Interim Report

For the six months ended 31 December 2013

SOLID ENERGY
Coals of New Zealand

Solid Energy New Zealand Ltd and Group

Report for the six months ended 31 December 2013

FINANCIAL RESULT

A 28% fall in revenue, due to continued weak international coal prices and reduced off take from New Zealand customers, contributed to a $40.9 million loss (2012: loss of $318.2 million) for the half year ended 31 December 2013. The result included one-off restructuring costs of $12.4 million.

While this was an improvement on the 2012 half year result, when the company wrote down assets by $222.7 million, underlying earnings for the half year were negative $28.7 million, compared to a positive $3.5 million in the first half of the 2012 financial year.

This result for the half year is slightly better than expected as the company maintained a strong focus on production efficiency, cash management and on containing operating costs. Stringent controls on spending and productivity improvements have had a positive impact on the half year result, but weak global coal markets remain challenging. The hard coking coal spot price has weakened in the period with the monthly average for December 2013 down to US$135/tonne compared to US$159/tonne for December 2012.

Solid Energy's financial recovery is likely to be prolonged and will depend on a number of factors including continuing improvement in the company's business performance and higher prices in international coal markets. The strength of the New Zealand dollar continues to adversely impact profitability; the average USD/NZD exchange rate was 0.82 in December 2013 (December 2012: 0.83).

The slightly better than expected result has meant that the company has not needed to draw down under the two $50 million working capital facilities made available by the Crown as part of the financial restructuring package put in place in October 2013.

Revenue for the half year was $236.1 million (2012: $328.1 million). Coal sales were down 21% to 1.7 million tonnes (Mt) (2012: 2.1 Mt). Export sales increased 10% in the half year to 1.1 Mt (2012: 1.0 Mt), while New Zealand sales dropped by 47% in the half year to 0.6 Mt (2012: 1.1 Mt) mainly due to changing supply arrangements with New Zealand Steel and Genesis Energy. The company signed a new coal supply agreement with New Zealand Steel in August 2013 and has recently extended its coal supply agreement with Genesis Energy for Huntly Power Station.

In the half year Solid Energy completed a major and prolonged period of restructuring which started in August 2012. The company cut management and support jobs at Stockton Opencast Mine, some of which were vacant due to a hiring freeze which had been in place since August 2012. Further changes were made at Huntly East Underground Mine, with production cut to about a third of the previous year, as the economics of mining underground at Huntly could no longer justify keeping the operation going in its current form. At the end of December 2013, Solid Energy employed 867 people compared to 1237 at the end of December 2012.

Since 1 July 2012, when Solid Energy employed 1658 people, the company has shed almost 800 jobs, including 150 in the Christchurch corporate office, 220 when Spring Creek Underground Mine was put into care and maintenance and 200 as a result of reducing production at Huntly East Mine.

FINANCIAL REVIEW

Earnings before Interest and Taxation (EBIT) for the half year, after restructuring costs, was a loss of $29.7 million, compared to a loss of $265.5 million in the previous corresponding half year. Underlying earnings for the half year were negative $28.7 million, compared to a positive $3.5 million in the first half of the 2012 financial year.

Prices and Foreign Exchange: International coal prices have continued to fall decreasing EBIT by $37.8 million. At US$142/tonne, the average USD hard coking coal benchmark price was down 14% on the previous corresponding half year. The average NZD/USD exchange rate has remained relatively consistent with the same period of 2012.

Volume: Coal sales volumes were 424,000 tonnes (21%) lower for the period; export sales were up 10% and New Zealand sales down 47%, decreasing EBIT by $10.2 million.

Mix: A change in the mix of product sold increased EBIT by $14.7 million, with hard coking coal sales increasing slightly to 61% of total export sales volumes (2012: 54%). No sales of thermal coal were made due to depressed market prices.

