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REDBANK ENERGY

ASX Release

Monday, 27 May 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET UNDER ASX LISTING RULE 4.2A
REDBANK ENERGY GROUP APPENDIX 4D AND INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2012

Redbank Energy (ASX:AEJ) today releases its Appendix 4D and Interim Financial Report for the six months ended 31 December 2012 (refer attached).

As previously announced, Redbank Energy was required to delay the finalisation and release of its Interim Financial Report pending receipt of the award in its arbitration dispute with Ausgrid. This caused the company's securities to be suspended from Official Quotation on 1 March 2013. Upon release of its Appendix 4D and Interim Financial Report for the six months ended 31 December 2012, Redbank Energy expects that its securities will be reinstated to Official Quotation.

ENDS

Further Information:
Richard Butler
Chairman & Company Secretary - Redbank Energy Limited
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REDBANK ENERGY GROUP
Appendix 4D
Preliminary Financial Report

Name of entity

Redbank Energy Group ("REG"), comprising Redbank Energy Limited ABN 67 116 665 608 and Controlled Entities

ABN or equivalent company reference	Financial half year ended
67 116 665 608	**31 December 2012**

Results for announcement to the market

			A$'000
Revenues from continuing operations (excluding gains on sale)	Up 44.1%	to	48,816
Profit/(loss) from ordinary activities after tax attributable to members	Down 124.8%	to	(6,608)
Net profit/(loss) after tax attributable to members	Down 124.8%	to	(6,608)
Distributions		Amount per share	Franked amount per share
Current period			
Interim – 2013:		-	-
Final – 2012:		-	-
Previous corresponding period			
Interim – 2012:		-	-
Final – 2011:		-	-

Revenues from continuing operations (excluding gains on sale) include revenue from the award which was received in regards to the arbitration with Ausgrid in regards to the dispute concerning the entitlement under the Power Purchase and Hedge Agreement (PPHA) of Redbank Project passing through to Ausgrid the costs incurred under the Clean energy Act 2011 in relation to the Contract Amount under the PPHA.

Further Commentary on these results is contained in the attached Interim Financial Report for the period ended 31 December 2012.

Redbank Energy Group

Interim Financial Report for the half-year ended 31 December 2012

Contents	**Page**

Financial Highlights for the six months to 31 December 2012

- Net loss from continuing operations after tax of $6.6 million
- Net cash from operating activities of $1.7 million
- Net increase in borrowings $0.7 million

The directors of Redbank Energy Limited (REL or the Company) and its consolidated entities (REG or the Group) present their Directors' Report together with the consolidated financial statements for the half-year ended 31 December 2012.

The Company together with its subsidiaries form the Group. The ultimate parent entity of REG consolidated group is REL, an Australian public company listed on the Australian Securities Exchange (ASX). REG trades under the ASX ticker code of 'AEJ".

The following persons were directors of REL during the half-year and up to the date of this Directors' Report.

Mr R Butler (Chairman)	appointed 13 July 2011
Mr S D Maher	appointed 13 July 2011
Mr T C A Plutsky	appointed 12 August 2011
Mr V Artamonov	appointed 12 August 2011

Going concern

The financial information presented in this financial report for the 31 December 2012 financial half year has been prepared on the basis that the Group and REL, are going concerns for financial reporting purposes.

The Group had a net current asset deficiency as at 31 December 2012 of $167,717,000 (30 June 2012: $166,113,000) and a net asset deficiency of $19,388,000 (30 June 2012: $12,780,000). The net current asset deficiency is as a result of the classification of the external borrowings of $207,007,000 (30 June 2012: $206,270,000) as a current liability for the reasons explained below.

Redbank Project Pty Ltd (Redbank Project) is the Group's operating subsidiary which holds the Redbank Power Station and which has its own project finance facility (Redbank Credit Facility).

