significant improvement on our estimated range available to creditors in a liquidation.
- 4. Councils and Regional Authorities benefit from the DOCA by being able to access with certainty the Crown indemnities, by way of their allocated portion (which they have agreed). In consideration, they cap their potential claims for historic environmental rehabilitation costs, at the value of the Crown indemnities.
- 5. Participant creditors:
 - a. Participant creditors include:
 - i. The Solid Energy Group's banks;
 - ii. Medium term noteholders;
 - iii. Other long term liabilities such as the Spring Creek settlement payment and the Cobden Bridge finance lease;
 - iv. Certain contingent and other creditors.
 - b. The DOCA relegates these creditors' claims in order of payment priority behind all other debt of the group. The group's bankers and most material noteholder, who in aggregate comprise \$293.3 million of the group's balance sheet debt, have committed to support the DOCA and agreed to share in the proceeds of the sell down process as Participant Creditors only after all day to day and employee obligations including redundancy have been paid.
 - c. The DOCA process would disadvantage Participant Creditors if their pro rata share of the general proceeds of a liquidation of their debtor Company/ies would be greater than the aggregate of:
 - i. Interest paid promptly to Participant Creditors during the sell down period (on one-third of their crystallised debt); and
 - ii. Operating lease instalments paid promptly to certain Participant Creditors during the sell down period; and
 - iii. Their pro rata share as a Participant Creditor of the whole group, in regard to any contractual shortfall.

To give colour to these considerations, we set out below our summary comments on the factors which contribute to different outcomes for creditors between (i) immediate liquidation and (ii) the DOCA process:

- 1. Gross realisations:
 - a. Realisations of cash and non-mining assets are likely to be enhanced in the DOCA process. Restrictions on availability of cash are removed and realisations of surplus land are assessed to be enhanced;
 - b. Realisations of mining assets must, in our opinion, have improved prospects in a controlled sell down process as against liquidation and sale in distressed circumstances, particularly in light of the renegotiated status of the Crown indemnities available in the DOCA process. We note this cannot be considered an absolute assurance that sales will be achieved in either construct and there remains real risk in the current industry climate that some assets may have to be reorganised or

shut down in the course of the DOCA period and that certain unsaleable assets will remain with the group at the end of the sell down period. As stated however, the DOCA process has endeavoured to minimise the downside impact if this does occur;

2. Claims against proceeds:
 - a. In our opinion claims lodged against proceeds of realisation will be materially higher in a liquidation than in the DOCA process given the implied crystallisation of various contingent liabilities in a liquidation;
 - b. Conversely, for the DOCA process the Group has negotiated a number of arrangements with various counterparties which reduce downside risk;
3. Implementation costs:
 - a. In our view the implementation costs of a liquidation would be higher than the implementation costs of the DOCA process.

Overall, in our view, the DOCA process might result in payment in full to non-Participant Creditors and payment to Participant Creditors in the range 35 to 40 cents in the dollar on their debt at the date of our appointment (including our allowance for contingent debt which would be likely to be crystallised under the DOCA). This does not take into account the potential impact of an adverse unforeseen event at a mine site.

In addition to the prompt payments to staff, trade creditors, and instalments to lessors, the DOCA provides for progressive distributions to Participant Creditors as surplus cash permits from trading and asset realisations. For a distribution to Participant Creditors to occur, Solid Energy Group must be satisfied that it can continue to meet in full the payments to creditors ranking higher in priority including without limitation staff, trade creditors, and ongoing instalment payments.

We turn now to consider the potential outcome for creditors from a liquidation.

7.2 Potential outcome for creditors from a liquidation

The outcome for creditors from a liquidation cannot be forecast with any accuracy at this time. Any estimate made, can only reflect the assumptions underlying it. The assumptions need to address multiple interacting factors. In addition, certain necessary assumptions are commercially sensitive and cannot be described comprehensively in this report which is in effect public. We have therefore refrained from providing a full numerical analysis.

To provide creditors with a framework within which they can consider their best interests, we have taken the approach of breaking down the various tranches of interests, and describing the likely impacts on their positions, in a liquidation.

