

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.

From: MFord (Mark) [MFord@water.co.nz]
Sent: Thursday, 20 September 2012 11:57 a.m.
To: John Crawford
Subject: Fwd: Update on Spring Creek discussions

John-fyi

Sent from my iPhone

Begin forwarded message:

From: Larry Hull <Larry.Hull@solidenergy.co.nz>
Date: 20 September 2012 10:13:16 AM NZST
To: "MFord (Mark)" <MFord@water.co.nz>
Subject: Update on Spring Creek discussions

Hello Mark,

As you requested an update on Spring Creek discussions:

On Tuesday it was agreed that management and representatives from the EPMU and employees at Spring Creek would meet and work on any and all possible alternatives for Spring Creek with the intent of me presenting a report to the board on Friday.

I have personally been here at Spring Creek during this process to insure that the people at Spring Creek see management's commitment to "turning over every rock".

On Wednesday we held an all day meeting at Spring Creek. Present were Garth Elliot and Trevor Bolderson from the EPMU as well as 6 other members of the Spring Creek work force. Present for the company was myself, Craig Smith, Greg Duncan, Dinghy Pattison, engineering and HR.

Overall, the meeting went well. There was little if any "positioning" by either side. I was quite pleased with the overall demeanor of the group.

Originally we invited the employees to work with us on a "clean slate" or "start from scratch" approach. After they conferred privately, Garth declined the offer saying it was unfair to expect the employees to build a model on such short notice. In reality, I believe the EPMU is very reluctant to commit to anything they might view as a "give back" to their "hard earned" negotiated rights. This is ESPECIALLY true in light of everyone's recognition that the most likely outcome is Care and Maintenance anyway.

I agreed to share with them mine management's latest submission that included major changes in manpower, rosters, costs, etc. We put this on a screen and went over in detail and encouraged the employees to provide input on changes they would make. After the "ball got rolling", they became very active in comments and recommendations. I believe this was a real turning point in their attitude towards our willingness to work together.

We proceeded to breakout in small groups to work on separate issues such as manpower, productivity and costs. These meetings were very workmanlike. We are today incorporating all the comments into the model and we will reconvene with the entire group later today.

The employees fully recognize that ANY scenario presented will still need a major influx of cash to get the mine to extraction. The EARLIEST time that the pump station could be finished is the end of January and extraction at that time is doubtful.

The case presented still shows a shortfall of +\$40 million to get to extraction. We will have an updated number today based on all the employees' inputs but I do not expect a major swing.

We will apply the latest price curves to this model which as Don expressed Monday are even more depressed than those used in the current model. The EPMU and the employees understand this.

I must say that this model as presented will be VERY aggressive and will also be "first pass" in terms of financials. Nonetheless, I have allowed management and the employees to put their best foot forward.

With all this said, the bottom line will be that the company must have tens of millions of dollars to go forward with Spring Creek. The EPMU fully recognizes this and they said SEVERAL times yesterday that their only savior would be a bailout from the shareholder which they fully intended to keep the pressure on.

Garth and Trevor said several times yesterday that everyone recognizes there will be "some pain" in terms of reductions even in the best case.

Lastly, despite all the progress of the past two days, you and the shareholder must be prepared for the EPMU to continue arguing that they were not allowed to participate in the process. I disagree with this, but the emotions are running high and these guys do face a lot of pain.

Regards,
Larry

Larry Hull
Group Manager Coal Operations
Solid Energy
Christchurch New Zealand
[1]

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Sent from my iPad
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