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ASX Release

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CORRECTION OF MISLEADING MARKET INFORMATION

Alinta Energy (ASX:AEJ) takes the opportunity to correct recent misleading media reports relating to the proposed deleveraging Schemes of Arrangement, in particular the cash position of the Alinta Energy Group and employee entitlements. For the purposes of consistency, all figures relate to those set out in the Half Year Accounts for the period ending 31 December 2010[1].

MISLEADING INFORMATION REGARDING AVAILABLE CASH IN THE ALINTA ENERGY GROUP

The media reports refer to the reported cash balance of $138 million in the half yearly financial report as the basis for suggesting that the prospect of insolvency of all or part of the Group is overstated, should the deleveraging transaction not be approved at the Extraordinary General Meeting on 15 March 2011. The implication is that this balance should be sufficient to trade on and meet impending debt maturities. This implication is incorrect and misleading.

The statutory accounts set out the consolidated position of the Alinta Energy Group, and includes both "restricted" and "unrestricted" cash balances. The correct analysis of the cash position is outlined below.

The Structure of the Alinta Energy Group

Alinta Energy Group has effectively 2 separate operating groups:

1. the AEL Group comprising: Redbank Power Station and Oakey Power Station (held for sale[2]); and
2. the AFA Group comprising the 12 other operating businesses of the Alinta Energy Group, owing approximately $2.9 billion to the AFA Lenders[3] which is secured over all AFA assets including cash. The AFA Group is in "lock up" as it is outside its debt covenants – meaning that no cash can move outside of the entities within the AFA Group to the AEL Group.

The Cash Position of each Group

AEL Group

The AEL Group consolidated cash position as at 31 December 2010 was $51.6 million. This was comprised of restricted and unrestricted cash balances. Dealing with each of these in turn:

Restricted Cash Balances -Total $16.8 million

- $11.8 million in Oakey and Redbank Power Station locked accounts. This cash is not available to AEL or any Securityholder or to the AFA Secured Lenders. Its use is restricted to the respective projects and secured to relevant project lenders.[4]
- $5 million relating to the regulatory capital required to maintain the Australian Financial Securities Licence required to administer AET, which is a managed investment scheme.

Unrestricted Cash Balances - Total $34.8 million

- This is the only sum available to the Securityholders as at 31 December 2010.

The Director's best estimate of the cash available for distribution in the event a deleveraging transaction does not proceed, is $26.9 million equating to approximately 3.3 cents per share. This calculation takes into account operating

[1] These figures differ to those in the Explanatory Memorandum 1 February 2011 as those figures were current as at 31 October 2010

[2] Refer prior settlement releases and February 2010 EGM

[3] Refer Explanatory Memorandum 1 February 2011 for further details on this debt

[4] Refer ASX Releases 16/11/10 and 17/1/11

expenses and capital commitments incurred or to be incurred to the implementation date and the expectations of liquidation and distribution costs which would be incurred in order to distribute the remaining funds.[5]

Please refer to Section 8.3 on page 39 of the Explanatory Memorandum dated 1 February 2011 for this information for a comparable analysis based on the financial position as at 31 October 2010.

AFA Group

The AFA Group consolidated cash position as at 31 December 2010 was $86.9 million. These funds are entirely comprised of drawn working capital facilities, with $90 million drawn as at 31 December 2010. In other words, all cash on balance sheet is borrowed from the AFA Secured Lenders.

The net increase in cash on balance sheet from 30 June 2010 was due to:

- $28.4 million of increased borrowings; and
- $10.6 million from asset sales.

Operations and normal maintenance did not provide any increase in cash on balance sheet.