How a liquidation would proceed

We set out briefly below, the manner in which we believe an immediate liquidation would proceed:

1. The liquidator would have great difficulty trading the assets for any length of time. We believe the Export business would be closed immediately. The North Island business would be difficult to sustain. South Island Domestic is less complex;
2. The liquidator would have a short window in which to seek interest from parties interested in mines as going concerns, conduct due diligence, and settle any transactions available:
 - a. Customers would immediately seek alternative sources of supply, and some would succeed;
 - b. Staff would immediately begin to seek alternative employment, and some would succeed;
 - c. Unsecured suppliers would exercise any leverage available to recoup their expected losses, including by way of increasing future charges;
 - d. Secured creditors such as lessors of equipment would be entitled to repossess their collateral and would consider their own individual interests rather than the interests of the business and creditors as a whole;

- e. Interest from parties interested in acquiring assets would be on a forced sale/liquidation basis;
 - f. Sale prospects of the group's operational sites would be compromised by the risk of material unfunded rehabilitation obligations.
3. Liquidation would offer no advantage in regard to "offer back" obligations, Public Works Act requirements, and Iwi first right of refusal claims in respect of the Group's rights to its operational sites. We note these would apply also under the DOCA;
 4. If going concern sales could not be achieved in the requisite timeframe, sites would be closed down consistently with the liquidator's obligations to leave sites safe, stable and secure, and they would be realised in whatever manner was possible or handed back to the Crown. The liquidator's obligations would include a certain level of cost ensuring that sites were left in a safe and stable condition. If all sites were unsaleable in a liquidation, the costs of exiting the mining sites (excluding redundancies) and handing them back to the Crown, not recoverable from the Crown under the rehabilitation indemnities, is estimated at \$4 - \$5.2 million. This applies equally to the Deed Administration period if the DOCA is adopted, although the risk of all sites being unsaleable is assumed to be lower in that case;
 5. The liquidator would consider whether further recoveries for creditors could be achieved via legal actions including:
 - a. Pursuit of voidable preferences;
 - b. Recoveries from past and present officers of the group for breaches of duty to the group. This would include where the companies in the Solid Energy Group have traded recklessly or incurred obligations without reasonable grounds to believe that the Solid Energy Group would be able to perform the obligation when it was required to do so.
- We note that we have not yet had opportunity to fully consider these matters in any depth. However we are aware that the Board has had the advantage of comprehensive and timely records throughout, and independent advice. We are conscious also that the Board and its shareholder have been up-front about the challenges facing the Group. At this preliminary stage, we have no information indicating that any creditors have been preferred by the Group, or that officers have breached their duties in any way.
6. Realisations from business and asset sales would be applied to:
 - a. Liquidator's transaction costs and fees;
 - b. Preferential creditors;
 - c. Unsecured creditors.
 7. A reasonable timeframe for a distribution to unsecured creditors might be 12 months (from cash on hand at the liquidation date), with any final distribution at, say, 24 months.

We turn now to consider the effect of a liquidation, on the interests of creditors in various tranches.

Effects on creditors in tranches

1. Preferential Creditors
 - a. We note that almost all creditors are unsecured. However in the context of liquidation the Companies Act accords preferential status to certain obligations to staff, and to certain obligations to IRD. The preferential status applies to certain recoveries only.
 - b. In regard to staff, obligations for wages, holiday pay and redundancy are accorded preferential status to a cap per person of \$20,340. In this case, there would be adequate recoveries to meet this cost.
 - c. The Solid Energy Group analysis indicates that obligations to staff in a liquidation would be around up to \$30 million in aggregate, of which \$5.8 million would carry preferential status. Certain staff would be paid in full where their total claim was below \$20,340; other staff would receive part payment on a preferential basis and claim the balance as unsecured to share pro rata in any distributions to unsecured creditors as a whole.
 - d. Relevant obligations to IRD would be paid in full in this case. The sum would depend on timing of liquidation.

