

MEDIA RELEASE



13 August 2015

Solid Energy Board places company into voluntary administration

The Board of Solid Energy New Zealand Limited (SENZ) has today placed the company and all associated companies into voluntary administration (VA), a process which allows the company to continue trading while creditors consider the best way forward.

KordaMentha partners, Brendon Gibson and Grant Graham have been appointed Administrators.

Solid Energy Acting Chairman, Andy Coupe says that the company has faced very challenging conditions. In the face of dramatic declines in the price of hard coking coal, the company made significant gains in cost-reduction and operating efficiencies but the market has continued to fall and there was still no near-term prospect of any significant recovery. As a result, Mr Coupe says, it is no longer sustainable for the business to trade under its current capital structure.

“We have been upfront with our employees and other stakeholders about the challenges facing Solid Energy. For some months we have been consulting with our banks and shareholder to develop a suitable plan. As a result, the Board has structured a proposal for creditors that, if adopted, would result in operations continuing under a Deed of Company Arrangement (DOCA).

“In the Board’s view, that is far preferable to an immediate liquidation. The voluntary administration process enables that proposal to be quickly finalised and voted on by all company creditors,” Mr Coupe said.

The full text of the Solid Energy Board’s proposal will shortly be available to view at www.solidenergy.co.nz and a plain English outline is appended to this news release.

The key terms of the proposal include:

- Solid Energy will engage an investment bank and undertake an orderly, managed sale of its assets over the next two-and-a-half years.
- The existing Board will continue to manage Solid Energy, and be monitored by and reporting to the Deed Administrators and a monitoring committee of certain creditors.
- Solid Energy’s debt as at the date of the VA will be divided into categories and paid as indicated below:
- **Trade debt** (day-to-day debts which the Companies incurred in the ordinary course of operations prior to the commencement of the VA) is paid promptly once the proposal has been adopted.
- **Accrued employee entitlements** that were outstanding at the date of commencement of the VA (e.g. holiday pay) are paid as per normal.
- **Participant creditors’ debt** is restructured into a two-and-a-half year facility. This gives Solid Energy time to carry out an orderly and managed sale of assets, without the pressure of having to make significant debt repayments. Participant creditors include, amongst others, Solid Energy’s banks and medium term noteholders.
- All costs incurred in the normal course of ongoing trading are paid when they fall due and rank ahead of all other debt - this means trade creditors can continue to trade with the Companies with confidence of payment.
- Existing Crown indemnities for site rehabilitation costs are restructured to provide certainty for affected local authorities and assist the asset sale process.

- Participant creditors get what's left at the end, after payment of all trade creditors and employees, as settlement of their debt. If the proceeds are less than the outstanding debt, the participant creditors release the shortfall.
- If any assets cannot reasonably be sold they will be put into a safe and secure state, all employee entitlements will be fully met, and the asset will be closed.

"We believe the proposal has the necessary support from the shareholder and a majority of creditors to be successful. It allows for a managed sell down of the Companies' assets and the prompt payment of all trade creditors' debt. This is a far more favourable scenario for stakeholders than going into immediate liquidation and for that reason, the Board is confident the proposal will be well supported when creditors meet to vote on it," Mr Coupe said.

Mr Coupe noted that should creditors accept the proposal, the companies would be handed back to the Directors to oversee the implementation of the sell down process, at the end of the VA period.

"The process has been extremely complex, both legally and commercially, and has taken considerable time to develop to this stage," Mr Coupe said. "The Board has been conscious of the strain on employees and contractors that naturally occurs in times of uncertainty, and has sought to act as quickly as prudently possible."

From today, the Administrators will take full control of the companies for a period of five weeks. They will continue to trade the businesses, and will liaise with the creditors on the options for the future of the companies.

KordaMentha partner and SENZ Administrator, Mr Gibson says voluntary administration is a short-term measure that effectively freezes the companies' financial positions while creditors consider the future.

"As Administrator, my focus is on protecting the interests of creditors, including SENZ employees. We have received a proposal from the Directors that they believe has the necessary support. While logic suggests an orderly realisation process would be a preferred solution, some details are still being worked through with a limited number of large creditors. Once those details are finalised, as Administrators we will review that proposal and any others we may receive, and prepare an independent report for creditors.

"We are mindful that SENZ is a large business with over 1,500 creditors who will be entitled to vote on the proposal. We are committed to giving all creditors detailed information within the statutory timeframes, ensuring they can make a fully informed decision," Mr Gibson said.

A first meeting of creditors will be held within eight (8) working days. Information regarding this meeting is being made available directly to all creditors.

