

CoalFace



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Mataura Mine May Reopen in Southland

Solid Energy is investigating reopening its Mataura Opencast Mine to provide coal for the South Island industrial market.

Mataura Mine operated between 1951 and 2000, having been purchased by Solid Energy in 1996. The mine, which sits on the southeastern edge of the Mataura coalfield, southwest of Mataura township, has some 3 billion tonnes of coal-in-ground, spread between 10 separate seams and is the largest in New Zealand. The coal, which is lignite, could be extracted by opencast mining.

When operating, Mataura Mine was a relatively small operation with virtually all the coal produced – about 35,000 tonnes per annum – sold to the local Carter Holt Harvey Mataura paper

mill. When the paper mill closed in 2000 the mine was placed in care and maintenance. If Solid Energy reopens the mine for the industrial market it will need access to larger areas of coal reserves. As a result, over the past 12 months we have been in discussion with a number of adjacent landowners and purchased a number of neighbouring properties.

Solid Energy's plans for Mataura are still at a very early stage. A great deal of work has to be done to test the viability of reopening the mine. This will include further resource testing, trials with customers and obtaining consents.

New Zealand has 10 to 15 billion tonnes of lignite resources, mostly located in Southland.

The challenge is that due to the high moisture content/lower calorific value it is not as economic to transport lignites longer distances to market as with other higher grade coals.

New Zealand is facing increasing energy demand and decreasing supply; gas supplies are running down, oil has to be imported and is increasing in price, and electricity is in tight supply and also increasing in price. As a result over the past two years, Solid Energy has been investigating a range of options for the use of lignites. This includes increased use of lignites by industrial markets, electricity generation, transport fuels, petrochemicals and other products. This work is at the prefeasibility stage only.

New Vale Coal Purchase Agreed

Solid Energy has reached a conditional agreement to purchase 100% of the privately-owned New Vale Coal Company Ltd, subject to Commerce Commission clearance. It is hoped that this will be obtained by the end of October.

New Vale, a long-established family owned business, operates the New Vale Mine which is located on the Waimumu lignite coal field in Eastern Southland. The mine produces more than 200,000 tonnes a year, supplying local industry including Fonterra's nearby Edendale Dairy factory.

Solid Energy plans to continue New Vale's mining operations and to retain the current workforce of 30 people. Both parties have briefed customers and other key stakeholders in the area.

New Southland Area Manager

Ken McLaren has joined Solid Energy as our new Southland Area Manager. Pictured with Chief Executive Officer, Dr Don Elder, Ken has had extensive

mining experience with Anglo Coal in various roles in South Africa and also as a private contractor.



Solid Energy Chief Executive Officer, Dr Don Elder and Southland Area Manager, Ken McLaren (right).

Kyoto Update

The major development regarding Kyoto and climate change in the last six months came in July, when the Government announced a National Energy Strategy (NES) was being developed to focus on identifying strategic directions for the energy sector. The NES will provide Government leadership for the energy sector to respond to long-term challenges of energy security and climate change and to put New Zealand on a pathway towards creating an energy system that establishes renewable sources of energy and energy efficiency as key priorities. It was confirmed that their will be inter-linkages between the development of climate change policies and the National Energy Efficiency and Conservation Strategy (NEECS).

It was also announced there will be a replacement NEECS. The emphasis on the new strategy is expected to be

on incentives and regulation, focusing on actions that deliver energy efficiency, reduce energy use and promote prudent energy conserving behaviours. It is likely there will be more support and incentives for the development of new renewable energy generation, among other initiatives.

Parallel to these work streams the Government will be consulting on alternatives to the broad-based carbon tax with a focus on a narrow-based tax on large final emitters (possibly defined as emitting 250,000 tonnes or more of CO₂ per annum) and on fossil fuel electricity generators. Means of incentivising renewable electricity generation will also be considered.

On 18 August the Ministry of Economic Development published a suite of reports on energy topics designed to inform New Zealand's energy policy debate,

including the development of the New Zealand Energy Strategy, although they have not been written to represent any particular policy direction Government might take in the Strategy. The first draft of the strategy document is expected to be published in early November, and will be available for public submission then.



