



## ASX Release

16 November 2012

### **REDBANK ENERGY LIMITED 2012 ANNUAL GENERAL MEETING – CHAIRMAN’S ADDRESS & PRESENTATION**

Attached is the Chairman’s Address and slide presentation (including the results of the proxy voting) to be delivered at today’s Annual General Meeting of the shareholders of Redbank Energy Limited (ASX:AEJ).

The AGM is being held at 11.00am at Customs House, Level 1, 31 Alfred Street, Circular Quay, Sydney.

**ENDS**

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**Further Information:**

John Remedios  
Manager Corporate - Redbank  
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**ANNUAL GENERAL MEETING OF SHAREHOLDERS  
REDBANK ENERGY LIMITED  
11.00AM, FRIDAY, 16 NOVEMBER 2012**



**REDBANK ENERGY**

***RICHARD BUTLER:***

- Good morning ladies and gentlemen, welcome to the meeting.
- My name is Richard Butler and I'm the Redbank Energy Chairman.
- Can I ask everyone to do what I am now doing and check that your mobile phones are turned to silent?

**Open the AGM**

- Today we are holding the Annual General Meeting for Redbank Energy Limited.
- We have a quorum of shareholders present, so I declare the meeting open.

**Notice of Meeting**

- The Notice of Meeting has been distributed to all of you, so with your consent, I'll take the Notice as read.
- Additional copies are available from our registry staff if any shareholders would like a copy.

**Introductions**

I'd like to now introduce the other people present on the stage.

- Simon Maher, who is also a Director of Redbank Energy.
- John Remedios, the Company Secretary.

**Other Directors of Redbank Energy Limited**

The 2 other Directors of Redbank Energy:

- Todd Plutsky and Vlad Artamonov are unable to be with us today.
- They are New York based and are the principals of Redbank Energy's largest shareholder, Coastal Capital International, which is an investment management firm.

Also in attendance at the front of the room are:

- Rob Baker & Gary Doree from PricewaterhouseCoopers, who represent our external auditor.
- Peter Wilson, the General Manager of the Plant.
- Daren Castle, our financial adviser from Gresham.
- David Speiser from Arnold Bloch Leibler, our legal adviser.

**Agenda: Business of the Meeting**

The agenda for today's meeting is in 2 parts:

- A)** A review of the events that have impacted the business over the last year.
- B)** The formal items of business outlined in the Notice of Meeting – these being:
  - 1)** To receive the financial statements for the financial year ended 30 June 2012.
  - 2)** To consider the Remuneration Report.
  - 3)** Re-Elections for 2 Directors as required by the Redbank Energy Constitution and ASX Listing Rules.

**Questions**

- If shareholders have questions, can I request that they be directed through me?
- Please wait for me to call on you.
- We will get a microphone to you – so everyone can hear the question.
- If it is a question best answered by one of the experts or advisers in the room, I will ask them to respond to the question.
- If it is a question that can't be dealt with today – I will take it on notice.

## **Questions regarding the formal Items of Business**

- When we are dealing with the formal items of business outlined in the Notice of Meeting, any questions or comments you may have should relate to those particular items.

## **Questions relating to your personal holdings**

- If you have any questions which relate specifically to your own Redbank Energy shares, rather than to Redbank generally, could I ask you to raise these matters with our registry staff after the meeting?
- They will be happy to assist you.

## **CHAIRMAN'S ADDRESS**

### **Operating Performance of Redbank Power Station**

- The Redbank Power Station is our sole operating asset.
- Therefore, a key factor in determining shareholder value.

### **EBITDA:**

- Redbank Power Station contributed \$26.3 million of Management EBITDA to 30 June 2012.

### **Generation Earnings:**

- 6% below budget due to a series of operating issues impacting the plant.
- In particular, there was an electrical fault in the plant generator at the beginning of the year which caused a significant outage.

### **Operating Costs:**

- Operating costs were approximately 4% below budget.
- However, this was largely the result of deferring spending through the rescheduling of an planned outage:
  - because the plant had an unscheduled outage in January;
  - we deferred the April scheduled planned outage – until October; and
  - the net result was a reduction in operating costs for the financial year ending 30 June 2012.

