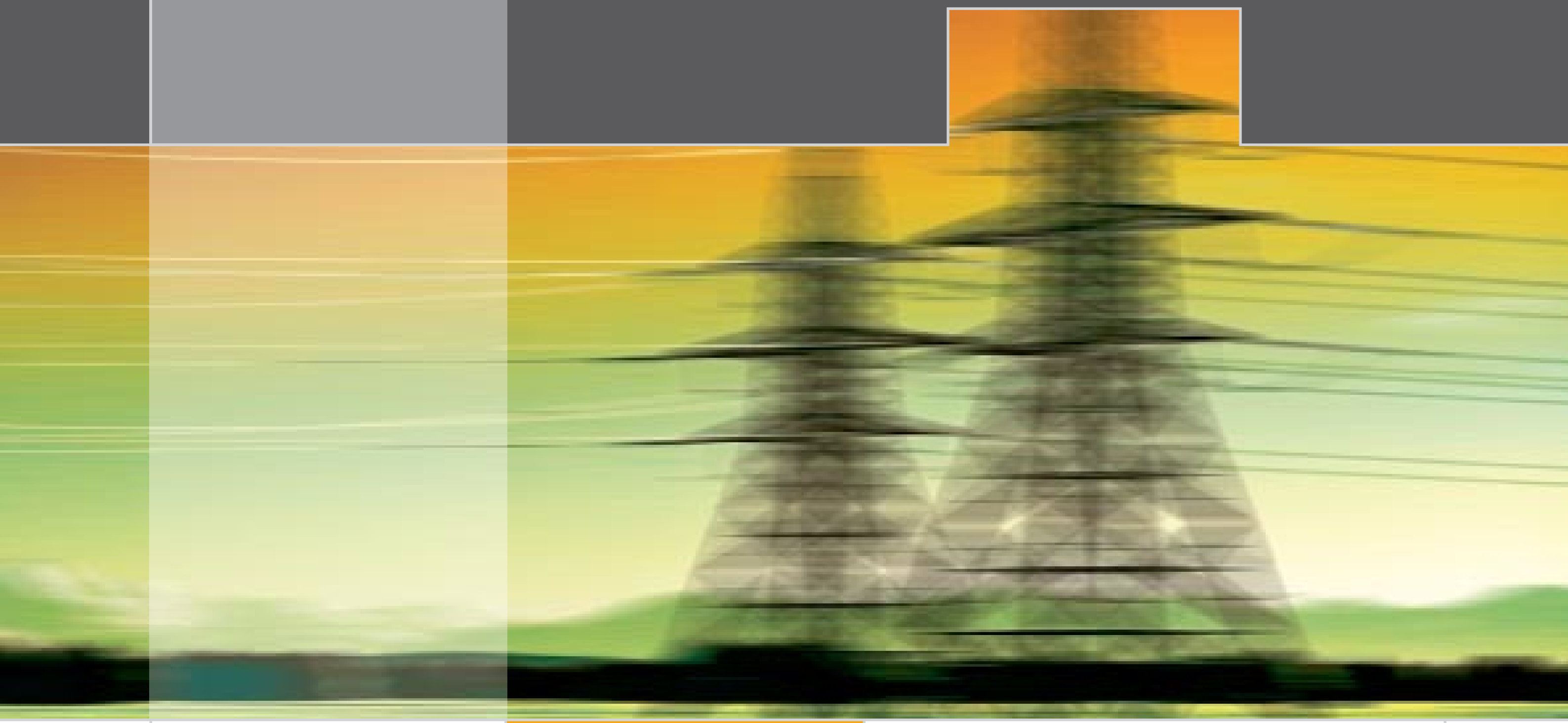

INTERIM REPORT 2003

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

SOLID ENERGY
Coals of New Zealand

REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2003

Solid Energy has produced a net surplus after tax of $17.4 million for the six months ended 31 December 2003 (2002: $26.3 million). This was down 33% on the previous year when high international sales prices, coinciding with a brief period of low exchange rates, and the utilisation of the last carried forward tax losses were major contributors to an exceptional half-year result of $26.3 million.

