

Ohai selling slack coal

With Ohai Opencast Mine winding down towards a mid-2009 closure, attention has turned to tidying up stockpiles of grits and coal fines so that rehabilitation can continue.

Only one pit remains in production and rehabilitation has begun on the four retired pits, including one which houses about 100,000 tonnes of coal fines. Those fines will be screened to extract 4mm to 10mm pieces which can be blended with run of mine production to make a valuable thermal blend.

General Manager of South Island Operations, Simon Doig says Solid Energy is looking overseas for buyers.

During its remaining months, Ohai will continue at current production rates and will bag enough household coal to last into the 2010 winter.

Once that bagged coal is sold, Solid Energy will exit the Ohai household coal market. The company is progressively withdrawing from the household market nationwide in line with the National Environmental Standards for air quality. After 2012, the company will only sell coal for use in commercial boilers, which burn coal more efficiently and produce fewer emissions than domestic burners.

Weighing in at Rocky Creek



A Smith Transport driver swipes his ID tag at the new Rocky Creek weighbridge.

A new automated weighbridge is streamlining invoicing and customer relations at Spring Creek's Rocky Creek washery.

The new system, which has been running since August, automatically logs the weight of coal deliveries as trucks leave the washery and records them on a central database that can be accessed by Solid Energy's marketing team.

Distribution Co-ordinator, Camille Johnson, says that having instant access to electronic data makes invoicing more accurate and allows Solid Energy to respond quickly to customer queries.

"With the old paper and fax system, we drew up invoices from paper records made by drivers and it created the potential for transcription errors. Now we can pull up the precise figures from the weighbridge's electronic memory which makes our book-keeping more robust.

"It also means that if we have a customer query, we can retrieve weighbridge data for a specific customer or even for a specific truck," she says.

Chopper fundraising lifts

West Coast generosity is alive and well as locals more than doubled their donations to the Rescue Helicopter during this year's appeal month.

Solid Energy and Westpac are commercial sponsors of the West Coast and Canterbury helicopters, which together made 600 emergency rescues during the year, but community fundraising remains important.

In May 2008, West Coast locals contributed \$45,557 to the iconic service, which was up a remarkable 114% on 2007. Meanwhile, Cantabrians held up their end of the bargain by increasing their donations by 10% to \$146,877.

The Canterbury West Coast Air Rescue Trust is one of a number around the country that maintain a team of pilots,

paramedics and helicopters to transfer injured or sick people from remote areas to major hospitals. Across New Zealand, the trusts raised a record \$929,000, which was \$58,000 more than the previous high.

Canterbury West Coast Air Rescue Trust Communications Manager, Bridget Neill, says this year's appeal provided a valuable supplement to corporate contributions.

"We are continually overwhelmed by the generosity of our communities. We are heavily dependent on the huge number of volunteers who assisted during our appeal month," she says.

During the past year, air rescue patients have included victims of road, boating, farming and recreational accidents plus those with urgent medical conditions.



Solid Energy Rescue Helicopter.

Terrace decisions

Reefton's Terrace Mine, which produces about 60,000 tonnes of sub-bituminous coal per year, will remain open at least until mid-2009.

The promise of selling Terrace coal into high-returning international thermal markets has extended the short-term prospects for the mine, so long as production targets can be met and domestic thermal prices begin to follow the international trend.

South Island Manager of Mining and Projects, Steve Bell, says Solid Energy has decided to continue at current production levels for the year.

CoalFace



DECEMBER 2008

Wood pellets fuel growing business

An innovative Christchurch company whose ability to spot niche markets has delivered 20% annual growth for the past decade is picking a market swing towards environmentally sustainable brands.

Radford Yarn Technologies, which employs 33 staff to turn out rare felted yarn for the carpets of luminaries such as Lenny Kravitz, Jennifer Aniston and Madonna, has just reorganised its operations to ensure its environmental footprint is acceptable to even the most discerning of customers. Switching to wood pellets for its process heat is an important part of that.

About 80% of the company's business is offshore and General Manager, Mick Ingram says environmental market signals from the United States and Europe are getting stronger.

"Customers are smart and they are starting to ask questions. When we first promoted the environmental angle, it was because we felt it made sense to emphasise nature in a natural product such as wool, but we can see it is going to become more and more important."

As environmental considerations move up the ladder from "nice to have" to "must have", Radford Yarn Technologies has made changes to stay ahead of the game. Mick explains that they now use

biodegradable chemicals and electric forklifts but he says that one of the biggest footprint reductions came about when they installed a 150kW wood pellet boiler.

