The Treasury
Solid Energy Information Release
May 2013
Release Document

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.
Hi thanks for this. I am sure that agenda will develop as we move through our discussions. To ensure we maximize the potential value of the work we do together, I'd suggest we add several agenda items simply to ensure we discuss them:

- COMU/Govt process for asset decisions
- Other Crown assets of potential relevance to Govt objectives
- Process for estimating future value and current realisable value

I will forward after this a very early draft of major sections of our current business strategy that will help your preparation for tomorrow

Regards
Don

Dr Don Elder
CEO, Solid Energy NZ Ltd
mob [1]          wk +64 3 345 6000
(from my Samsung tablet)

Hi[4]

We (John, James and myself) look forward to meet with Solid Energy tomorrow and will arrive at 10.00am.

Further to the scope that I had previously sent to you, below is an agenda of items that we are keen to discuss. We are also comfortable for other items to be added to the agenda:

- Possible changes in government policy
- Dividend expectations
- Solid Energy Projects and CAPEX
- Pike River
- Consultation with shareholders

Kind Regards

Further to our discussion this morning, as you requested here (below) is a proposed scope for our meeting with Solid Energy. As I indicated to you, we are keen to meet soon and would appreciate if you could arrange for us to meet with the appropriate members of the senior management team. I’m happy to discuss with you the timing of the meeting.

**SCOPE FOR MEETING WITH SOLID ENERGY**

**Suggested attendance:** James Cunningham, Alan Vandermolen, Don Elder, appropriate members of the Solid Energy senior management team. If some members of your management team are unavailable, we are happy to meet with alternative members who are suitably briefed, such is the urgency of progressing this matter.

COMU’s General Manager, John Crawford, wrote to John Palmer on 21 March 2010 (copied to Don Elder) setting out that:

“...shareholding Ministers have asked COMU to work with you to determine an appropriate dividend policy, which in our view should be related to an agreed proportion of a cash flow measure rather than net profit after tax (NPAT). COMU would like to meet with Solid Energy’s management in the near future to improve our understanding of Solid Energy’s projects including their implications for value, profits and dividends. Once we have gained a greater understanding of the Solid Energy projects requiring funding, we would like to engage with you and your Board to convey our views on dividend policy.”

**At our meeting with Solid Energy we would like to discuss the following:** (it may be useful to provide some of the information in advance of the meeting)

**Forecast financial performance**

- 10 (20?) year Financials including profit and loss, Cash-flow Statement, and Balance Sheet for:
  - North Island Coal
  - Stockton
  - South Island Coal
  - Natures Flame
  - Biodiesel

- The financial analysis should identify what is maintenance CAPEX and new investment.

**Preliminary assessment of projects (and sensitivity testing)**

- Although Solid Energy holds its own view on the future oil prices, COMU would like to test the value produced by the New Energy projects based on alternative price paths. The below table is provided as an indication of the type and level of information required. We would be grateful if you could assemble the information outlined in this email and forward it to us before we meet. In this way, when we meet, we will be in a position to have a meaningful discussion with you about the options.
• We understand that as per the current Business Plan a DCF model exists that supports each of the New Energy projects. We would appreciate access to these models.

• In addition COMU would like information as to what extent there are synergies between the New Energy projects and the current Solid Energy operations.

**Pike River**

• We understand that Solid Energy intends to make a bid for the Pike River assets and that the potential future investment could be in the order of[2] Given the size of the transaction, we would like to discuss the process for consultation with shareholding Ministers’.

**With respect to the New Energy projects:**
### Project (you may wish to break this down further)

<table>
<thead>
<tr>
<th>Project</th>
<th>CAPEX (including timing of investments)</th>
<th>Project WACC</th>
<th>Internal Rate of Return (IRR)</th>
<th>Present Value (PV) of the Investment</th>
<th>Breakeven point (years)</th>
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<tbody>
<tr>
<td>Lignite Upgrading (briquettes)</td>
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<td>Lignite to Fertilizer</td>
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<td>Lignite to Liquids</td>
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<td>Carbon Capture and Sequestration</td>
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<td>Underground Coal Gasification</td>
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<td>Coal Seam Gas</td>
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Kind Regards

[1]  E| Analyst | The Treasury

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