### **Redbank Power Station Financing**

#### **BSA / Monthly Roll Over:**

- As you all know, Redbank Project was subject to a Bank Support Agreement which predated the appointment of the current Board.
- The terms of the BSA included that Redbank Power Station be sold prior to 31 March 2012.
- However, there was not a successful sale and the Power Station is no longer being actively marketed for sale.
- The BSA has continued to be rolled over on a month to month basis since, while the company has engaged in dialogue with our lenders concerning a permanent long term solution to the company's capital structure.

### **Current Position:**

- We continue to have a constructive dialogue with our lenders.
- Our lenders:
  - continue to support the company – which we are genuinely appreciative of; and
  - are now well apprised of the needs of the business going forward.
- It is likely that the:
  - BSA will be extended for a further 6 months until 30 June 2013, so as to allow for negotiation of the permanent debt restructuring.
  - The aim is to have these negotiations concluded by 30 June 2013.

- The aim is to put Redbank Project on a sound financial footing.
- Given the lender support we have enjoyed and which we think we will continue to enjoy, we are reasonably confident that a permanent restructure of the current facilities can be achieved.

### **Basis of Preparation of Accounts & Impairment**

- I'd like to make some comments on the basis of preparation of the Redbank Energy Group's financial statements.
- The previous year's accounts for REL were prepared on a "non-going concern" basis".
- This year's accounts, in accordance with the applicable accounting standards, are prepared on a "going concern basis".
- The primary reason for this change is the focus on the proposed long-term refinancing of the Redbank Project facilities instead of a sale process.
- As a result of this change, the valuation basis for Redbank Project's assets needed to be changed to the "value-in-use" method. On last year's "non-going concern" basis of preparation, property, plant and equipment and intangibles were recorded at values such that the net assets of the Group relating to Redbank Project were carried at an amount equal to a zero net asset value.
- The consequence of which is that Redbank Energy Group has recognised a non-cash impairment charge of \$72.6 million for the Redbank Power Station for the 2012 financial year.

### **Carbon Tax**

- As you all know, since 30 June 2012 we are operating under a carbon tax regime.
- Redbank Project received transitional assistance from the Energy Security Fund in the form of a cash payment in the amount of \$8.77 million to assist the business adjust to the carbon tax.
- In addition, the Clean Energy Regulator has confirmed that Redbank Project is eligible to receive free carbon units to be issued in accordance with the Clean Energy Act.
- In accordance with previous ASX announcements, shareholders will be aware that there is a dispute between Redbank and Ausgrid relating to the impact of the carbon tax on payments under the Power Purchase and Hedge Agreement.
- This Agreement is central to the operation of Redbank Project in that the total generation output from the Power Station is sold to Ausgrid; thus the Power Purchase and Hedge Agreement effectively underwrites the revenue received from the operation of the Redbank Power Station.
- This dispute is subject to a confidential arbitration.
- There have been ongoing discussions between the parties, but at this stage there are still material areas of disagreement.
- The hearing of the arbitration is currently scheduled to commence on 17 December 2012 and is set down for 4 days.
- The carbon tax that Redbank will be required to pay next year (and in subsequent years if there is no change to the regime) is a material amount. However, the net effect on Redbank of the carbon tax will depend on the result in the arbitration.

### **Remuneration of the REL Board**

- The Remuneration Report discloses that I, as the Chairman, have received a director's fee for what has frankly been an all-consuming full-time position.
- The other three members of the Board – Simon Maher, Todd Plutsky and Vlad Artamonov – were either paid a nominal sum of \$100 or served on a gratis basis during the 2012 financial year.
- We are currently reviewing whether the existing remuneration arrangements continue to be appropriate and, for this purpose, we have engaged a specialist remuneration consultant to assist with the review. This process is ongoing.