Costs: Management continues to drive improved cash cost performance and look for ways to supplement the initiatives which have already been embedded within each operation. Costs have decreased by $74.2 million to $255.5 million due to significant

Front cover: Stockton Mine, West Coast restructuring which reduced the workforce to 867 at the end of the half year. In addition, all operations and mine plans have been reviewed resulting in optimised production plans and reduced overburden activity at opencast mines. Reduced activity has resulted in significant reduction in both plant and equipment and contractor costs, which are down by $22.2 million and $19.9 million respectively.

Tax Expense: No income tax expense was incurred for the period due to the operating losses.

Underlying Earnings Adjustments: Underlying earnings for the half year were negative $28.7 million, down from positive $3.5 million in the first half of the 2012 financial year. The following items have been excluded from net profit after tax in the calculation of underlying earnings:

SIX MONTHS TO 31 DECEMBER

	2013	2012
(NZ$ million)	$M	$M
IMPAIRMENTS		
Stockton Mine (Export Operations)	-	104.3
Spring Creek Mine	-	53.1
Huntly East Mine	-	6.4
Biodiesel New Zealand	-	0.6
Underground Coal Gasification (UCG)	-	23.9
Briquette Plant	-	24.8
Nature's Flame	-	5.0
Land	-	25.6
Total Impairments	**-**	**243.7**
Impairment reversal	(0.2)	(21.0)
Net Impairments/(Impairment Reversal)	**(0.2)**	**222.7**
ONE-OFF ITEMS		
Restructuring Costs (including redundancies and refinancing costs)	12.4	41.4
UCG Pilot Plant Expenses	-	3.8
Discontinued Labour (excluding Spring Creek Mining Company)	-	8.7
Additional loss on Biodiesel New Zealand sale	-	2.6
Total One-Off Items	**12.4**	**56.5**
Total Underlying Earnings Adjustments pre deferred tax write off	**12.2**	**279.2**
Deferred tax write off	-	42.5
Total Underlying Earnings Adjustments	**12.2**	**321.7**
Net Result as reported	**(40.9)**	**(318.2)**
Underlying Earnings	**(28.7)**	**3.5**

Capital Management and Funding: The significant financial restructure in October 2013 resulted in the transfer of $75.0 million of debt into Redeemable Preference Shares and the issuance of a further $25.0 million of Redeemable Preference Shares to the Crown, reducing debt to $322.3 million (2012: $375.0 million). Debt comprises drawn bank facilities of $239.3 million, medium-term note issues of $81.2 million and an interest-bearing loan of $1.8 million. Gearing improved from 79% to 66% as a result. Total assets at 31 December 2013 were $824.3 million, down $77.0 million due to amortisation, depreciation and movement in working capital (31 December 2012: $901.3 million). There were no material impairments to carrying values in the half year.

Cash flows: Cash flows from operations were negative $1.2 million compared with an outflow of $55.8 million in 2012, with $89.6 million in decreased cash receipts from lower prices and reduced domestic off take. Capital investment totalled $5.0 million compared with $47.4 million for the same period in 2012.

OPERATING REVIEW

Coal production for the half year was 1.7 Mt, down 166,000 tonnes (9%) on the previous corresponding period (2012: 1.9 Mt) mainly due to the restructuring of Huntly East Mine and the resulting cut in production. Operational performance across the business remains good with morale much improved since the company completed the major restructuring and confirmed the financial support package with the Crown and major lenders in October 2013. Health and safety performance indicators showed significant improvement in the half year. The All Injury Frequency Rate was 7.9 at 31 December 2013 (2012: 17) and the Lost Time Frequency Rate 2.16 (2012: 3.4).

Production at **Stockton Mine** was up slightly to 921,000 tonnes in the half year (2012: 905,000 tonnes). The coal handling and processing plant ran at near full capacity in the period contributing 581,000 tonnes to Stockton production, compared to 525,000 tonnes in the same period in 2012. Work is progressing well setting up the new Cypress pit which produced first coal in October 2013. The pit is expected to produce about 150,000 tonnes in the current financial year, ramping up to 450,000 tonnes from the 2015 financial year.

In the Waikato, production at **Rotowaro Opencast Mine** was down 6% in the period to 527,000 tonnes (2012: 563,000 tonnes) while a delayed period of restructuring at **Huntly East Mine** resulted in a 74% drop in production to 47,000 tonnes (2012: 184,000 tonnes) at the underground mine.