"We use a boiler to supply hot water for felting and to dry the yarn afterwards. As we grew, the electric boiler was becoming too costly and was struggling to provide the grunt we needed.

"When we chose Nature's Flame, we did so because its clean energy fitted perfectly with where we were pitching our brand."

The new boiler not only complemented Radford's environmental philosophy but it cut electricity usage in half, slashed the energy bill by 25% and reduced the time needed to dry consignments of yarn by between three and six hours.

By felting wool instead of spinning it, Radfords can incorporate coloured patterns into the yarn itself, which makes it especially good for bold or intricate designs. As one of the world's first companies to commercialise the technology, it is conscious of maintaining a point of difference and feels its environmental stance enhances its offering.

"Our profitability comes from brand equity, not bulk. Some of our competitors won't stand up to increased environmental scrutiny in the way we will," Mick says.



Radford Yarn Technologies General Manager, Mick Ingram

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Steel contract boost for Huntly



Solid Energy will continue supplying New Zealand Steel for the next five years.

Solid Energy will continue supplying coal to New Zealand Steel's Glenbrook mill near Auckland after the companies recently confirmed a new five-year supply agreement.

In welcoming the deal, Solid Energy Chief Operating Officer, Barry Bragg, says it provides the impetus for a \$100 million extension at Huntly East Underground Mine, which will service the contract along with coal from Rotowaro Opencast Mine.

"We have a five-year work programme to extend the mine and the New Zealand Steel contract obviously helps support the business case for that development," Barry says.

Resource consents have been granted for the northwards extension, which will add 10 to 15 years to the mine's life and boost employment at the site from 145 jobs to about 200.

Solid Energy currently contributes approximately \$115 million to the North Waikato economy through sales, employment and contracts with suppliers.

The Glenbrook mill was designed to produce steel using Huntly coal and iron sands from the North Island's west coast.



Reaching out to our Asian neighbours

Having inked a free trade agreement with China, New Zealand now hopes to strike a similar deal with India and consolidate the trade advantages that come from its proximity to two of the world's burgeoning super economies.

In 2007, a World Bank report said it was unprecedented for such large

economies as India and China – with combined populations of 2.3 billion – to sustain prodigious growth for so long. During the past decade, annual GDP growth in China has led the world at more than 9% and India has lingered at 6%. In 2006, India surged to 9% and second place. The countries also rank

number one and five respectively in world steel production.

Solid Energy is well placed to service steel makers in these growing economies and, with a view to developing those opportunities, it recently sponsored New Zealand sports and arts initiatives in both countries (see stories below).

Orchestrating links with China

Trade between New Zealand and China totals \$7.5 billion, with New Zealand exporting \$1.95 billion worth of goods and importing \$5.55 billion worth.

China's economy has been the fastest-growing for some time and sits fifth among the world's largest, at an estimated worth of US\$3.3 trillion.

In the afterglow of goodwill that followed the April signing of a free trade agreement between the two countries, the New Zealand Symphony Orchestra (NZSO) performed as part of Beijing's Olympic Cultural Festival on August 27 and 28.

Solid Energy supported the orchestra's tour, which NZSO Chair, Diane Fenwick, says was distinguished by the honour of playing in the city's brand new National Centre for the Performing Arts.

"The fact that the Beijing Ministry of Culture scheduled one of our concerts in the centre was a firm indication that the tour was regarded as an important marker of the strong relationship between China and New Zealand," she says.

The elliptical glass and titanium centre, which sits in the middle of a man-made lake west of Tiananmen Square, was opened last December and is set to become a national icon after more than 40 years of planning and six years of construction.

Through such a visible sponsorship, Solid Energy hopes to cultivate new interests in China while cementing its 18-year relationship with Shanghai steel manufacturer, Baosteel.

The NZSO performances coincided with the confirmation of Solid Energy's second Chinese contract, this one with Beijing-based Capital Steel.

Capital Steel is China's sixth-largest steelmaker, producing approximately 4.3 million tonnes (mt) of iron and 9.8mt of steel. They will be supplied coking coal from Stockton Opencast Mine in a deal that will take Solid Energy's total exports to China passed 110,000 tonnes per annum.



New Zealand A and India A warmed up for their four-day series with a quick one-day tournament involving Australia A.

On a good wicket with Indian steel

New Zealand exports to India valued \$366 million in calendar year 2007 and coal represents the largest portion of that trade. In keeping with that, India is Solid Energy's biggest international market, importing 767,000 tonnes of the company's 1.9 million tonnes of coal exports last year.