2. Partly secured creditors (in particular, lessors)

- a. Partly secured creditors would be free to exercise their security and remove the relevant collateral from the business, such as plant. The creditors' recovery in cash would depend on market conditions for their collateral, at the time.
- b. Partly secured creditors would be entitled to claim for any shortfall on their recovery, and share pro rata with other unsecured creditors in the ultimate realisations from the liquidation.
- c. We have not yet formed an opinion as to the validity and enforceability of the security interests of all partly secured creditors (such as lessors). However from our reviews to date we have no reason to believe that partly secured creditors will not be entitled to enforce their rights and remove their collateral from the business. This relates to the 144 PPSR registrations to which we have referred above, noting that there may be further secured creditors who have not registered their interest.

3. Unsecured creditors

a. Councils

- i. Various Regional and District Councils have claims against the group. In the main, these relate to environmental rehabilitation obligations. The group carries provisions totalling \$189.4 million in regard to historical environmental rehabilitation obligations. The group relies on indemnities from the Crown to meet these historical obligations.
- ii. On the basis of our legal advice, the liquidator might undertake only a limited portion of the environmental rehabilitation work on any unsaleable sites.
- iii. Again on the basis of our legal advice, the 1987 Crown environmental rehabilitation indemnity is not available to third parties, including Councils. This comprises \$64.2 million of the Crown's existing indemnities in favour of the Group. The implication is that Councils would suffer a shortfall of at least this sum, in a liquidation of the Group (subject to whatever their share of actual realisations might be). We note that any unsaleable sites would be handed back to the Crown but Councils might nevertheless be faced with the rehabilitation issues.
- iv. Any claims from Councils in relation to the Group's environmental rehabilitation obligations, for which the Councils could not access the Crown indemnities or any other recourse, would share pro rata in distributions to all unsecured creditors. These claims would be substantial.

b. Trade creditors, Medium Term Noteholders, Crystallised contingent creditors, Financiers and all other creditors

- i. These tranches would share pro rata in distributions to unsecured creditors, along with the relevant portions of claims of staff, partly secured creditors, and Councils.
- ii. If liquidation had proceeded on the basis of the information known to us at the time of writing, we estimate the total pool of unsecured creditors entitled to share pro rata in distributions from the liquidation, might be in the range of \$680 million across the group.

Overall, in our view, a liquidation might result in a return to creditors in the range 15 to 20 cents in the dollar on their debt at the date of our appointment (including our allowance for contingent debt which would be likely to be crystallised in a liquidation).

8 Administrators' opinion on the options

The group is in a difficult financial position in an industry which is itself under stress. The issue is to analyse potential future events in that context. The group believes that it has minimised the variables for the necessary analysis, but there remains risk under the DOCA, for the Participant Creditors.

The analysis is straightforward in regard to staff and the day to day trade creditors. They will receive less than full payment of their frozen debt in a liquidation. Under the DOCA option, they are to receive payment in full; and the funds already on hand are available for that.

For Councils and Local Authorities, the analysis is also straightforward. At the cost of a cap on the historical environmental rehabilitation obligations at the level of the Crown indemnities, they access the Crown indemnities.

For partly secured creditors such as lessors, the DOCA continues instalment payments for equipment which remains in the possession of the Group, and allows them early possession of equipment not required so that it can be realised. The risk of a large volume of equipment being released into the market in a short timeframe is reduced.

The analysis for Participant Creditors is less straightforward. In an immediate liquidation, they would be entitled to share equally with other creditors, in the proceeds of the liquidation (save for the preferential portions payable to staff and IRD). Under the DOCA option, the Participant Creditors forego the right to share equally in the proceeds of the sell down process, and they allow all other creditors to be paid in preference to them. They accept all the information risk in the group's forecasts. A particular risk is that an unforeseen event occurs which gives rise to costs which will be borne by the Participant Creditors alone. The business operates in the resource extraction industry where unforeseen risks are not uncommon.

As we are not aware of any voidable preferences or breaches of duty by officers in relation to the Group, we have no reason to believe that placing the Group into liquidation to pursue recoveries under these heads would result in any additional recoveries that would be available for creditors in a liquidation.

The administration and legal costs are assessed as being lower under the DOCA. Whilst the costs of achieving a signed DOCA may be higher than Liquidation through the same period, post DOCA signing these would reduce substantially as control of the Group returns to the Board. Deed Administrator and monitoring costs would be lower than Liquidation costs.

