

5 June 2003

Wayne Walden
Chairman
Tranz Rail Holdings Limited

Fax (09) 270 5393

Dear Wayne

As discussed over the phone we have been instructed by Ministers to put the following options to you.

Under both options, we accept the point made in your letter of 5 June that the \$44 million secured deposit should be repayable on 30 June 2004, rather than 31 October 2003 as originally set.

Option one

The offer approved by Ministers as presented to you this morning, in particular:

- Tranz Rail issues to the Crown new shares at \$0.67 per share such that the Crown ends up with 35% of the equity in the company;
- The access fee be fixed for the nine months to June 2004, and capped for the three subsequent years. Specifically it would be fixed at 9/12 of \$55 million in the initial nine-month period. In the second year it would be capped at \$60 million; \$65 million in the third; and \$70 million in the fourth year.

Option two

- The total access charge fixed for three years and nine months at \$50 million per annum as proposed in your letter;
- Tranz Rail issues to the Crown new shares at \$0.55 per share such that the Crown ends up with 50.1% of the equity in the company.

If the board is unable to accept either of these two options, it is Ministers' view that because of increasing media and financial market speculation, it will be

necessary to make a public announcement tomorrow that negotiations have not been successful.

It would be most helpful if you can provide a response to us by 11.00 am tomorrow so that the necessary announcement can be prepared for release in the afternoon.

Yours sincerely