Sales turnover of $162.2 million (2002: $147.6 million) was again a record for the half-year and 10% above the previous year. Significant growth was experienced in New Zealand sales mainly as a result of the contract, signed in 2003, to supply increased volumes to Genesis Power Limited's Huntly Power Station. New Zealand sales for the half year were 1.12 million tonnes (2002: 0.91 million tonnes), up 23% on the previous year. At 1 million tonnes, international sales were down slightly (2002: 1.03 mt) due to a period of lower throughput at the Port of Lyttelton. This was largely the result of a major upgrade of the port's coal handling facilities which has now been completed. Solid Energy remains on track for both record exports and New Zealand sales volumes in the current financial year.

MARKETS: At the end of 2003 Solid Energy signed a new long-term contract with dairy processor, Fonterra, to supply increased volumes of coal to its South Island processing plants. A trial shipment of thermal coal was sent to North Island markets from the Spring Creek Underground Mine near Greymouth. A trial shipment was also sent to an Argentinian steelmaker and a long-term contract agreed with an Australian steelmaker.

OPERATIONS: In the North Island Solid Energy's Rotowaro Opencast Mine is operating at record volumes to meet the Genesis contract. Solid Energy is pressing ahead with plans to expand the Rotowaro operation with the new Awaroa 4 Mine. In the South Island Doug Hood Ltd successfully took over as main contractor at the Stockton Opencast Mine, north of Westport, in December 2003. Resource consent applications for the planned Cypress Opencast Mine in the Upper Waimangaroa were lodged in December 2003 with a hearing scheduled for mid 2004.

The company's Strongman 2 Underground Mine, near Greymouth, closed in August 2003 with all staff transferring to Spring Creek. Full production at Spring Creek is expected in early April 2004 after some delays caused by mining conditions. Terrace Underground Mine in Reefton is being upgraded and new reserves developed to increase production. In Southland, the new Ohai Opencast Mine is being developed. This mine replaces the Wairaki Underground Mine which closed in August 2003.

Solid Energy has recommenced negotiations with Tranz Rail, following its change of ownership, on a new long-term contract to accommodate increased volumes on the Midland Line. Capacity on the rail line between the West Coast and the Port of Lyttelton is still constrained by track conditions.

FUTURE OUTLOOK: A continuing high New Zealand dollar will put significant pressure on returns from the export business in the 2004/05 financial year. However US dollar export prices are expected to rise significantly for hard coking coal in Japan and for thermal coal. These will flow through into Solid Energy prices, and help offset the effects of the high New Zealand dollar. Demand in New Zealand continues to increase and as a result the company's performance is expected to remain strong.

Tim Saunders
Chairman
12 February 2004

Dr Don Elder
Chief Executive Officer
12 February 2004

PERFORMANCE HIGHLIGHTS

	6 months to 31 December 2003	6 months to 31 December 2002	12 months to 30 June 2003
Tonnes of Coal Sold - Total	2.12M	1.94M	4.09M
Exports	1.00M	1.03M	2.13M
New Zealand	1.12M	0.91M	1.96M
Sales Turnover	$162.2M	$147.6M	$317.1M
Earnings before Interest and Tax	$27.5M	$32.5M	$62.0M
Surplus after Taxation	$17.4M	$26.3M	$56.0M
Return on Shareholder's Funds (annualised)	23.8%	55.5%	51.1%
Return on Average Assets (annualised)	15.7%	30.1%	29.2%

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 - UNAUDITED

	Notes	6 Months to 31 December 2003 $'000	6 Months to 31 December 2002 $'000	12 Months to 30 June 2003 $'000
Total operating revenue		162,193	147,614	317,110
Operating surplus before taxation	3	28,134	31,395	60,745
Income tax	4	(10,725)	(5,090)	(4,670)
Operating surplus		17,409	26,305	56,075
Minority interests		-	-	(47)
NET SURPLUS		17,409	26,305	56,028

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 - UNAUDITED

	Notes	6 Months to 31 December 2003 $'000	6 Months to 31 December 2002 $'000	12 Months to 30 June 2003 $'000
Equity at the beginning of the period		137,699	81,649	81,649
Total recognised revenues and expenses				
Net surplus for the year				
- parent		17,409	26,305	56,028
- minority interest		-	-	47
Distributions to owners				
Distribution to Minority Shareholders		-	-	(25)
EQUITY AT THE END OF THE PERIOD		155,108	107,954	137,699