Reddale Opencast Mine near Reefton has performed well producing 18,000 tonnes in the period (2012: 20,000 tonnes). Solid Energy is taking over as site operator from March 2014 after the end of a successful two years operated by a contractor. The company expects to extend the life of the mine for at least another four years and continues work on potential mining plans for nearby resources which could extend the mine life even further.

In Southland, production at **New Vale Opencast Mine** was 136,000 tonnes, down 12% (2012: 155,000 tonnes). At Ohai, a new opencast block is being opened up with the aim of producing the first coal for market early in April for the Southland residential market and industrial users in the south.

Resources: The company has substantially cut back resource exploration, focusing on projects that will generate cash in the short-term, including an extension of the Awaroa 4 pit at Rotowaro Mine.

Non-core assets: With Solid Energy now refocused on its core coal exploration, mining and marketing capabilities, the company has ceased non-revenue generating activities and begun an active asset disposal programme. The **Mataura briquette plant** has been leased to technology provider, GTL Energy, but it is currently dormant. GTLE is expected to decide whether it wishes to retain the plant in the near future. Solid Energy is currently disposing of saleable assets from other technology projects including the underground coal gasification pilot plant in Huntly. The Nature's Flame wood pellet business is being marketed.

In the half year, the company commenced a programme to dispose of surplus land and property and has now listed for sale more than 2000 hectares of farmland and rural lifestyle properties in Eastern Southland which had previously been acquired to secure access to the district's large lignite resources.

In October 2013, working with Mines Rescue and other experts, Solid Energy began a Government funded two-stage operation to firstly seal the ventilation shaft of the former **Pike River** mine, to stabilise the underground atmosphere, and secondly to re-enter and explore the main entry tunnel. Work is progressing well on the project but is weather-dependent.

Pip Dunphy (Acting Chair)

Garry Diack (Interim Chief Executive)

27 February 2014

STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 – UNAUDITED

	See notes	Six months to 31 Dec 2013	Six months to 31 Dec 2012
		$M	$M
Revenue		236.1	328.1
Cost of sales		(245.2)	(299.9)
Gross profit		**(9.1)**	**28.2**
Other income		4.1	1.3
Exploration, evaluation and development		-	(10.6)
Shared services and administrative expenses		(12.4)	(19.2)
Other expenses and restructuring costs		(12.4)	(33.5)
(Impairment)/Impairment reversal	3	0.2	(222.7)
Results from operating activities		**(29.6)**	**(256.5)**
Realised and unrealised gains on derivatives		0.3	1.5
Finance income		0.3	0.4
Finance expenses		(11.8)	(21.1)
Net finance (expense)/income		**(11.2)**	**(19.2)**
Share of (loss) of jointly controlled entities		(0.1)	-
(Loss)/profit before income tax		**(40.9)**	**(275.7)**
Income tax expense	4	-	(42.5)
(Loss)/profit after tax		**(40.9)**	**(318.2)**

OTHER COMPREHENSIVE INCOME

Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cashflow hedges		5.8	(2.2)
Income tax benefit/(expense) on other comprehensive income		-	0.6
Net change in fair value of available-for-sale financial assets		(1.3)	-
Other comprehensive income/(loss) for the period, net of income tax		**4.5**	**(1.6)**

Total comprehensive income/(loss) for the period		**(36.4)**	**(319.8)**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013 – UNAUDITED