### **Corporate Costs**

- Apart from the Power Station operations, Redbank Energy also holds a pool of cash resources which was provisioned to fund the “Corporate Office” operations of Redbank Energy Limited as an ASX listed enterprise.
- It was originally forecast that these cash resources would be able to provide the necessary funding for Redbank Energy to operate for a limited period of approximately 24 months from the date of the Deleveraging Transaction in March 2011.
- However, by virtue of the cash being tightly managed and also being supplemented by the receipt of deferred consideration proceeds from a previous asset sale, we currently project that there is likely to be sufficient cash to be able to meet corporate debts as and when they fall due for a further 18-24 months.
- In making this projection, we have not assumed that any additional cash will be distributed up to the holding company from Redbank Project.
- During the 2012 financial year, we have completed a process to wind down and then deregister all Redbank Energy Group companies, other than the listed holding company and those entities affiliated with the Redbank Power Station. This process has had a positive impact on the management of our corporate costs.
- In regard to the management of the wind down of the legacy companies and the management of the “Corporate Office” cash reserves, we all owe a large vote of thanks to the Company Secretary, John Remedios.

### **Unmarketable Parcels of Shares**

- A number of shareholders have suggested that we undertake an unmarketable parcel mop-up process in order to provide shareholders with an opportunity to exit their holdings, and which will in turn also assist the company by reducing the costs of administering the share register.
- It is a good and sensible idea, which we have investigated at least twice over the past 18 months.
- However, the decision was that the company doesn't have adequate cash reserves to do it.
- There are significant costs associated with buying back the shares at the current market price, as well as the associated implementation costs, such as legal, registry, printing, distribution and postage costs.
- While the future cost savings driven by a smaller register are desirable, it would take several years to realise the benefits of those cost savings having regard to the upfront outlay for an unmarketable parcel mop-up process.
- For equitable reasons, I think it is something that the company should continue to consider and revisit.
- We are aware that various shareholders have been able to divest themselves of their unmarketable parcels by way of a donation to an organization which specialises in receiving share gifts and then distributing the realised proceeds to a range of charitable causes. This of course is a matter for the determination of each individual shareholder.

### **Acknowledgements**

- On behalf of the Board, I would like to thank individually the people who have helped us over the past year and whose skill and expertise, this company has been totally reliant on:
  - Plant management and workers
    - Peter Wilson – General Manager – Redbank Project;
    - Andrew McIntosh – Commercial Manager / CFO – Redbank Project; and
    - all of the workers / our employees at the site – who through uncertain times have continued to work hard to operate the plant.
  - John Remedios, Company Secretary, Redbank Energy.
  - Andrew Silberberg and his team at ABL:
    - Nathan Briner;
    - David Speiser; and
    - Daniel Bragg.

- Daren Castle from Gresham.
  - Robert McGregor and Paul O'Donnell and their team at Ebsworths.
  - Mike Daniel and his team at Resolve Legal.
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- I would also like to thank our Lenders and their Agent who have also put in a lot of time and effort over the last year to understand the issues peculiar to Redbank, including the intricacies of the Carbon Tax in its application to Redbank, and who I believe have genuinely sought to negotiate sensible and mutually agreeable outcomes.

I will now turn to the formal business of the meeting.



**REDBANK** POWER

## ANNUAL GENERAL MEETING: REDBANK ENERGY LIMITED

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16 November 2012



# Agenda

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**REDBANK** ENERGY

1. Opening & Introductions
2. Outline of the Business of the Meeting
3. Chairman's Address
4. Formal Business of the Meeting
5. Conduct of the Poll – Remuneration Report Resolution
6. Final Questions & Answers / Closing



# Operating Performance – Redbank Power Station

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**REDBANK** ENERGY

- \$26.3 million of Management EBITDA to 30 June 2012
- Generation earnings 6% below budget due to operating issues
- Operating costs approximately 4% below budget

# Redbank Power Station Financing

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REDBANK ENERGY

- Change in focus from a sale of the Redbank Power Station to arranging a long-term finance facility with the Redbank Project lenders
- The pre-existing Bank Support Agreement has continued to be “rolled” while Redbank Project has engaged in dialogue with its lenders regarding a long-term solution
- Constructive engagement with the Redbank Project lenders
- Future outlook

