Question 1: What is the total cost to the Crown of the Solid Energy failure to date?

There are four categories of costs to the Crown arising from the failure of Solid Energy.

*Equity support*
Capital contributions totalling $25 million, provided as part of the debt restructuring agreement reached with the company and its lenders in 2013.

*Support for environmental rehabilitation liabilities*
In 2014, the Crown agreed to extend the company’s existing indemnity for rehabilitation liabilities to cover the period from 1987 to 2014, at an additional cost of $103 million.

In 2015, to support the voluntary administration proposal agreed by creditors, the Crown agreed to extend the benefit of this indemnity to any party (such as a new mine owner) taking on rehabilitation responsibilities. There was no increase in the value of the Crown’s liability as a result of this decision.

*Limited tax indemnity*
A limited tax indemnity was provided to support the voluntary administration proposal agreed to by creditors in 2015 (the value of any tax loss is notional only, see below).

*Loss of value*
The Crown has lost the full value of its ownership of the company. The recorded book value of the company’s equity peaked in 2009 at $519 million; this is now zero.

Question 2: What is the total residual exposure or current exposure (including indemnity) in monetary terms for the Crown in respect of Solid Energy?

The Crown exposure to costs relating to the failure of Solid Energy is limited to its exposure under the indemnities it has granted.

*Environmental rehabilitation indemnities*
The Crown’s total exposure under the rehabilitation liabilities (for the periods both prior to-1987, and from 1987 to 2014) is valued at $135 million in the Crown accounts at 30 September 2015.

*Limited tax indemnity*
The tax indemnity was negotiated as part of the voluntary administration proposal adopted by creditors in 2015, and was essential to ensure creditor support for the proposal.
The voluntary administration agreement requires participating creditors forgive any debts remaining following the managed sale of Solid’s assets. Debt forgiveness is treated as income to the company and would normally be taxed. The Crown has agreed to provide an indemnity for any tax arising from debt forgiveness.

Had the indemnity not been provided it is likely that Solid’s creditors would have put the company into immediate insolvent liquidation rather than a managed asset sales process. In an insolvent liquidation any tax arising from debt write-off is not recoverable.

The revenue impact of the Crown’s tax indemnity is therefore expected to be neutral.