	See notes	As at 31 Dec 2013 $M	As at 31 Dec 2012 $M	As at 30 Jun 2013 $M
CURRENT ASSETS				
Cash and cash equivalents		35.6	1.9	14.1
Trade and other receivables		71.0	84.7	81.8
Derivatives		0.5	-	-
Inventories		83.8	91.1	91.1
Crown receivable	5	4.3	22.1	21.7
Assets classified as held for sale		86.4	1.6	55.9
Total current assets		**281.6**	**201.4**	**264.6**
NON-CURRENT ASSETS				
Trade and other receivables		3.3	4.3	4.0
Lease receivable		-	0.6	-
Derivatives		3.9	-	-
Biological assets		-	0.5	0.5
Investment property		-	3.5	2.0
Other investments		-	4.8	7.0
Property, plant and equipment		208.5	329.7	254.3
Mining assets		154.6	185.3	159.2
Non-current stripping in advance		96.1	111.4	99.7
Crown receivable	5	75.9	58.1	67.5
Intangible assets		0.4	1.7	0.4
Total non-current assets		**542.7**	**699.9**	**594.6**
Total assets		**824.3**	**901.3**	**859.2**
CURRENT LIABILITIES				
Bank overdraft and overnight cash facilities		-	14.0	-
Accounts payable and accruals		60.1	126.1	96.8
Derivatives		0.5	1.5	2.0
Interest-bearing borrowings	6	-	375.0	395.5
Provisions	5	51.1	79.3	81.2
Liabilities associated with assets classified as held for sale		2.4	0.9	3.4
Total current liabilities		**114.1**	**596.8**	**578.9**
NON-CURRENT LIABILITIES				
Term accounts payable and accruals		21.9	-	-
Term interest-bearing borrowings	6	322.3	-	3.6
Term lease liability		10.1	10.7	10.4
Derivatives		0.5	6.0	0.4
Investment deficit in jointly-controlled entities		0.8	0.7	0.7
Term provisions	5	199.4	183.5	173.6
Total non-current liabilities		**555.0**	**200.9**	**188.7**
Total liabilities		**669.1**	**797.7**	**767.6**
Net assets		**155.2**	**103.6**	**91.6**
EQUITY				
Ordinary capital	7	60.9	60.9	60.9
Redeemable Preference Shares	7	100.0	-	-
Retained earnings		(10.3)	47.8	30.6
Reserves		4.6	(5.1)	0.1
Total equity		**155.2**	**103.6**	**91.6**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 – UNAUDITED

		ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT					
	see notes	Ordinary Capital	Redeemable Preference Shares	Retained Earnings	Cash Flow Hedge Reserve	Other Equity Reserve	Total Equity
		$M	$M	$M	$M	$M	$M
As at 1 July 2013		60.9	-	30.6	(2.4)	2.5	91.6
Total comprehensive income/(loss) for the period		-	-	(40.9)	5.8	(1.3)	(36.4)
Transactions with owners in their capacity as owners:							
Issue of Redeemable Preference Shares	7	-	100.0	-	-	-	100.0
Dividends		-	-	-	-	-	-
As at 31 December 2013		**60.9**	**100.0**	**(10.3)**	**3.4**	**1.2**	**155.2**
As at 1 July 2012		60.9	-	366.0	(3.5)	-	423.4
Total comprehensive income/(loss) for the period		-	-	(318.2)	(1.6)	-	(319.8)
Transactions with owners in their capacity as owners:							
Dividends		-	-	-	-	-	-
As at 31 December 2012		**60.9**	**-**	**47.8**	**(5.1)**	**-**	**103.6**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 – UNAUDITED