In considering the financial position of AFA and the available cash, a number of matters should be borne in mind:

- Interest of $37 million was paid on 28 February 2011 (refer ASX Release of 28 February 2011). The payment was $15 million less than the amount otherwise due, this portion deferred in order to retain liquidity in the business;
- The AFA Group including its 12 operating businesses require a minimum of $50 million of working capital cash to allow the businesses to operate. AFA Group entities have a combined annual turnover of over $1.7 billion, and $50 million is considered a minimum prudent level of float within a business of that size, complexity and industry;
- The operating performance of the business continued to be below forecast since 31 December 2010 (refer ASX Release 25 February 2011), necessitating the interest deferral outlined above;
- AFA Group is operating in a concessional debt covenant regime and has a Standstill with the AFA Secured Lenders in place;
- The financial reports for Alinta at FY2010 and 1H2011 have each clearly stated: "The directors of AEG believe that the proposals in the Trust and Creditors' Schemes are necessary. At present, almost all cash generated in the business after operating costs is absorbed by debt servicing. In the absence of a deleveraging transaction as proposed in the Trust and Creditors' Schemes, the directors believe that the Group may not be able to continue as a going concern".

As can be seen from the above, all of the AFA Group cash is borrowed and is committed to immediate operational requirements.

In order to protect the downside for Securityholders in the event that the proposals are not approved, the Directors of AEL Group have resisted diluting the funds at AEL Group level by injecting them into the AFA Group for the benefit of the AFA Secured Lenders. Even were these funds made available, they would not be sufficient to resolve AFA's debt and liquidity issues.

Debt Repayment Obligations

It has been noted in a number of media articles that the large bulk of the AFA Secured Loan is not due until 30 September 2012. As is standard in corporate lending documents, lenders can accelerate the full amount of loans if "Events of Default" occur. As noted in the Explanatory Memorandum in Section 3.3.3 a Standstill is in place at present which provides a temporary moratorium on certain agreed enforcement actions to allow time for the transaction before Securityholders and the AFA Secured Lenders on 15 March 2011, to be implemented. As noted in the Explanatory Memorandum, the Standstill does not extend to payment or insolvency defaults.

[5] Refer Explanatory Memorandum 1 February 2011 page 39

The scheduled repayment obligations of the AFA Group to the AFA Secured Lenders until July 2011 are noted in the table below. These amounts will be due unless the Creditors' Schemes of Arrangement are approved and proceed.

Due Date	Amount Due (Principal or Interest)
30 April 2011	$30 million (P)
31 May 2011	$69 million (I)
22 July 2011	$70 million (P)

As can be seen, $169 million is due for repayment to the AFA Secured Lenders by July 2011, and the AFA Group's working capital facility of $60 million would still be fully drawn. There are no surplus funds available to make these payments and cash generation within the AFA Group is extremely unlikely to be sufficient to cover these amounts. In the event the deleveraging transaction is not approved on 15 March 2011 and in the absence of an immediate further debt compromise (which AFA Group Directors believe to be highly unlikely) AFA Group Directors will have no basis to believe they could pay debts as and when these fall due.

The AFA and AEL Group Directors continue to believe that the deleveraging transaction will proceed as it is in the interests of Securityholders and the Directors believe Securityholders will vote accordingly. In the absence of that belief and with these circumstances in mind, the Directors' consider that their responsibilities are clear.

MISLEADING INFORMATION REGARDING EMPLOYEE ENTITLEMENTS

Another inaccurate suggestion that has been made in the media and elsewhere is that the Directors and management are in line to receive approximately $10 million in success fees for supporting the proposal which is the subject of the Notice of Meeting. This is a false statement.

The statement appears to be drawn from a misreading of Section 6.3 of the Explanatory Memorandum which deals with employee entitlements as potentially unsecured creditors of AEL in an insolvency situation. It should be noted that these calculations are made based on existing and longstanding contractual arrangements which predate the development of the proposal before Securityholders.

It should also be noted that the remuneration arrangements for Directors and Key Management Personnel are set out in the company's Annual Report. There has been no change to the contractual terms of any of these contracts. Neither the Directors nor any of the Key Management Personnel receive any payments which are dependent on the successful outcome of the proposal.

The Alinta Energy Boards have stated today that "It is important that the incorrect information being provided by some media commentators and outlets is corrected and we sincerely hope that this incorrect information does not influence the very serious decision before Securityholders and AFA Secured Lenders on 15 March 2011".

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About Alinta Energy Group

Alinta Energy Group (ASX: AEJ) is an integrated energy company, operating power generation businesses as well as providing gas and electricity to commercial, industrial and retail customers across Australia.