Copies of the Ministry of Economic Development's Energy Policy Reports can be downloaded from the MED website, www.med.govt.nz.

Alison Brown
Legal Counsel

Alison is Chair of the Greenhouse Policy Coalition.

Credible Supply to Underwrite Future Sales Contracts

I am pleased to report that our production performance for the first half of the calendar year 2006 was much improved on 2005. Development work was completed at our South Island mines; production was ahead of plan at all but one of our mines; and further modifications to the operation of our washery plants was leading to better product consistency.

Given this improved production performance, we commenced discussions with existing customers on demand beyond current contract commitments. We value this feedback as we finalise feasibility studies on mine development extensions at Spring Creek Mine, Ohai Mine and Huntly East Mine. If we are able to confirm the future credibility and viability of these projects we hope to convert customer intentions into new term contracts.

Over the last six months we have also completed extensive studies on the logistics of sourcing imported coal to meet the New Zealand industrial market demand. While our first priority is to service current and potential demand with term contracts underwritten by our existing and planned mining operations, we believe it is important for stakeholders to understand the imported coal options.

Finally I would like to thank customers for participating in our annual survey of our performance conducted by Colmer Bunton. We appreciate your help in improving our performance.

Barry Bragg
Chief Operating Officer



Coal Seam Gas Developments Continue in the Waikato

Last year Solid Energy and Resource Development Technology LLC (RDT), an independent US oil and gas company, joined together to explore coal seam gas options in the Waikato region. Following exploratory work at a number of potential sites in the Waikato last year, drilling for the first of five coal seam gas appraisal

wells has begun in the North Huntly Coalfield. The August 2006 to February 2007 trial will assess the quantities, quality and flow of gas to determine commercial production potential. Coal seam gas can be used for industrial energy, electricity generation and to supplement natural gas supplies.



Drilling in Waikato

Rotowaro Contractor Wins Major Business Awards

Bronwyn Slater, General Manager and equal partner with husband Colin in Colin Slater Contracting (CSC), was “overwhelmed” when their \$7 million enterprise earned the “Small to Medium Enterprise” trophy, as well as the major award of “2006 HER Business Woman of the Year” at the end of June.

Bronwyn credits part of CSC’s 66% growth in the last three years to “a fantastic relationship with Solid Energy, and working closely with them on systems” as key to ensuring timely delivery of more than 950,000 tonnes of coal annually from the Rotowaro Opencast to the Huntly Power Station.

Bronwyn and Colin plan to put the \$2,500 prize package from the awards to good use.

“We want to position ourselves to assist or participate in spinal cord and allied stem cell research,” says Bronwyn. “We want to be able to take advantage of any technology that will give



Bronwyn and Colin Slater at Rotowaro

Colin increased mobility. But along the way we always want to remember to have fun.”

Development Work Completed at Terrace Underground

Development work at Terrace Underground Mine in Reefton has been completed, with work now focused on hydraulic monitor extraction for South Island industrial customers. Coal production for the year reached 61,550 tonnes, slightly ahead of forecast and

well ahead of last year (2005: 20,500) as coal was only mined in the last three months of the year.

We expect the mine to ramp up annual production to about 80,000 tonnes, either to blend with Spring Creek coal for upper South Island industrial customers

or to replace Spring Creek coal if that mine closes. Island Block Opencast Mine, near Reefton, remains in ‘care and maintenance’ as current export prices for semi-soft coking coal are currently too low to support reopening it.

Nature’s Flame Moves into Commercial Pellet Market

Biomass company Nature’s Flame’s success in the home heating market is set to expand into the competitive commercial market. The Solid Energy subsidiary recently launched its first “coal boiler to pellet conversion” at Rotorua Girls’ High School and has imported a shipment of German wood pellet boilers for commercial use.

Rotorua Girls’ High Converts to Pellets

Students at Rotorua Girls’ High School have been kept warm this winter thanks to a boiler converted by Nature’s Flame, to use clean-burning wood pellet fuel. This is believed to be the first industrial-sized complex in New Zealand to be heated by wood pellets.