On our analysis, the outcome under the DOCA would be higher for creditors than it would be in a liquidation. Creditors must now decide for themselves whether the potential return is sufficient, and sufficiently certain, to merit the risks inherent in the DOCA.

On balance, it is our opinion that it would be in the interests of creditors for the Group to execute the DOCA. By implication, we do not consider it is in the interests of creditors for each company for the administration to end and control of the Group to be returned to the Directors, or for the Solid Energy Group to be placed in liquidation immediately. Our opinions, set out by each of the 14 Companies, are at Appendix 2.

The reasons for our opinion include:

- Increased realisation prospects; and
- Reduced creditor claims.

Increased Realisation Prospects

Domestic North Island and South Island recovery prospects have been assessed to be higher under a DOCA without the taint of liquidation and with the benefit of a sales process conducted by an investment bank, managed by Solid Energy over a reasonable period. Downside risk of cancellation of the major customer contract has been reduced significantly. The negotiated agreements which reduce contingent damages claims are not effective if liquidation occurs and customers will be reticent to enter into negotiations with a Liquidator on future supply contracts without understanding the future of the business. They are likely

to want to have such negotiations with a new owner. In the absence of assurance as to ongoing customer contracts, saleability of the assets would be seriously undermined.

Other issues that will impact on the timing and value of asset sales include first rights and offer backs that are available to a number of stakeholders under contractual rights, the Public Works Act and Iwi rights. Although these will apply also under the DOCA option, the DOCA option may allow more time and flexibility for these issues to be dealt with in the context of a going concern.

Export assets may hold some value under a DOCA scenario where a sales process can be conducted by an investment bank over a longer period. Solid Energy is currently negotiating revised terms with Kiwirail Limited, Lyttelton Port Company Limited and Roa Mining Limited which, if agreed, should enhance the saleability of the export business under a DOCA scenario but which will not be available in a liquidation. Furthermore, it may be possible to transfer some or all Export yellow goods leases and Export staff to a purchaser.

Also under the DOCA option, potential purchasers of all mining assets have increased assurance that the benefit of the Crown rehabilitation indemnities will be available to them. We see this bringing assurance (enhancing sales value) in excess of the limited availability of the indemnity under a liquidation scenario.

The continued trading of the Group under a DOCA enables suppliers to obtain the benefits of future trading with the business units; and the forecast nett earnings are expected to benefit the Participant Creditors.

Reduced Creditor Claims

For the same reasons that the prospects of business continuity are assessed to be higher in the DOCA process, the levels of claims against the Group are assessed to be lower in the DOCA process than in a liquidation. These include:

- Better relationships with customers, including the reductions of contingent claims negotiated for the benefit of the DOCA process;
- Better relationships with unsecured and partly secured creditors, including the reductions of contingent claims negotiated for the benefit of the DOCA process;
- Better relationships with staff, secure in the knowledge that their contracted entitlements are protected in full;
- The support available for and the cap on the costs of the historical environmental rehabilitation obligations.

9 Other matters

1. Disclosure of voting arrangements

For the purposes of section 239AX of the Act the Administrators are required to disclose, before the joint watershed meeting of creditors of the Solid Energy Group votes on any resolution, any arrangement of which the Administrator or any director the companies in the Solid Energy Group is aware that requires 1 or more creditors of companies in the Solid Energy Group to vote in a particular way on any resolution that will or may be voted on at the watershed meeting.

The Administrators have been provided with a number of documents which record commitments made by the following creditors in respect of the relevant companies in the Solid Energy Group of which they are a creditor to vote in favour of the proposed DOCA: Bank of New Zealand, ANZ Bank New Zealand Limited, TSB Bank Limited, Commonwealth Bank of Australia, Westpac New Zealand Limited, The Bank of Tokyo-Mitsubishi FUJI Ltd , Grey District Council, Buller District Council, Gore District Council, West Coast Regional Council, Southland District Council, Southland Regional Council, Waikato District Council, Waikato Regional Council, Kiwirail, Lyttelton Port Company, Roa Mining Company Limited, and Fonterra.

The Administrators have been provided with a number of documents which record commitments, some of which may be subject to conditions and some of which are still in the process of being finalised, made by various creditors to vote in favour of the DOCA.

We note these votes have not yet been exercised and remain subject to the same voting procedures as all creditor votes.