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce their rights under the Redbank Credit Facility upon the satisfactory discharge of certain obligations prescribed in the BSA, including the injection of further equity capital into Redbank Project and the appointment of independent external advisors to work with the Group on a sale process or refinancing. The BSA was for an initial term which expired on 31 March 2012. Neither a sale nor refinancing was successful during this period. The BSA has been extended on a number of occasions since 31 March 2012, during which time Redbank Project has been engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project. At the time of signing these accounts, these negotiations are progressing.

In January 2013, the BSA was extended to 31 May 2013. If the BSA is not extended beyond 31 May 2013, the lenders will be entitled to exercise any enforcement rights available to them under their security as a result of Redbank Project's inability to replace its liquidity facility in February 2011. These rights include accelerating the repayment of the secured monies owed to the lenders. It is not known whether the lenders would choose to enforce their security in such circumstances.

If negotiations with the lenders for a long-term agreement are unsuccessful, it is likely REG would not be able to meets its financial obligations when they fall due. As such, in the absence of a finalised long-term agreement, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board continues to assess a range of options for the future of the Group's business, and reiterates its commitment to identifying and implementing a strategy that secures the Group's longer term future. As noted above, the negotiations with the lenders have been progressing. On this basis, the Board has determined that it is appropriate that the Consolidated Financial Report be prepared on the basis that the Group is a going concern.

Review of operations

Redbank Power Station

Redbank Power Station contributed $12.1 million EBITDA for the half year (31 December 2011: $15.4 million).

Generation earnings were approximately 7.7% below budget due to some operating issues encountered in the first 6 months of the financial year. Operating costs were approximately 3.9% below budget, which was primarily around the savings on fuel due to the reduced operations in the first 6 months.

It is also worth noting that the Power Station moved its annual planned outage maintenance period from the second 6 months of the financial year to the first six months of the financial year. This planned outage was performed in October 2012.

Impairment

At 31 December 2012, non-current assets have been assessed for impairment on the basis of the discounted long-term cash flows related to the Group's operations. The impact of this at 31 December 2012 has been the recognition of an impairment expense for property, plant and equipment and intangibles related to the Group of $14.9 million.

The recoverable amount of the Cash Generating Unit (CGU) was determined using the value-in-use calculation. In performing the value-in-use calculations for the CGU, the Group has applied pre-tax discount rates to discount the forecast future cash flows. The pre-tax discount rate used was 11.22% (30 June 2012: 11.22%) reflecting the risk estimates for the Company as a whole. Holding other assumptions constant, a reasonably possible increase in the pre-tax discounted rate of 25 basis points would result in an additional impairment charge against the Redbank CGU of $2.6m.

The impairment expense includes the impact of changes in expected forward electricity prices and the cost of carbon reflecting the implementation of the Clean Energy Act. Holding other assumptions constant, a reasonably possible decrease in the forward prices of electricity by 1% would result in an additional impairment charge against the Redbank CGU of $7.8m. An increase in the forward cost of carbon by 1% would result in an additional impairment charge against the Redbank CGU of $1.6m.

Distributions

The Company has not paid any distributions and does not expect to be in a position to do so for the foreseeable future.

Auditor's independence

The auditor's independence declaration is included on page 5 of the half year financial report.

Rounding off of amounts

Pursuant to ASIC Class Order 98/0100 (dated 10 July 1998) and in accordance with that Class Order, amounts in the Directors' Report and the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the directors:

Richard Butler

Mr R Butler
Director

Dated at Sydney this 24th day of May 2013

Auditor's Independence Declaration

As lead auditor for the review of Redbank Energy Limited for the half year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Redbank Energy Limited and the entities it controlled during the period.