Until now Rotorua Girls’ High, which has 1500 students, has been heated by a coal-fired boiler. Duncan Mackenzie, energy projects manager at Solid Energy says that it was a relatively simple procedure to convert the coal-fired boiler for use with pellets and he hopes the success of the project will encourage others schools and companies to consider pellet-fired heating.

Nature’s Flame has recently built a pellet manufacturing plant at Rotorua

providing a convenient source of supply for customers in the area.

Nature’s Flame is now talking to other schools about converting.

German Pellet Boilers arrive at Nature’s Flame

Nature’s Flame has also recently imported a shipment of wood pellet boilers from the German company HDG-Bavaria.

In this first shipment boiler sizes range from 25 kW, which are suitable for a central heating system in a medium to large sized home, up to a 150 kW boiler which is soon to be installed for a process heat application in a factory in Christchurch.

The larger boilers provide small industrial and commercial businesses with a cost effective and renewable alternative for providing the heat they require for their operations.

HDG-Bavaria has a reputation in Europe for producing high quality boilers, and have granted Nature’s Flame exclusive agency for their products in New Zealand.

Interest in the 25 kW boilers for central heating systems has been tremendous following their display at the Christchurch

Star Home Show supported by Nature’s Flame, recently. Visitors were impressed by the automation of the fuel feed, the ignition and cleaning, as well as the overall efficiency of burn of the



Rotorua Girls High Principal Annette Joyce, Solid Energy's Desmond Gong, and the school hopper full of Nature's Flame pellets

It's All About the Air We Breathe

Solid Energy progressively withdraws from household coal market

Solid Energy has started its progressive withdrawal from supplying the household coal market across the country with coal, by the end of 2012.

We no longer supply the household market in Canterbury, with the exception of Timaru, where we plan to cease supply next year. Decisions on when we stop supply in other regions will be made over the next few years and will be guided by regional council initiatives to improve air quality.

As the country's major coal supplier, we believe that we can make a positive contribution to cleaning up the air we breathe in New Zealand. There is a significant difference in the way coal is used in open fires and household appliances, which tend to be low in efficiency and high in emissions, compared with industrial boilers.

Our initiative supports the implementation of the new National Environmental Standards (NES) for air quality. Under the NES, regional councils must achieve demonstrable, consistent improvements in air quality between now and 2013. Councils must fully comply with the air quality standards in the NES by 2012. If these are not met, councils will not be able to issue new resource consents for any emissions, even for highly efficient modern industrial



burners that have negligible emissions in comparison to household burners. This could have a severe impact on regional economies and our national economy.

At the same time, New Zealanders do need to have access to clean, affordable home heating. This is one of the reasons we have acquired and are expanding nationwide our biomass business, Nature's Flame. This produces clean-

burn low emission wood pellet fuel, burnt in specially designed pellet fireplaces and burners for home heating. The company is also expanding the business into commercial heating. Earlier this year, Rotorua Girls' High School became the first New Zealand school to convert its coal-fired boiler to a pellet fuel burner.

[\(See story on previous page\).](#)

Is Your Boiler Up to Scratch?

Solid Energy now has an advanced portable flue gas analyser available to customers, which can help to ensure coal boilers are being used efficiently.

Desmond Gong, formerly of CRL Energy Limited, is now Solid Energy's Combustion Technology Manager and can offer professional advice to customers for proper boiler operation.

Desmond comments: "The new gas analyser is a fantastic tool to ensure customers are getting the very best output from their coal boilers. The analyser monitors flue gas properties including temperature, oxygen, carbon monoxide, nitrous oxide and sulphur dioxide, which can all affect the boiler performance and flue gas emissions."

If you would like to know more about the analyser and how Desmond can help you get the best out of your coal boiler, contact Desmond on 03 345 6148, or email desmond.gong@solidenergy.co.nz.



The new gas analyser

Australian Mining Expert Joins Board

Australian based mining and minerals expert, Alan Broome, is the latest appointment to the board of Solid Energy. Alan, a metallurgist, has extensive experience in metal casting and steel production and in 1990 was a managing director of a major Australian coal industry group. Alan is the Chair of several coal-related companies and associations, including CRL Energy Ltd.



Alan Broome

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Coals of New Zealand