2. Related party (intercompany) creditors will not exercise their right to vote at the watershed meeting.

10 Enquiries

We appreciate creditors may have enquiries which we have not addressed in this report, and that further queries may arise as the administration progresses. Please check the Solid Energy website at www.solidenergy.co.nz regularly for updates on the administration. We have uploaded a number of questions and answers that we trust will address any initial concerns, and we will upload further general questions and answers as we progress.

If you have any queries or concerns regarding continued trading with the Companies, in the first instance please contact the person you usually deal with at Solid Energy. If they are unable to assist you for any reason, they will ask us to contact you. If you would prefer to contact us directly, our details are set out below:

10.1 Administrators' addresses

Relevant addresses of the Administrators for **all purposes** in respect of «Company» are:

Post: [Company Name] (Administrators Appointed)
PO Box 982
Shortland Street
Auckland 1140

Phone: +64 9 307 7865

Fax: +64 9 377 7794

Email: senz@kordamentha.com

Courier: Level 16, 45 Queen Street
Auckland 1010

Appendix 1: List of companies in VA

The companies to which we have been appointed are:

- Solid Energy New Zealand Limited (Administrators Appointed) (329045)
- Solid Energy Renewable Fuels Limited (Administrators Appointed) (1357087)
- Spring Creek Mine Holdings Limited (Administrators Appointed) (1893621)
- Spring Creek Mining Company (Administrators Appointed) (1897738)
- Solid Energy Land Holdings Limited (Administrators Appointed) (1915887)
- Biodiesel New Zealand Limited (Administrators Appointed) (1927762)
- Pike River (2012) Limited (Administrators Appointed) (1605686)
- Coal New Zealand Limited (Administrators Appointed) (618061)
- Coal New Zealand International Limited (Administrators Appointed) (662950)
- Coal Bed Methane Limited (Administrators Appointed) (1566830)
- Terrace Coal Mine Limited (Administrators Appointed) (153073)
- Solid Energy Briquettes Limited (Administrators Appointed) (4135725)
- Stockton Alliance Limited (Administrators Appointed) (2287804)
- CoalCorp Services Limited (formerly CoalCorp Insurance Services Limited) (Administrators Appointed) (292841)

Appendix 2: Statement of opinions by Company

1. Solid Energy New Zealand Limited

Solid Energy New Zealand Limited is the principal trading company within the group. It is either prime debtor or guarantor of all the material debt and contingent liabilities in the group, and is the sole employer.

In our opinion, it is in the interest of creditors to resolve that the company execute the DOCA for the reasons we have stated in the body of the report.

2. Solid Energy Land Holdings Limited

Solid Energy Land Holdings Limited is a guarantor of the Group banking facilities and MTN. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

3. Spring Creek Mine Holdings Limited

Spring Creek Mine Holdings Limited is a guarantor of the Group banking facilities. Its balance sheet reflects no direct creditors or assets. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

4. Biodiesel New Zealand Limited

Biodiesel New Zealand is a guarantor of the Group banking facilities and MTN. Its balance sheet reflects only intercompany creditors. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

5. Coal Bed Methane Limited

Coal Bed Methane is a guarantor of the Group banking facilities. Its balance sheet reflects no direct creditors or assets.

Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report..

6. Coal New Zealand International Limited

Coal New Zealand International is a guarantor of the Group banking facilities. Its balance sheet reflects no direct creditors or assets. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

7. Coal New Zealand Limited

Coal New Zealand is a guarantor of the Group banking facilities. Its balance sheet reflects no direct creditors or assets. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

8. Coalcorp Services Limited (formerly Coalcorp Insurance Services Limited)

Coalcorp Services is a guarantor of the Group banking facilities. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

9. Terrace Coal Mine Limited

Terrace Coal Mine is a guarantor of the Group banking facilities. Its balance sheet reflects no direct creditors or assets. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

10. Solid Energy Renewable Fuels Limited

Solid Energy Renewable Fuels is a guarantor of the Group banking facilities and MTN. Its balance sheet reflects a large intercompany obligation. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

11. Pike River (2012) Limited

Pike River is a guarantor of the Group banking facilities. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