A second meeting – known as the 'watershed' meeting – will be held within twenty five (25) working days. Prior to this meeting, creditors will receive the Administrators report on the Board's proposal.

At the watershed meeting, creditors will consider the Board's proposal and will be asked to vote to resolve one of three outcomes for each company in voluntary administration:

- That the Company execute a Deed of Company Arrangement (DOCA), which would govern the future conduct of the Company; or
- That the Company be placed into liquidation; or
- That the Administration of the Company should end and control of the Company be returned to the Directors.

Mr Gibson stressed that employee entitlements and other costs incurred during the period of voluntary administration would be paid as per normal terms and conditions.

"It is important to note that during the voluntary administration period, it will be business as usual for SENZ and its associated companies. This will include a continued strong focus on health and safety, environmental, community, and commercial matters throughout our engagement," Mr Gibson said.

SENZ and the Administrators will be making no further comment on the VA process until the result of the watershed meeting is known.

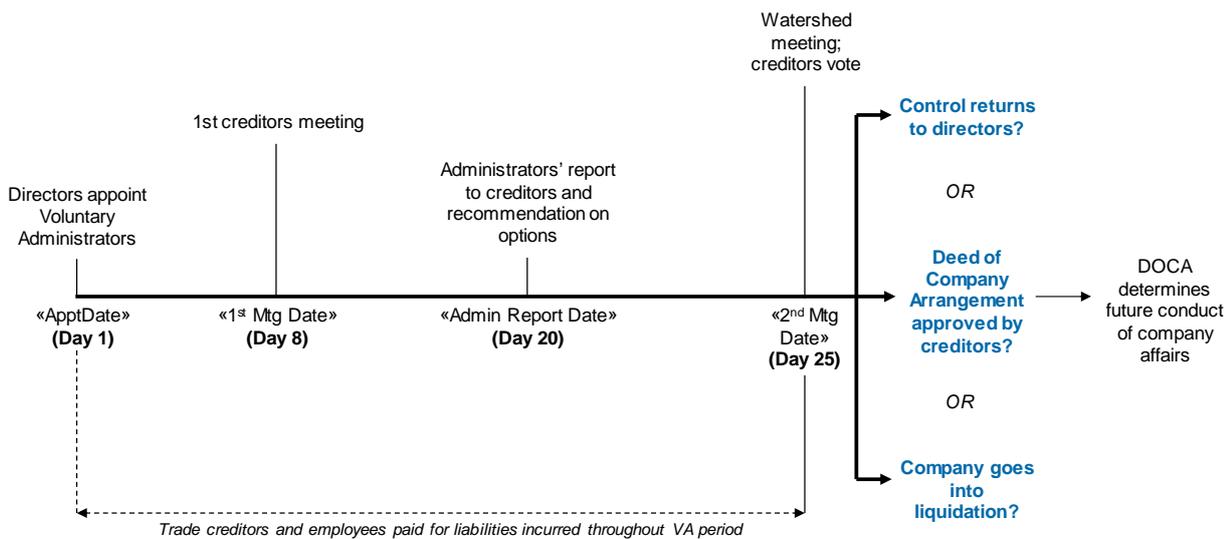
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News media contact: Bryn Somerville, Solid Energy Communications officer, tel 03 345 6090 and 027 295 4299, or call the Administrators on 09 307 7865.

Attached:

1. Outline of the Solid Energy voluntary administration process
2. FAQs
3. List of Companies in voluntary administration
4. Outline of the Solid Energy Board's proposal

1. Outline of the Solid Energy VA process



NB: Working days

Note: timeframes can be extended by order of the Court

2. FAQs

Q. What is voluntary administration?

Voluntary administration (VA) is intended to be a relatively short-term measure that freezes the company's financial position while the Administrator and the creditors determine the company's future. In a VA, an independent and suitably qualified person (an Administrator) takes full control of the company to try to work out a way to save either the company or its business.

If it is not possible to save a company or its business, the aim is to administer the affairs of the company in a way that results in a better return to creditors than they would have received if the company had instead been placed straight into liquidation.

Voluntary administration allows the creditors to determine the future of the company. If creditors approve that the company should continue to trade in some form, that approval is recorded in a deed of company arrangement (DOCA).

In this case, the Board has already tabled a proposal that they believe has the necessary support.

Q. What happens at the first creditors' meeting?

The first creditors' meeting is held within eight (8) working days of the appointment of Administrators. Creditors can elect a creditors' committee to represent their interests and can also vote to replace the current Administrator.