Robert Baker

Robert Baker
Partner
PricewaterhouseCoopers

24 May 2013

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Redbank Energy Group
Consolidated statements of comprehensive income
For the half-year ended 31 December 2012

	Half-year ended	
	31-Dec-12	**31-Dec-11**
	$'000	**$'000**
Revenue from continuing operations	44,320	32,639
Other revenue	4,073	816
Gain on disposal of businesses	-	26,958
Finance income	423	433
Total income	**48,816**	**60,846**
Operating expenses	(36,238)	(17,620)
Depreciation and amortisation expense	(5,884)	(8)
Finance costs	(8,442)	(9,001)
Fair value (loss)/gain on derivatives	7,732	(5,375)
Impairment losses	(14,914)	(1,933)
Total expense from ordinary activities	**(57,746)**	**(33,937)**
(Loss)/profit before income tax	**(8,930)**	**26,909**
Income tax benefit/(expense)	2,322	(308)
(Loss)/profit from continuing operations	**(6,608)**	**26,601**
Loss from discontinued operations	**-**	**-**
(Loss)/profit for the half-year	**(6,608)**	**26,601**
(Loss)/profit attributable to security holders as:		
Equity holders of the Company – REL	(6,608)	26,601
	(6,608)	**26,601**
Other comprehensive income		
Other comprehensive income from continuing operations	-	-
Other comprehensive income from discontinued operations	-	-
Other comprehensive income for the half-year, net of tax	**-**	**-**
Total comprehensive (deficit)/income for the half-year	**(6,608)**	**26,601**
Total comprehensive (deficit)/income attributable to security holders are as follows:		
Equity holders of the Company – REL	(6,608)	26,601
	(6,608)	**26,601**
	Cents	**Cents**
Earnings per share of the parent based on earnings from continuing operations attributable to the equity holders of the parent		
Basic earnings per share	(840.43)	3,383.07
Diluted earnings per share	(840.43)	3,383.07
Earnings per share of the parent based on earnings attributable to the equity holders of the parent		
Basic earnings per share	(840.43)	3,383.07
Diluted earnings per share	(840.43)	3,383.07

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

Redbank Energy Group
Consolidated statements of financial position
As at 31 December 2012

		As at	
	Note	**31-Dec-12 $'000**	**30-Jun-12 $'000**
Current Assets			
Cash and cash equivalents		12,262	16,634
Trade and other receivables		24,244	8,919
Derivative financial instruments	3	19,243	24,738
Inventories		2,755	2,535
Other current assets		4,481	1,786
Total current assets		**62,985**	**54,612**
Non-current assets			
Derivative financial instruments	3	104,351	91,124
Property, plant and equipment	4	97,635	114,542
Intangibles	4	7,225	8,536
Other non-current assets		17,387	19,753
Total non-current assets		**226,598**	**233,955**
Total assets		**289,583**	**288,567**
Current liabilities			
Trade and other payables		22,850	13,429
Borrowings	5	207,007	206,270
Employee benefits		845	1,026
Total current liabilities		**230,702**	**220,725**
Non-current liabilities			
Deferred tax liabilities		54,291	56,613
Employee benefits		101	118
Provisions		23,877	23,891
Total non-current liabilities		**78,269**	**80,622**
Total liabilities		**308,971**	**301,347**
Net (deficit)/assets		**(19,388)**	**(12,780)**
Equity			
Contributed equity	6	656,224	656,224
Reserves		1,038,409	1,038,409
Accumulated losses		(1,714,021)	(1,707,413)
Total equity		**(19,388)**	**(12,780)**

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

Redbank Energy Group
Consolidated statements of changes in equity
For the half-year ended 31 December 2012

	Contributed equity	Reserves	Accumulated losses	Total equity
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2011	**656,224**	**1,038,409**	**(1,715,322)**	**(20,689)**
Profit for period	-	-	26,601	26,601
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive profit for the half year	**-**	**-**	**26,601**	**26,601**
Balance at 31 December 2011	**656,224**	**1,038,409**	**(1,688,721)**	**5,912**

	Contributed equity	Reserves	Accumulated losses	Total equity
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July 2012	**656,224**	**1,038,409**	**(1,707,413)**	**(12,780)**
Loss for period	-	-	(6,608)	(6,608)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive loss for the half year	**-**	**-**	**(6,608)**	**(6,608)**
Balance at 31 December 2012	**656,224**	**1,038,409**	**(1,714,021)**	**(19,388)**

The above consolidated statements of changes in equity should be read in conjunction with the accompanying notes.