12. Stockton Alliance Limited

Stockton Alliance is a guarantor of the Group banking facilities. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

13. Solid Energy Briquettes Limited

Solid Energy Briquettes is a guarantor of the Group banking facilities. Its balance sheet reflects no direct creditors or assets. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

14. Spring Creek Mining Company

Spring Creek Mining Company is a guarantor of the Group banking facilities and MTN. Its balance sheet reflects \$29 million in direct creditors, modest assets and a significant intercompany obligation. The one significant creditor is already guaranteed by Solid Energy New Zealand. Given the disproportionate size of guarantee claims against this Company any other creditors of this Company will benefit from the access to the wider Group assets which is afforded to them under the DOCA as opposed to a liquidation where that would not be the case.

We consider it is in the interest of creditors to resolve that the Company execute the DOCA for the reasons we have stated in the body of the report.

Appendix 3: Restrictions

This report is not intended for general circulation, nor is it to be reproduced or used for any purpose other than that outlined above without our written permission in each specific instance. We do not assume any responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction or use of this report contrary to the provisions of this paragraph.

In preparing this report we have relied on information provided to us by the Solid Energy Group. We have not carried out any form of due diligence or audit on that information. The information provided to us included forecasts of future revenues and expenditures, profits and cashflow that were prepared by the Group. Forecasts by their very nature are uncertain, and some assumptions inevitably will not materialise. Therefore the actual results achieved may vary significantly from those in the forecasts.

We reserve the right (but will be under no obligation) to review this report and if we consider it necessary to revise the report in light of any information existing at the date of this report which becomes known to us after that date.

Warning for MTN Noteholders

Certain creditors of the Solid Energy Group (each such creditor an "**MTN Noteholder**") are holders of medium term interest bearing notes ("**MTNs**") issued by Solid Energy New Zealand Limited (with administrators appointed) under the deed poll for medium term notes dated 3 December 2009.

This warning does not apply to any person or creditor other than any MTN Noteholder which is not a "wholesale investor" within the meaning of the Financial Markets Conduct Act 2013 (the "**Relevant Holders**").

The DOCA in respect of the Solid Energy Group as described in this administrators' report has the effect of varying the MTNs and therefore constitutes an offer of debt securities (the MTNS, as varied by the proposed DOCA) in Solid Energy New Zealand Limited (with administrators appointed).

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision.

The usual rules do not apply to the offer made to the Relevant Holders under the proposed DOCA because it is a small offer. As a result, the Relevant Holders may not be given all the information usually required. The Relevant Holders will also have fewer other legal protections for this investment.

Please read all documents carefully, ask questions and seek independent financial advice.

While this warning does not apply to any person or creditor other than an MTN Noteholder, each person or creditor affected by the proposed DOCA is encouraged to read all documents carefully, ask questions and seek advice.

Appendix 4: Group Balance Sheet Summary

SENZ Group Position by entity at 30 June 2015 (unaudited)