# Basis of Preparation of Accounts & Impairment

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REDBANK ENERGY

- The appropriate basis of preparation for the FY2012 Financial Report
- Consequences of adopting a going concern basis of preparation for the accounts:
  - Change in the valuation basis for Redbank Project's assets - the "value-in-use" method
  - Recognition of non-cash impairment charge of \$72.6 million for the Redbank Power Station in FY2012

# Carbon Tax

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REDBANK ENERGY

- Receipt of \$8.77 million from the Energy Security Fund to assist Redbank Project adjust to the carbon tax
- Redbank Project is eligible to receive free carbon units issued under the Clean Energy Act
- Dispute with Ausgrid relating to the impact of the carbon tax on payments under the Power Purchase and Hedge Agreement
- Dual settlement negotiations and preparation for arbitration

# Remuneration

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**REDBANK** ENERGY

- Director remuneration arrangements
- Review of existing Director remuneration arrangements
- Appointment of specialist remuneration consultant

# Corporate Costs

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REDBANK ENERGY

- Limited cash resources available to fund Redbank Energy at the “corporate” level
- Cash is being very tightly managed and has been supplemented by deferred consideration proceeds from a previous asset sale
- Sufficient cash resources to fund ongoing “corporate” operations of Redbank Energy for a further 18-24 months
- Wind down and deregistration of other Redbank Energy Group companies

# Unmarketable Parcels of Shares

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**REDBANK** ENERGY

- The high number of unmarketable parcels of shares
- Significant costs associated with an unmarketable parcel “mop-up” process
- Redbank Energy is not in a position to implement an unmarketable parcel “mop-up” facility for shareholders

# Acknowledgements

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**REDBANK** ENERGY

- Plant management and employees
- Advisers
- Redbank Project lenders and the Agent



# Presentation of the Financial Report

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REDBANK ENERGY

## To receive and consider, for the year ended 30 June 2012:

- The consolidated financial report of Redbank Energy Limited; and
  - The reports of the Directors and Auditor.
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- Questions and answers on the financial report, audit and/or management of Redbank Energy

# Resolution 1

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REDBANK ENERGY

## Remuneration Report

That the Remuneration Report for the year ended 30 June 2012 be adopted.

# Proxy Summary – Resolution 1



REDBANK ENERGY

## Remuneration Report

For	Against	Discretionary	Abstain
127,183	3,948	10,260	90,166

Percentage Vote FOR	89.95%
Percentage Vote AGAINST	2.79%
Percentage Vote DISCRETIONARY	7.26%



## Director Re-Election – Simon Maher

That Simon Maher, being a Director of REL who retires as a Director by rotation in accordance with rule 7.1(d) of the REL Constitution and, being eligible, offers himself for re-election, is re-elected as a Director of REL.

# Proxy Summary – Resolution 2



REDBANK ENERGY

## Director Re-Election – Simon Maher

For	Against	Discretionary	Abstain
361,589	763	10,317	162

Percentage Vote FOR	97.03%
Percentage Vote AGAINST	0.20%
Percentage Vote DISCRETIONARY	2.77%

# Resolution 3

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REDBANK ENERGY

## Director Re-Election – Todd Plutsky

That Todd Plutsky, being a Director of REL who retires as a Director by rotation in accordance with rule 7.1(d) of the REL Constitution and, being eligible, offers himself for re-election, is re-elected as a Director of REL.

# Proxy Summary – Resolution 3



REDBANK ENERGY

## Director Re-Election – Todd Plutsky

For	Against	Discretionary	Abstain
318,907	43,404	10,353	167

Percentage Vote FOR	85.57%
Percentage Vote AGAINST	2.78%
Percentage Vote DISCRETIONARY	11.65%

# Conduct of Poll – Remuneration Report Resolution

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**REDBANK** ENERGY

- Conduct of Poll in relation to Resolution 1 – Remuneration Report
- Appointment of PricewaterhouseCoopers as Scrutineers
- Poll Instructions
- Later announcement of the poll result to the ASX and published on Redbank Energy's website



# Final Questions & Answers / Closing

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**REDBANK** ENERGY

- Final Questions & Comments from Shareholders
- Closure of Meeting

# Disclaimer



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