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2003 - UNAUDITED

	Notes	As at 31 December 2003 $'000	As at 31 December 2002 $'000	As at 30 June 2003 $'000
EQUITY				
Share capital		60,900	60,900	60,900
Reserves		94,186	47,054	76,777
Shareholders' interest		155,086	107,954	137,677
Minority shareholders' interest		22	-	22
TOTAL EQUITY		155,108	107,954	137,699
NON-CURRENT LIABILITIES				
Term Provisions		33,885	31,372	32,747
Loans		-	10,073	-
TOTAL NON-CURRENT LIABILITIES		33,885	41,445	32,747
CURRENT LIABILITIES				
Accounts payable & accruals		25,088	21,473	31,631
Bank overdraft		-	451	-
Provisions		5,157	5,000	5,157
Loans		6,000	161	6,575
Company tax payable		5,051	2,410	-
		41,296	29,495	43,363
TOTAL EQUITY AND LIABILITIES		230,289	178,894	213,809
NON-CURRENT ASSETS				
Property, Plant And Equipment		58,609	48,460	51,267
Mining properties		51,003	51,847	44,934
Crown receivable		13,467	11,608	14,665
Investments		505	508	503
Goodwill		600	-	-
Term portion of prepayments		9,967	-	12,501
Deferred taxation		5,043	1,085	5,043
TOTAL NON-CURRENT ASSETS		139,194	113,508	128,913
CURRENT ASSETS				
Cash at bank		2,831	84	1,689
Short-term deposits		20,714	8,282	18,027
Accounts receivable		31,452	24,662	31,804
Inventories		20,987	15,371	13,556
Company tax receivable		-	-	5,264
Stripping in advance		15,111	16,987	14,556
TOTAL CURRENT ASSETS		91,095	65,386	84,896
TOTAL ASSETS		230,289	178,894	213,809

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 – UNAUDITED

	Notes	6 Months to 31 December 2003 $'000	6 Months to 31 December 2002 $'000	12 Months to 30 June 2003 $'000
Cash flows from operating activities				
Cash was provided from:				
Customers		159,392	145,177	300,047
GST received		3,532	4,778	9,850
Interest on short-term deposits		790	435	1,104
		163,714	150,390	311,001
Cash was applied to:				
Payments to suppliers, employees		(137,760)	(109,988)	(236,121)
Tax paid		(440)	(2,680)	(13,892)
Interest on short-term borrowings		(176)	(286)	(598)
Interest on long-term borrowings		-	(769)	(1,843)
		(138,376)	(113,723)	(252,454)
NET CASH FLOWS FROM OPERATING ACTIVITIES	**11**	**25,338**	**36,667**	**58,547**
Cash flows from investing activities				
Cash was provided from :				
Proceeds from sale of property, plant & equipment		981	576	832
		981	576	832
Cash was applied to :				
Purchase of property, plant and Equipment		(12,334)	(12,546)	(17,810)
Acquisition of goodwill		(600)	-	-
Investment in mining properties		(8,981)	(4,499)	(5,887)
		(21,915)	(17,045)	(23,697)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(20,934)**	**(16,469)**	**(22,865)**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 – UNAUDITED

	Notes	6 Months to 31 December 2003 $'000	6 Months to 31 December 2002 $'000	12 Months to 30 June 2003 $'000
Cash flows from financing activities				
Cash was applied to :				
Long-term loans		-	-	(15,160)
Dividend payment to minority interest		-	-	(25)
Long-term loans		-	(5,088)	-
		-	(5,088)	(15,185)
NET CASH FLOWS FROM FINANCING ACTIVITES		**-**	**(5,088)**	**(15,185)**
Net increase/(decrease) in cash held		4,404	15,110	20,497
Add opening cash brought forward		13,141	(7,356)	(7,356)
Ending cash carried forward		**17,545**	**7,754**	**13,141**
Cash balances in Statement of Financial Position				
Cash at bank		2,831	84	1,689
Bank overdraft		-	(451)	-
Liquid portion of short-term deposits		20,714	8,282	18,027
Short-term loans		(6,000)	(161)	(6,575)
Ending cash carried forward		**17,545**	**7,754**	**13,141**

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2003 – UNAUDITED

1 Accounting Entity

These financial statements are for Solid Energy New Zealand Limited, its subsidiaries Solid Energy Renewable Fuels Limited, Terrace Coal Mine Limited, CoalCorp Insurance Services Limited, Coal New Zealand Limited, and Coal New Zealand International Limited.