Q. What happens at the second "watershed" creditors' meeting?

The watershed meeting is held within twenty-five (25) working days of the appointment of Administrators. Creditors are asked to vote to decide the future of the companies in VA.

Q. What information will the Administrators' report contain?

The Administrators' report will contain details of the business, property, affairs and financial circumstances of the companies, and their recommendations regarding the proposals for the future of the company. This report is provided to creditors in advance of the watershed meeting so they have adequate time to form a view on how they may wish to vote.

Q. What is contained in the Board's proposal?

The full text of the Solid Energy Board's proposal will be posted at www.solidenergy.co.nz

A plain English version of the key terms is attached separately.

Q. What is a deed of company arrangement (DOCA)?

A DOCA is a binding arrangement between a company and its creditors governing how the company's affairs will be dealt with if the business is to continue in some form. The Board of Directors of SENZ have already put up a proposal to be considered for incorporation into a DOCA.

Q. Will a DOCA be adopted?

The Board proposal will be put to a vote of creditors at the watershed meeting. If the proposal receives support from more than 50% of a Company's creditors by number, and more than 75% of its creditors by value, it will be adopted as a DOCA.

Q. What about employees' jobs?

During the five-week voluntary administration period, no jobs will be disestablished or reinstated (i.e. existing redundancies currently serving out notice periods will not be reinstated).

If the Board's proposal is accepted, the business will continue trading while the asset sale process takes place. "Business as usual" will resume, including regular assessment of each site and operation's viability.

If the Board's proposal is accepted and an asset is sold, employees will either transfer to the new owner (on

substantially similar terms and conditions) or, if their services are not required by the new owner, will be made redundant on the basis of their existing entitlements.

If during the two-and-a-half year sales period an operation or asset is unable to be sold, it will be put into a safe and secure state, all employee entitlements will be fully met, and the asset will be closed.

3. *List of companies in voluntary administration*

- 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)

4. **Outline of the Solid Energy Board's proposal**

The key terms of the Solid Energy Board's proposal to be presented to – and voted on by – creditors at the watershed meeting, include:

- Solid Energy will engage an investment bank and undertake an orderly, managed sale of its assets over the next two-and-a-half years.
- The existing Board will continue to manage Solid Energy, and be monitored by and reporting to the Deed Administrators and a monitoring committee of certain creditors.
- Solid Energy's debt as at the date of the VA will be divided into categories and paid as indicated below:
 - **Trade debt** (day-to-day debts which the Companies incurred in the ordinary course of operations prior to the commencement of the VA) is paid promptly once the proposal has been adopted.
 - **Accrued employee entitlements** that were outstanding at the date of commencement of the VA (e.g. holiday pay) are paid as per normal.
 - **Participant creditors' debt** is restructured into a two-and-a-half year facility. This gives Solid Energy time to carry out an orderly and managed sale of assets, without the pressure of having to make significant debt repayments. Participant creditors include, amongst others, Solid Energy's banks and medium term noteholders.
- All costs incurred in the normal course of ongoing trading are paid when they fall due and rank ahead of all other debt - this means trade creditors can continue to trade with the Companies with confidence of payment.
- Existing Crown indemnities for site rehabilitation costs are restructured to provide certainty for affected local authorities and assist the asset sale process.
- Participant creditors get what's left at the end, after payment of all trade creditors and employees, as settlement of their debt. If the proceeds are less than the outstanding debt, the participant creditors release the shortfall.
- If any assets cannot reasonably be sold they will be put into a safe and secure state, all employee entitlements will be fully met, and the asset will be closed.
- The end result of the proposal, if adopted by creditors at the Watershed Meeting, is that:
 - All trade creditors will be paid in full, whether incurred before the VA or in future;
 - All employee entitlements, including redundancy (if any) will be paid in full, whether incurred before the VA or in future;
 - The assets of the Companies, including non-mining and mining assets, will be put up for sale over the next two-and-a-half years with the goal of continuing operations under a new owner and ongoing employment for as many employees as possible;
 - With the support of the Crown, local authorities will have certainty regarding mine rehabilitation costs in their areas;
 - If any assets cannot reasonably be sold they will be put into a safe and secure state, all employee entitlements will be fully met, and the asset will be closed.
 - The Banks and other financing creditors support the process such that, if the assets of the Companies are not enough to pay off the full amount owing to them, they will release the shortfall;
 - The Companies will be wound up on a solvent basis, once all assets have been disposed of or closed down.

This notice summarises the proposal in general terms. It does not cover every aspect of the proposal. The full text of the Solid Energy Board's proposal is being posted at www.solidenergy.co.nz