\$m	Solid Energy New Zealand		Solid Energy Land Holdings Ltd		Spring Creek Mining Company		Pike River Mine 2012 Limited		Biodiesel NZ Ltd		Spring Creek Mine Holdings Limited		Coal Corp Insurance Services Ltd		Solid Energy Renewable Fuels Ltd		Stockton Alliance Limited		Natures Flame Italy (In Liq) Eliminations		Group
	Ltd	Holdings Ltd	Land	Holdings Ltd	Company	Limited	Ltd	Limited	Mine Holdings	Limited	Services Ltd	Renewable Fuels Ltd	Alliance Limited	(In Liq)	Eliminations						
Cash and cash equivalents	52.9	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	0.0	0.0	3.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	56.6	
Trade and other receivables	42.9	0.1	(0.0)	0.1	(0.0)	0.1	0.0	0.0	0.0	0.0	1.9	2.4	0.0	0.1	2.4	0.0	0.0	0.1	(2.0)	45.4	
Inventories	53.5	0.0	0.4	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	54.0	
Inter-company	2.6	(0.5)	(150.3)	(10.3)	(150.3)	(10.3)	(12.0)	(12.0)	0.0	0.0	8.0	(35.9)	2.1	(0.6)	(35.9)	2.1	(0.6)	196.9	(0.0)	(0.0)	
Crown rehabilitation receivable	4.9	0.0	0.0	0.0	0.0	4.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.5	
Short-term investments	8.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.4	
Other current assets	2.9	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0	0.0	0.0	0.0	0.1	0.0	(0.3)	0.0	0.0	(0.3)	0.0	0.0	0.0	2.7	
Total current assets	168.1	(0.4)	(149.8)	(5.6)	(149.8)	(5.6)	(12.0)	(12.0)	0.0	0.0	13.6	(33.5)	1.7	(0.5)	(33.5)	1.7	(0.5)	194.5	(0.8)	176.6	
Property, plant and equipment	62.1	25.5	5.3	0.8	5.3	0.8	(0.0)	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	93.7	
Mining properties	41.9	0.0	2.4	0.0	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	44.3	
Stripping in advance	16.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.6	
Investments	43.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.4	(36.6)	6.9		
Deferred tax asset	55.1	0.0	46.6	2.9	46.6	2.9	3.4	3.4	0.0	0.0	0.0	9.5	0.0	0.0	9.5	0.0	0.0	0.0	0.0	117.5	
Crown rehabilitation receivable	87.7	0.0	1.7	0.1	1.7	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	89.5	
Total non-current assets	306.4	25.6	(93.8)	(1.8)	(93.8)	(1.8)	(8.6)	(8.6)	0.0	0.0	13.6	(23.1)	1.7	(0.1)	(23.1)	1.7	(0.1)	(37.4)	157.2	368.6	
Total assets	474.6	25.2	1.8	0.5	(93.8)	(1.8)	(8.6)	(8.6)	0.0	0.0	27.0	(56.4)	1.7	(0.4)	(56.4)	1.7	(0.4)	(70.9)	311.8	545.2	
Accounts payable and accruals	29.3	0.0	1.8	0.0	0.5	0.0	0.0	0.0	0.0	0.0	2.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	(2.0)	32.0	
Components and demobilisation provision	34.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	34.3	
Employee accruals	11.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	12.4	
Other current liabilities	3.1	(0.0)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	3.2	
Current rehab provision	11.3	0.0	0.0	2.1	0.0	2.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.4	
Total current liabilities	89.7	1.8	0.5	2.1	0.5	2.1	0.0	0.0	0.0	0.0	2.0	0.0	0.9	0.0	0.0	0.9	0.0	(1.9)	15.5	95.2	
Term loans	239.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	239.3	
Medium term notes	81.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	81.2	
Offtake liability	0.0	0.0	26.6	0.0	26.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	26.6	
Cobden bridge lease	9.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.5	
Other term liabilities	9.5	0.0	0.4	1.6	0.4	1.6	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.9	0.0	0.0	0.0	0.0	12.4	
Non current rehab provision	171.3	0.0	2.1	2.6	2.1	2.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	176.0	
Total non-current liabilities	510.9	0.0	29.0	4.2	29.0	4.2	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.9	0.0	0.0	0.0	0.0	545.0	
Net Assets	(126.0)	23.4	(123.4)	(8.1)	(123.4)	(8.1)	(8.6)	(8.6)	0.0	0.0	11.6	(24.1)	0.8	(0.2)	(24.1)	0.8	(0.2)	159.1	(114.6)	(95.0)	
Issued capital	129.4	25.0	65.0	3.0	65.0	3.0	7.3	7.3	0.0	0.0	10.9	7.2	0.0	0.0	7.2	0.0	0.0	0.0	0.0	133.3	
Redeemable preference shares	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	
Retained earnings	(355.4)	(1.6)	(188.4)	(11.1)	(188.4)	(11.1)	(15.8)	(15.8)	0.0	0.0	0.7	(31.3)	0.8	(0.2)	(31.3)	0.8	(0.2)	274.0	(328.2)	(0.0)	
Total equity	(126.0)	23.4	(123.4)	(8.1)	(123.4)	(8.1)	(8.6)	(8.6)	0.0	0.0	11.6	(24.1)	0.8	(0.2)	(24.1)	0.8	(0.2)	159.4	(114.6)	(95.0)	

Note: Categories are grouped as per the management accounts