These financial statements have been prepared in accordance with Financial Reporting Standard No.24 and should be read in conjunction with the 2003 Annual Report.

2. Accounting Policies

There have been no changes in accounting policies during the six months ended 31 December 2003. The accounting policies stated in the 2003 Annual Report have been consistently applied.

In June 2003 the group changed its policy of accounting for forestry assets in accordance with best accounting practice (refer 2003 Annual Report). In previous accounting periods forestry assets were not accounted for. The company's new policy is to record forestry assets at valuation as determined every three years by an independent registered valuer. The basis of valuation is the net present value of cash flows expected to be generated by the forest, discounted at a current market-determined rate which reflects the risks associated with the forest and the net market value of the land on which the trees are growing. Changes in the value of the forest crop are recognised in the statement of financial performance. All costs incurred in developing and managing the trees in the forest are recognised in the statement of financial performance when incurred.

3. Operating Surplus Before Taxation

	6 Months to 31 December 2003 $'000	6 Months to 31 December 2002 $'000	12 Months to 30 June 2003 $'000
Has been determined after charging			
Interest expense & similar charges	176	1,055	2,441
After crediting			
Interest revenue	790	435	1,104

4. Income Tax

The income tax expense charged to the statement of financial performance includes both the current year liability and the income tax effects of timing differences after allowing for non-assessable income and non-deductible expenses.

Deferred taxation is calculated using the liability method on a comprehensive basis. Debit balances in the deferred tax account arising from net accumulated timing differences and future income tax benefits arising from income tax losses carried forward are only recognised if there is virtual certainty of realisation.

As at 31 December 2003 there are no accumulated tax losses.

5. Valuation of Property, Plant & Equipment and Mine Properties

The agreement by which Solid Energy New Zealand Limited purchased the business from the Crown recognises potential land claims that may be lodged under the Treaty of Waitangi Act 1975. The effect of the valuation of assets resulting from potential claims cannot be quantified.

However under the Treaty of Waitangi (State Enterprises) Act 1988, the Crown will compensate Solid Energy for any loss that occurs upon the resumption of any interest in land by the Crown.

6. Contingencies

The Company is required, by various legislation controlling its mining activities, to rehabilitate to an agreed condition, the land on which its mining activities occur. The final cost of rehabilitation cannot be established with certainty. The provision for rehabilitation costs at 31 December 2003 was $38.75 million (31 December 2002: $36.49 million, 30 June 2003: $37.53 million).

A claim has been made against the company for losses by third parties claimed to be a consequence of mining activity. Provision has been made to the extent these losses are considered to be valid claims.

7. Capital Commitments

Capital commitments as at 31 December 2003 are estimated at $4.8 million (31 December 2002: $1.4 million, 30 June 2003: $3.2 million).

8. Operating Leases and Contractual Commitments

	As at 31 December 2003 $'000	As at 31 December 2002 $'000	As at 30 June 2003 $'000
Commitments in relation to non-cancellable operating leases existing at balances date are as follows:			
Up to 1 year	1,917	698	1,736
1 year to 2 years	1,263	283	1,370
2 years to 5 years	266	29	779
Over 5 years	3	1	1
Contractual commitments existing at balance date are as follows			
Up to 1 year	63,537	59,476	54,178
1 year to 2 years	38,210	34,305	25,535
2 years to 5 years	110,003	68,149	57,164
Over 5 years	17,588	26,763	17,725

9. Performance Bonds and Guarantees

It is not practical to estimate the fair value of performance bonds and guarantees with an acceptable level of reliability. The group has performance bonds and guarantees outstanding at 31 December 2003 totalling $12.0 million (December 2002: $9.6 million, June 2003: $9.6 million) which may be drawn down in the event the Group fails to perform under various contracts and licenses. No loss is expected in respect of these bonds.

