

ASX Release

11 November 2010

Clarification on matters raised by securityholders

Alinta Energy (ASX:AEJ) today advises that certain factually incorrect information has been disseminated by a third party in external correspondence to AEJ's larger securityholders. This ASX announcement clarifies these matters.

Unused tax losses of the Alinta Energy Limited Group ("AEL")

After implementation of the proposed deleveraging transaction ("Transaction"), the unused tax losses of the AEL Group, that have not been transferred to the syndicate lenders ("Lenders"), and excluding those that relate to the Redbank Power Station ("Redbank"), will be reduced to nil.

The tax effected balance of unused tax losses for Redbank as at 30 June 2010 was approximately \$8 million.

At the time of implementation of the Transaction in 2011, a number of entities within the Alinta Energy Group will be transferred to the Lenders. Accordingly, the tax losses within those entities which will be transferred will no longer be available to the AEL Group.

Director views on Redbank value

As previously communicated to securityholders, Alinta Energy Directors ("Directors") advise that securityholders, in forming their views on the merits of the Transaction, should assume that the realisable equity value of Redbank is zero.

Alinta Energy has received a number of questions as to the seeming discrepancy between this guidance and the valuation contained in the Grant Samuel report dated January 2010, which was part of the documents for the Extraordinary General Meeting in relation to the settlement of debts and fees owed to Babcock & Brown.

Grant Samuel is an independent party and Alinta does not consider it appropriate to comment on the basis of the Grant Samuel valuation. As a general comment, however, there is a difference between a theoretical long term valuation of a business which forms part of a larger corporate group, and value which can be achieved in the short to medium term without further financial support from the corporate group. Given the Transaction leads to divestment of virtually all of the assets of Alinta Energy, the Directors believe that long term theoretical valuation is not relevant under current conditions.

The project debt for Redbank is due to be amortised in full by 2023, whilst the supporting project finance documents expire in 2031. Therefore, on a theoretical valuation, it is possible to conclude that there is some equity value in Redbank. However, there are a number of reasons why the Directors believe that an assertion that equity value currently exists in Redbank would be misleading. These are:

- Alinta has tested third party appetite for the purchase of this asset via the thorough sales processes conducted over the last two years. Based on the responses received during those sale processes, Alinta has no basis to believe that Redbank has any market value in excess of its project debt. That is to say, the present realisable equity value in Redbank is zero.
- In order to realise this residual value in Redbank over time, the project needs to generate sufficient cash to service and reduce debt in accordance with current financial covenants. This requires reliable operation for a considerable period. Given the operating history of the plant, and the investment horizon over which a view on plant performance would need to be taken, this is not a basis upon which the Directors would consider advising securityholders that realisable equity value exists at the current time.
- Based on the base case operating assumptions (i.e. no major plant failures going forward), the project will continue to be in “equity lockup”, i.e. it will provide no cash distributions, for a minimum of five years.
- Currently there is significant uncertainty as to the timing and nature of any carbon abatement policy and therefore the net financial impact on Redbank - taking into account potential compensation, contractual pass through rights and potential mitigation strategies.

The combination of the above factors support the Directors’ continuing advice to securityholders that they should not consider Redbank as having realisable equity value when voting for the Transaction. However, they should note that the discussion around the equity value of Redbank to existing securityholders is to a large extent academic, as under the Transaction, securityholders will receive whatever value, if any, the asset is eventually worth.

Timing of EGM

Alinta and its Lenders and their respective advisers continue to work towards holding an EGM during February-March 2011. This is contingent on achievement of a number of key progress milestones. Securityholders will be updated as to the timing of this meeting.

ENDS

Further Information:

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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.