Redbank Energy Group
Consolidated cash flow statements
For the half-year ended 31 December 2012

	Half-year ended	
	31-Dec-12 $'000	**31-Dec-11 $'000**
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	31,931	31,956
Payments to suppliers and employees (inclusive of GST)	(26,432)	(23,325)
Interest received	415	470
Interest and other costs of finance paid	(4,237)	(8,891)
Net cash inflow from operating activities	**1,677**	**210**
Cash flows from investing activities		
Payment for property, plant and equipment	(2,580)	(72)
Proceeds from sale of subsidiaries (net of cash and cash equivalents disposed of)	-	(1,851)
Net cash outflow from investing activities	**(2,580)**	**(1,923)**
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(3,469)	(6,527)
Net cash outflow from financing activities	**(3,469)**	**(6,527)**
Net decrease in cash and cash equivalents	**(4,372)**	**(8,240)**
Cash and cash equivalents at the beginning of the half-year	16,634	20,638
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the half-year	**12,262**	**12,398**

The above consolidated cash flow statements should be read in conjunction with the accompanying notes.

1. Corporate information

The financial statements of the Redbank Energy Group ("REG" or "Group") for the half year ended 31 December 2012 were authorised in accordance with a resolution of directors on 24 May 2013.

The ultimate parent entity of REG consolidated group is Redbank Energy Limited (REL), an Australian public company listed on the Australian Securities Exchange (ASX). REG trades under the ASX ticker code of 'AEJ".

These REG financial statements consist of the consolidated financial statements of Redbank Energy Limited and its controlled entities.

The nature of operations and principal activities of the Group are described in the Directors' Report.

2. Summary of accounting policies

(a) Basis of preparation

This general purpose interim financial report for the half-year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by the Redbank Energy Group during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Going concern

The financial information presented in this financial report for the 31 December 2012 financial half year has been prepared on the basis that the Group and REL, are going concerns for financial reporting purposes.

The Group had a net current asset deficiency as at 31 December 2012 of $167,717,000 (30 June 2012: $166,113,000) and a net asset deficiency of $19,388,000 (30 June 2012: $12,780,000). The net current asset deficiency is as a result of the classification of the external borrowings of $207,007,000 (30 June 2012: $206,270,000) as a current liability for the reasons explained below.

Redbank Project Pty Ltd (Redbank Project) is the Group's operating subsidiary which holds the Redbank Power Station and which has its own project finance facility (Redbank Credit Facility).

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce their rights under the Redbank Credit Facility upon the satisfactory discharge of certain obligations prescribed in the BSA, including the injection of further equity capital into Redbank Project and the appointment of independent external advisors to work with the Group on a sale process or refinancing. The BSA was for an initial term which expired on 31 March 2012. Neither a sale nor refinancing was successful during this period. The BSA has been extended on a number of occasions since 31 March 2012, during which time Redbank Project has been engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project. At the time of signing these accounts, these negotiations are progressing.

In January 2013, the BSA was extended to 31 May 2013. If the BSA is not extended beyond 31 May 2013, the lenders will be entitled to exercise any enforcement rights available to them under their security as a result of Redbank Project's inability to replace its liquidity facility in February 2011. These rights include accelerating the repayment of the secured monies owed to the lenders. It is not known whether the lenders would choose to enforce their security in such circumstances.

If negotiations with the lenders for a long-term agreement are unsuccessful, it is likely REG would not be able to meets its financial obligations when they fall due. As such, in the absence of a finalised agreement, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Board continues to assess a range of options for the future of the Group's business, and reiterates its commitment to identifying and implementing a strategy that secures the Group's longer term future. As noted above, the negotiations with the lenders have been progressing. On this basis, the Board has determined that it is appropriate that the Consolidated Financial Report be prepared on the basis that the Group is a going concern.