	See notes	Six months to 31 Dec 2013 $M	Six months to 31 Dec 2012 $M
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Cash was provided from:			
Customers		255.2	344.8
Interest received		0.3	0.4
		255.5	**345.2**
Cash was applied to:			
Payments to suppliers and employees		(245.5)	(374.1)
Exploration and evaluation expenditure		-	(11.6)
Tax paid		-	(4.4)
Interest paid		(11.2)	(10.9)
		(256.7)	**(401.0)**
Net cash flows from/(used in) operating activities		**(1.2)**	**(55.8)**
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from sale of property, plant and equipment		2.6	0.8
Proceeds from sale of business		-	7.7
		2.6	**8.5**
Cash was applied to:			
Purchase of property, plant and equipment		(1.1)	(23.5)
Capitalised interest		-	(0.3)
Investment in intangible assets		-	(0.6)
Investment in mining assets		(3.9)	(23.0)
		(5.0)	**(47.4)**
Net cash flows from/(used in) investing activities		**(2.4)**	**(38.9)**
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES			
Cash was provided from:			
Issue of Redeemable Preference Shares	6	25.0	-
Bonds and bank loans		-	80.0
Repayment of lease receivable		0.4	0.5
		25.4	**80.5**
Cash was applied to:			
Repayment of lease liability		(0.3)	(0.2)
		(0.3)	**(0.2)**
Net cash flows from/(used in) financing activities		**25.1**	**80.3**
Net increase/(decrease) in cash and cash equivalents		21.5	(14.4)
Opening cash and cash equivalents		14.1	2.3
Closing cash and cash equivalents		**35.6**	**(12.1)**
FOR THE PURPOSE OF THE STATEMENT OF CASH FLOWS, CASH AND CASH EQUIVALENTS COMPRISE THE FOLLOWING:			
Cash at bank and in hand		32.1	1.9
Short-term deposits		3.5	-
Closing balance		**35.6**	**1.9**
Bank overdraft and overnight facilities		-	(14.0)
Total cash and cash equivalents		**35.6**	**(12.1)**

The accompanying notes form an integral part of these interim condensed consolidated financial statements.

Notes to the Interim Condensed Financial Statements

for the six months ended 31 December 2013 – unaudited

1. CORPORATE INFORMATION

These financial statements are for Solid Energy New Zealand Ltd ('Solid Energy'), its subsidiaries Solid Energy Renewable Fuels Ltd, Biodiesel New Zealand Ltd, Solid Energy Land Holdings Ltd, Spring Creek Mine Holdings Ltd, Spring Creek Mining Company, Terrace Coal Mine Ltd, CoalCorp Insurance Services Ltd, Coal New Zealand Ltd, Solid Energy Briquettes Ltd, Coal New Zealand International Ltd, Coal Bed Methane Ltd, Pike River (2012) Ltd, Nature's Flame Italia SRL and the jointly controlled entity, Stockton Alliance Ltd.

Solid Energy is a profit oriented company incorporated in New Zealand. Solid Energy is registered under the Companies Act 1993.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 31 December 2013 have been prepared in accordance with NZ IAS 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all of the information and disclosures required in the annual financial statements, and should be read in conjunction with the group's annual financial statements.

The accounting policies stated in the 2013 Annual Report have been consistently applied with the exception of the following:

(i) IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine has been adopted during the period. Stripping in Advance is now classified as a Non-Current Asset in accordance with this interpretation.

(ii) NZ IFRS 13 Fair Value Measurement has been adopted during the period. There has been no significant impact on the measurement of the group's assets and liabilities.

Certain comparatives have been restated to conform with the current period presentation.

The operational results of Solid Energy are not materially affected by seasonality.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest one-tenth of one million dollars ($M).

The interim condensed consolidated financial statements have been prepared on a going concern basis. Refer to note 14.

3. (IMPAIRMENT)/IMPAIRMENT REVERSAL

	Six months to 31 Dec 2013	Six months to 31 Dec 2012
	$M	$M
Net impairment reversal/(impairment) of property, plant and equipment and mining assets	0.2	(222.7)
	0.2	**(222.7)**

Material Impairments

Export Operations - Sustained weak export coal markets and a continued high New Zealand dollar have resulted in a further reduction in projected future pricing for our Export Operations. However, a review of export resources and a reduction in mining costs has given more certainty to the life of mines which has offset the reduction in projected future pricing. As a result, no impairment has been recognised in the current period (2012: $104.3 million impairment). The recoverable amount of the cash generating unit is based on value in use for the economic coal resources included in the current mine and market plan, and an assessment of fair value for resources not currently included in the 10-year mine and market plan. Key assumptions used in the discounted cash flow projections are:

- Average production of 1.8 Mt per year over a 10-year mine plan, with 47.2 Mt of resources valued beyond this period (2012: average production of 1.6 Mt per year over a six-year mine plan, with 61.7 Mt of resources valued beyond this period);
- Export coal price assumptions have been sourced from external industry sources. The hard coking coal price is forecast to recover in the next 12 months and rise to more than US$200/tonne by the 2021 financial year (2012: US$200/tonne by the 2016 financial year);

- The exchange rate assumptions have been sourced from external market sources. The NZD/USD exchange rate is forecast to fall over the next 12 months to an average of 0.77 and staying at 0.76 long term from the 2016 financial year onwards (2012: NZD/USD rate of 0.80);
- Market - predominantly existing export customers in Asia; and
- Post-tax real discount rate of 8.7% to reflect Weighted Average Cost of Capital (2012: 8.7%).