India is seen as a compatible trade partner for New Zealand by virtue of a shared Commonwealth heritage that underpins a similar legal framework and business culture. As diplomacy advances the case for a free trade agreement, much has been made of the two countries' shared love of hockey and cricket.

With those common passions in mind, Solid Energy supported the New Zealand A cricket team's tour to India this September. Although the kiwi team finished out of the running in a one-day tri-series against

India A and Australia A, things improved in the longer version of the game.

After India batted strongly to take the first match by 129 runs, the kiwis scuttled India for just 100 on the last day of the return match to tie the series.

Fittingly, that final game was attended by New Zealand's Governor General, Anand Satyanand, who was concluding the first-ever visit by a New Zealand Governor General to India with the aim of "deepening existing ties". His Excellency is also the Patron of New Zealand Cricket.

Solid Energy's own ties in India are as strong as ever, after it recently celebrated the 20th anniversary of its relationship with the Steel Authority of India. Solid Energy also enjoys a steady tenure with Tata Steel and both clients have discussed expanding their contracts in the near future.

Wood pellets fuel growing business (continued)

As emissions come under closer scrutiny from regulators and consumers, businesses deriving process heat from boilers as big as 2MW are being encouraged to consider switching from fossil fuels to wood pellets.

According to Solid Energy's Energy Projects Manager, Duncan Mackenzie, some regional councils are reluctant to renew consents for coal-fired boilers as they come under pressure to deliver consistent air quality improvements in line with the National Environmental Standards (NES).

"When burning wood pellets, particulate emissions drop almost 60% against coal, which means regional councils are much

more likely to renew consents and in most cases businesses can make the switch without changing their boiler," he says.

Solid Energy's wood pellet business, Nature's Flame, has spent the past two years converting schools, universities and Government departments to wood pellets and is eyeing private enterprise, especially now that pellets undercut diesel, LPG and electricity on price.

Because Nature's Flame pellets are made from recycled wood, they are carbon neutral under the Kyoto Protocol, and they also emit 57% fewer particulates, 75% less nitrous oxide and 90% less sulphur dioxide.



Gas from Solid Energy's pilot wells are powering up to 800 homes.

Runanga makes a splash

After an epic 15-year fundraising mission, the West Coast mining town of Runanga has realised its ambition to upgrade its swimming pool.

The township of less than 1300 people began raising money in 1993 to renovate, cover and heat the 50-year-old Council-owned pool, which welcomes 2000 visitors every year and serves as the Runanga Primary School swimming pool.

During those 15 years, the Runanga Community Swimming Pool Trust banked \$200,000 towards the project but was still only a quarter of the way to a massive target of \$800,000. But when the Spring Creek Mining Company donated \$350,000 in June and the Grey District Council agreed to underwrite the final

\$250,000, the mission was finally complete.

The Spring Creek Mining Company, owners of Spring Creek Mine, is a joint venture between Solid Energy and Cargill. Runanga Community Swimming Pool Trust Chair, Chris Frogley, says it was fitting that the nearby mine should play such a major role in the refurbishment.

"Runanga has had a long association with the mining industry and I think it's fitting that the mining company is working with the local community. After 15 years of fundraising it feels great that we will achieve the goal we set ourselves back in 1993."

The pool upgrade will extend the swimming season by two months for the 105 school pupils and it is expected to treble after-school, weekend and holiday use.



Once covered and heated, Runanga's pool is expected to attract three times as many swimmers and will stay open for an extra two months a year.

New energy for New Zealand

New Zealand has a new source of electricity following the connection to the national grid of a 1MW generator driven by coal seam gas from Solid Energy's pilot field near Huntly in the Waikato.

Solid Energy Chief Executive Officer, Don Elder, says the North Huntly field is powering between 500 and 800 homes with one of the world's cleanest forms of thermal energy.

"Gas from the Huntly wells contains only 1% CO₂ and has 98% energy-rich methane. That means it will have a lower carbon footprint than conventionally-produced natural gas, which up until now has provided New Zealand's cleanest thermal power," he says.

The generator is fed by four wells, each taking gas from a 32ha section of the coal field. Gas flow from the small pilot has the potential to power as many as 1000 homes but it is not yet known if the local network connections can accept that much electricity.

"This energy is being generated in a rural environment, surrounded by cattle – it's not the sort of place where you'd expect to be producing power – but we're working with WEL Networks to increase what we can put onto the grid from that location," Dr Elder says.

Solid Energy continues to assess the commercial viability of the wider field and expects to make a decision on the next stage of field development early next year.

Coal seam gas provides 15-20% of gas supply in the United States and Australia's eastern states, with the figure climbing to 70% in Queensland.