2. Summary of accounting policies (continued)

(a) Basis of preparation (continued)

Impact of standards issued but not yet applied by the group

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard is not expected to affect the group's accounting for its derivative financial asset, as the Group already recognises fair value gains and losses directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The group has not elected to early adopt AASB 9.

3. Critical accounting estimates and judgments

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgment in the process of applying accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Certain areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include estimates in respect of recognition of deferred tax assets, the assessment of indicators of impairment and impairment testing, valuation of defined benefit obligations, valuation of site restoration provisions, valuation of electricity derivatives and valuation for the provision for contract losses. Actual results may differ from these estimates.

Derivative financial instruments and revenue

Electricity derivatives are financial instruments which are recognised at fair value through the statement of comprehensive income.

This balance comprises the Power Purchase and Hedge Agreement (PPHA) derivative relating to Redbank Project. Redbank Project has a long term power purchase and hedge agreement with Ausgrid for a period of 30 years from the commencement of the Power Station's operation. Under the terms of the contract, the fixed price per mega-watt hour is escalated annually using agreed CPI indices. Under AASB 139, the Group recognises a derivative asset equal to the estimated fair value of the power purchase derivative. At 31 December 2012 the value of this derivative has increased by $7,731,762 to $123,593,709. Holding other assumptions constant, a reasonably possible decrease in the forward prices of electricity by 1% would result in an increase in the value of the derivative by $3,512,910.

Factors that have contributed to the change in the value of the derivative include changes in forecast market electricity prices as well as the successful outcome in the arbitration with Ausgrid in regards to the dispute concerning the entitlement under the PPHA of Redbank Project passing through to Ausgrid costs incurred under the Clean Energy Act 2011. This successful outcome in the arbitration means that the contract strike price is adjusted to reflect the liability imposed on Redbank by the Clean Energy Act 2011 in relation to the Contract Amount covered by the PPHA.

As a result of the successful outcome in the arbitration, Redbank has recognised additional revenue of $14.6m relating to the lump sum payment from Ausgrid as part of the award in regards to the liability under the Clean Energy Act for the period 1 July 2012 to 31 December 2012.

The rights of appeal in relation to an arbitration under the Commercial Arbitration Act (which this arbitration was) are very limited. Redbank does not anticipate that Ausgrid will appeal from the arbitration award.

4. Impairment

Non-current assets have been assessed for impairment on the basis of the discounted long-term cash flows related to its operations. The impact of this at 31 December 2012 has been the recognition of an impairment expense for property, plant and equipment and intangibles related to the Group of $14.9 million. The impairment was recognised against property, plant and equipment ($13.9 million) and intangible assets ($1.0 million).

The recoverable amount of the Cash Generating Unit (CGU) was determined using the value-in-use calculation. Management determined budgeted cash flows based on expectations for future prospects in each operating segment.

4. Impairment (continued)

In performing the value-in-use calculations for the CGU, the Group has applied pre-tax discount rates to discount the forecast future cash flows. The pre-tax discount rate used was 11.22% (30 June 2012: 11.22%) reflecting the risk estimates for the Company as a whole. Holding other assumptions constant, a reasonably possible increase in the pre-tax discounted rate of 25 basis points would result in an additional impairment charge against the Redbank CGU of $2.6m.

The impairment expense includes the impact of changes in expected forward electricity prices and the cost of carbon reflecting the implementation of the Clean Energy Act. Holding other assumptions constant, a reasonably possible decrease in the forward prices of electricity by 1% would result in an additional impairment charge against the Redbank CGU of $7.8m. An increase in the forward cost of carbon by 1% would result in an additional impairment charge against the Redbank CGU of $1.6m.

5. Borrowings

	As at	
	31-Dec-12 $'000	**30-Jun-12 $'000**
Current		
Secured		
Redbank Credit Facility Agreement (1)	207,007	206,270
Total current borrowings	**207,007**	**206,270**

1. Redbank Credit Facility Agreement

This facility consists of two tranches.