The two key assumptions used in the discounted cash flow projections are export coal sales price and NZD/USD exchange rate. A NZ$1 price decrease per tonne of export coal sold throughout the planned 10-year period would result in a $15 million decrease in the recoverable amount. A 1 cent increase in NZD/USD rate throughout the planned 10-year period would result in a $30 million decrease in the recoverable amount of the export business.

Other business units were reviewed for any evidence of impairment or reversal of impairments and no material adjustments resulted (2012: impairment of Spring Creek $53.1 million, Underground Coal Gasification $23.9 million, Briquetting $24.8 million, Nature's Flame $5.0 million, surplus land $25.6 million, Biodiesel $0.6 million, Huntly East Mine Ventilation Shaft $6.4 million and Huntly East Mine impairment reversal of $21.0 million).

4. INCOME TAX

At 31 December 2013 the group had a total of $212.1 million of trading losses available to be carried forward (2012: $107.9 million), with a resulting deferred tax asset of $59.4 million (2012: $30.2 million). The group had a further $77.5 million of deferred tax assets arising mainly from the impairment of coal mining, renewable fuel, briquetting and underground coal gasification operations at 31 December 2013 (2012: $97.2 million).

The group's total deferred tax asset of $136.9 million has not been recognised due to the current operating loss position (2012: $127.4 million). The de-recognition of deferred tax assets carried forward from 30 June 2012 resulted in a $42.5 million charge to the profit and loss in the six months ended 31 December 2012.

5. PROVISIONS

	31 Dec 2013	31 Dec 2012	30 Jun 2013
	$M	$M	$M
Rehabilitation provision	209.9	224.8	214.8
Mobile plant provision	32.3	29.9	28.9
Other	8.3	8.1	11.1
	250.5	**262.8**	**254.8**
Comprising:			
Current	51.1	79.3	81.2
Non-current	199.4	183.5	173.6
	250.5	**262.8**	**254.8**

Rehabilitation provision

The group is required, by various legislation controlling its mining activities, to rehabilitate to an agreed condition the land on which its mining activities occur. The final cost of rehabilitation cannot be established with certainty.

The company has an indemnity from the Crown for its share of end-of-mine-life rehabilitation costs relating to mining activities prior to 1 April 1987.

	31 Dec 2013	31 Dec 2012	30 Jun 2013
	$M	$M	$M
Crown receivable			
Current	4.3	22.1	21.7
Non-current	75.9	58.1	67.5
	80.2	**80.2**	**89.2**

Mobile plant provision

The group provides for costs relating to the mobilisation and demobilisation of mobile plant fleet to and from mine sites and for costs associated with the usage of components on leased plant.

6. INTEREST-BEARING BORROWINGS

Bank Debt and Bonds were classified as current liabilities as at 31 December 2012 and 30 June 2013 as the group did not have an unconditional right to defer settlement for at least 12 months after the reporting date following a technical breach of the debt gearing and minimum shareholders' funds bank covenants during the period.

All penalties and obligations under a breach of covenants were waived and during the current period the group agreed a capital restructure with the group's shareholder and the requisite number of banks and bond-holders.