10. Off-balance sheet risk – foreign exchange contracts

Foreign currency forward exchange contracts and option agreements are used to manage foreign currency exposure. It is Solid Energy New Zealand Limited's policy to cover forward export receipts and major import payments. Fluctuations in foreign currency exchange rates gives rise to market risk. Contracts have been entered into with various counterparties having such credit ratings and in accordance with such dollar limits as set forth by the Board of Directors. The notional principal or contract amounts outstanding as at 31 December 2003 are as follows:

	As at 31 December 2003 $'000	As at 31 December 2002 $'000	As at 30 June 2003 $'000
Foreign currency forward exchange contracts	65,077	122,390	117,768
Foreign currency call options	75,587	17,466	60,436
Average exchange rate (USD)	0.5453	0.4348	0.4925

The estimated fair values (marked to market revaluation) of these financial instruments are as follows:

	31 December 2003		31 December 2002		30 June 2003	
	Book Value $'000	Fair Value $'000	Book Value $'000	Fair Value $'000	Book Value $'000	Fair Value $'000
Foreign currency forward exchange contract gain	-	10,859	-	18,110	-	15,957
Foreign currency call options gain/(loss)	-	9,550	-	(421)	-	3,051
Total gain/(loss)	-	20,409	-	17,689	-	19,008
Exchange rate at balance date (USD)	-	0.6545	-	0.5265	-	0.5820

The company expects to deliver against all of its foreign exchange contracts during the normal course of business.

11. Reconciliation of surplus after taxation to net cash flows from operating activities

	6 months ended 31 December 2003 $'000	6 months ended 31 December 2002 $'000	12 months ended 30 June 2003 $'000
NET SURPLUS AFTER TAXATION	17,409	26,305	56,075
NON CASH ITEMS:			
Depreciation	4,918	4,848	9,780
Increase in deferred taxation asset	-	-	(3,958)
Amortisation	4,585	3,313	8,382
Revaluation of forestry asset	-	-	(2,252)
Reversal of impairment of property, plant and equipment	-	-	(543)
Amortisation of term portion of prepayments	2,534	-	-
Discount unwind on term provision	1,313	-	4,458
	13,350	8,161	15,867
MOVEMENTS IN WORKING CAPITAL:			
Accounting payables and accruals	(6,540)	(1,982)	8,169
Accounts receivable	348	2,775	(16,867)
Inventories	(7,431)	(820)	996
Stripping in advance	(555)	(1,003)	1,433
Company tax	10,315	2,410	(5,264)
	(3,863)	1,380	(11,533)
OTHER BALANCE SHEET MOVEMENTS:			
Term provisions	(175)	1,344	(1,738)
Current Provisions	-	(3)	157
Crown receivable	1,198	(177)	(3,234)
Rehabilitation provision asset	(1,669)	-	3,231
	(646)	1,164	(1,584)
ITEMS CLASSIFIED AS INVESTING/FINANCING ACTIVITIES			
Surplus on sale of property, plant & equipment	(912)	(343)	(278)
	(912)	(343)	(278)
NET CASHFLOWS FROM OPERATING ACTIVITIES	25,338	36,667	58,547

SOLID ENERGY NEW ZEALAND LTD

DIRECTORS

Timothy E C Saunders	Chairman – MBA, BCom (Economics) – *Auckland*
Ian Donald	Deputy Chairman – BCom, ACA DipAg, DipVFM, ANZIV – *Auckland*
Michael W Hawarden	BSc (Mining Engineering), MA (Economics), PMD – *Christchurch*
Christine B Southey	LLB BA Hons – *Wellington*
Adrienne F Young Cooper	BA, MSc (Resource Management) – *Auckland* (Appointed 27 November 2002)
John M Walters	BA, LLB – *Auckland*
Anthony G Williams	*Greymouth*

CHIEF EXECUTIVE OFFICER

Dr Don M Elder DPhil, BEng Hons (Civil)

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