- Tranche 1, expiring in 2018 has $37,038,000 outstanding as at 31 December 2012 (30 June 2012: $37,775,000).
- Tranche 2, expiring in 2023 has $169,969,000 outstanding as at 31 December 2012 (30 June 2012: $168,495,000).

The effective average interest rate was 8.05% as at 31 December 2012 (30 June 2012: 8.05%).

The Group also has liquidity and working capital facilities which were undrawn at 31 December 2012. In the prior period ended 30 June 2012, the liquidity and working capital facility were undrawn.

Redbank Project Pty Ltd (Redbank Project), the operating and borrowing subsidiary, was required under the terms of its financing documents to replace its previous liquidity facility with effect from 13 February 2011. In the absence of a replacement liquidity facility, the Redbank lending syndicate had the ability to call an event of default and accelerate all amounts owing to it by Redbank Project.

New facilities were obtained, they comprise a $2.5 million liquidity facility and a $3.0 million working capital facility, both provided by a subset of the existing lender group. The facilities are currently for a term of 5 months (expiring 31st May 2013) and are available to support the liquidity and working capital requirements of Redbank Project. The future of these facilities is included in the current discussions taking place with the Group's lenders.

In conjunction with the above facilities, Redbank Project has entered into an extension of the Bank Support Agreement with the lenders. Subject to the occurrence of certain trigger events, including the occurrence of an event of default, in which event the Bank Support Agreement could at the lender's discretion terminate earlier, the extended Bank Support Agreement lasts until 31 May 2013 and provides for, among other things, the following:

- the Redbank Project lenders may not exercise any rights which accrue to them as the result of Redbank Project's inability to replace the liquidity facility;
- the calculation of the financial covenants has been amended so as to ensure these can be met under most foreseeable operating conditions;
- Deferral of the principle and interest payments owing for the period 31 December 2012
- An agreement on a series of detailed steps aimed at achieving completion of a permanent restructure of the Redbank Project debt facilities by 31 May 2013

6. Contributed equity

	Shares in REL Number '000	$'000
Balance as at 31 December 2011	**786**	**656,224**
30 June 2012 movements	-	-
Balance as at 30 June 2012	**786**	**656,224**
Movements during the half year ended 31 December 2012	-	-
Balance as at 31 December 2012	**786**	**656,224**

7. Changes in the composition of the consolidated Group

Acquisition of business

During the half-years ended 31 December 2012 and 31 December 2011, REG did not acquire any new businesses.

Disposal of business

During the half-year ended 31 December 2011, on 1 July 2011, the Group disposed of its 50% interest in the Oakey Power Station to ERM Power Limited. In accordance with the terms of its debt compromise arrangement with Babcock & Brown International Pty Ltd (BBIPL) which was approved by security holders in February 2010, all proceeds from the sale of Oakey have been paid to BBIPL in full and final discharge of the Group's outstanding debt to BBIPL. The group made a gain on sale of $27,958,000.

Also, during the half-year ended 31 December 2011, REL recognised an amount of $816,408 receivable in respect of deferred consideration in relation to the sale of the Alinta Energy Markets Pty Ltd in the 2010 financial year.

8. Segment information

The application of AASB 8 requires disclosure of information about the Group's operating segments on the same basis as that used for internal reporting. The chief operating decision-maker of the Group is the Board of Directors ('the Board'). The Group assesses the performance of its operations principally on the basis of normalised earnings before interest, tax, depreciation and amortisation ('Management EBITDA'). The Board considers the performance of the Generation business in assessing the performance of the Group and making decisions about the allocation of resources. Segment disclosures have been presented on this basis.

Generation

This segment includes the coal fired power generation asset of the Group.