The key features of the capital restructure involved:

- A restructuring of the bulk of the group's bank debt facilities, including renegotiation of covenant requirements;
- An exchange of certain portions of bank debt and a holding of Medium-Term Notes for $75.0 million of Redeemable Preference Shares;
- Issuing of $25.0 million of additional Redeemable Preference Shares to the Crown for cash;
- A secured working capital facility of up to $50.0 million provided by the Crown (undrawn at 31 December 2013);
- A secured term loan facility of up to (approximately) $50.0 million provided by the Crown (undrawn at 31 December 2013); once the surplus land assets are sold this facility will reduce, or be repaid;
- A secured stand-by facility of up to $30.0 million to be provided by the Crown, if required (undrawn at 31 December 2013), and
- Maturity date of 7 September 2016 for the Crown and bank debt facilities.

Under the terms of the financing arrangements, proceeds from the sale of surplus land may not be available to fund on-going operations.

7. EQUITY

	31 Dec 13	31 Dec 12	30 Jun 13
	$M	$M	$M
60,900,000 Ordinary Shares each fully paid	60.9	60.9	60.9
100,000,000 Redeemable Preference Shares each fully paid	100.0	-	-
	160.9	**60.9**	**60.9**

Refer to Note 6 for details of the capital restructure and issue of Redeemable Preference Shares.

Key terms relating to the Redeemable Preference Shares (RPS) are as follows:

- RPS are redeemable at the discretion of the Board.
- RPS will have preferred access to distributions in priority to ordinary shares.
- RPS are entitled on redemption to $1.00 per share plus 5% per annum, compounding quarterly from issue date, less any dividends paid on RPS during the term. No dividends can be paid to the ordinary shareholders until the RPS are redeemed.

8. CAPITAL COMMITMENTS

Capital commitments as at 31 December 2013 are estimated at $0.3 million (2012: $1.1 million). These commitments relate to the purchase of property, plant and equipment and mining assets.

9. RELATED PARTY TRANSACTIONS

Government-related entities

Solid Energy undertakes many transactions with other State Owned Enterprises and Government departments. These transactions are carried out on a commercial and arms-length basis and it is not considered that these fall within the intended scope of related parties disclosure.

Refer to note 6 for details of new facilities entered into with the group's shareholder and Redeemable Preference Shares issued.

10. DIVIDENDS

No dividend was paid during the six months ended 31 December 2013 (2012: Nil).

11. CONTINGENT LIABILITIES

The group is required to pay $25.0 million by instalment, triggered when extraction at Pike River over a consecutive 12-month period reaches 250,000 tonnes or when the total aggregate extraction over any period reaches 1.25 Mt (whichever occurs first).

Due to the significant uncertainty surrounding any potential future mining at Pike River, the financial effects of the $25.0 million instalment payments cannot be reliably estimated and no provision has been made for the payments.

There were no other significant contingent liabilities at 31 December 2013.

12. PERFORMANCE BONDS AND GUARANTEES

The group has performance bonds and guarantees in respect of environmental liabilities outstanding at 31 December 2013 totalling $61.9 million (2012: $58.5 million) which may be drawn down in the event the group fails to perform under various contracts and licences. No loss is expected in respect of these bonds.

13. SIGNIFICANT AFTER REPORTING DATE EVENTS AND TRANSACTIONS

There were no significant events after the reporting date.

The capital restructure package discussed in note 6 was challenged in the High Court by one lender in late 2013. The challenge was unsuccessful, and no appeal has been lodged within the appeal timeframe.

14. GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis. The Directors believe the going concern assumption is a valid basis on which to prepare the financial statements. The Directors reached this conclusion having regard to forecasts provided by external industry sources (as detailed in note 3) and circumstances which they deem to affect the group during the period of one year from the date these financial statements are approved, and to circumstances which they believe will occur after that date which could affect the validity of the going concern assumption.

There remains a material uncertainty, relating to the level of future coal prices and exchange rates, which impacts on the group's ability, in the absence of asset realisations, to generate sufficient cash flows for any repayment or refinancing requirements at the maturity of the group financing arrangements. Furthermore, no assurance can be given as to further support from the Crown.

Recovery of the market price of coal and further reductions in the cost structure are required to build a sustainable business. Based on current projections, the company will not return to profitability until financial year 2016. There continues to be near-term risk that the coal price does not recover and/or the New Zealand dollar is stronger against the US dollar than the assumptions sourced from external industry sources detailed in note 3.

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