Other activities

The Group also operates a corporate function which is not considered to be an operating segment as it does not earn revenue from its activities. The impact of the corporate function is reported in 'Other activities'. In addition, abnormal amounts relating to business restructuring reside in 'Other activities'.

a) Segment performance

The Group's operations are in Australia. The segment information provided to the Board of Directors for the half year ended 31 December 2012 is as follows:

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
Half-year ended 31 December 2012				
Revenue from external customers	48,393	-	-	48,393
Inter-segment revenue (1)	-	839	(839)	-
Total segment revenue	**48,393**	**839**	**(839)**	**48,393**
Management EBITDA	**12,121**	**34**	**-**	**12,155**

8. Segment information (continued)

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
Half-year ended 31 December 2011				
Revenue from external customers	32,639	-	-	32,639
Inter-segment revenue (1)	-	916	(916)	-
Total segment revenue	**32,639**	**916**	**(916)**	**32,639**
Management EBITDA	**15,351**	**484**	**-**	**15,835**

The Board assesses the performance of the operating segments based on a measure of Management EBITDA. This measurement excludes the effects of any impairment loss and changes in fair value of financial derivatives. The Group's assets and liabilities are reported on a consolidated basis.

(1) Revenue earned between segments is recognised in inter-segment revenue and is eliminated to reconcile to the Group result.

b) Reconciliation of Normalised EBITDA to Statutory EBITDA:

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
Half-year ended 31 December 2012				
Management EBITDA	**12,121**	**34**	**-**	**12,155**
Impairment	(13,887)	(1,027)	-	(14,914)
Gain on disposal of business	-	-	-	-
Mark to market derivative movements	7,732	-	-	7,732
Management adjustments	**(6,155)**	**(1,027)**	**-**	**(7,182)**
Statutory EBITDA	**5,966**	**(993)**	**-**	**4,973**
Net finance costs				(8,019)
Taxation				2,322
Amortisation and depreciation				(5,884)
Profit from continuing operations				**(6,608)**

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
Half-year ended 31 December 2011				
Management EBITDA	**15,351**	**484**	**-**	**15,835**
Impairment	(1,933)	-	-	(1,933)
Gain on disposal of business	-	26,958	-	26,958
Mark to market derivative movements	(5,375)	-	-	(5,375)
Management adjustments	**(7,308)**	**26,958**	**-**	**19,650**
Statutory EBITDA	**8,043**	**27,442**	**-**	**35,485**
Net finance costs				(8,568)
Taxation				(308)
Amortisation and depreciation				(8)
Profit from continuing operations				**26,601**

9. Subsequent events

On the 4 April 2013 the award was received in regards to the arbitration with Ausgrid in regards to the dispute concerning the entitlement under the Power Purchase and Hedge Agreement (PPHA) of Redbank Project passing through to Ausgrid costs incurred under the Clean Energy Act 2011. Redbank Project was successful in the arbitration and was also awarded its costs in the proceedings. Also, Redbank Project is able to retain the $8.7m that it received from the Commonwealth Government's Energy Security Fund. On the 16 April 2013 Redbank Project received a lump sum payment of $19.5m from Ausgrid as part of the award in regards to the liability under the Clean Energy Act and all future payments under the PPHA will include the pass through to reflect Redbank's liability under the Clean Energy Act in relation to the Contract Amount under the PPHA.

Other than the arbitration decision, no matters or circumstances have arisen since 31 December 2012 that have significantly affected and may significant affect:

(a) the Group's operations in future financial periods, or
(b) the results of those operations in future financials periods, or
(c) the Group's state of affairs in future financial periods.

10. Contingent assets and liabilities

There are no material contingent assets and liabilities at the balance date of 31 December 2012.

11. Net tangible assets per share

	31-Dec-12 $ per share	31-Dec-11 $ per share
Net tangible assets per share	35.20	69.91

In determining net tangible assets per share, deferred tax balances are excluded.

Redbank Energy Group
Directors' Declaration

In the opinion of the directors of Redbank Energy Limited:

(a) the financial statements and notes, set out on pages 6 to 15 are in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance, for the half-year ended on that date; and

  (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that Redbank Energy Limited will be able to pay its debts as and when they become due and payable within the context of the disclosures of the Directors Report and the financial statement and notes.

Signed in accordance with a resolution of the directors:

Richard Butler

Mr R Butler
Director, Redbank Energy Limited

Dated at Sydney this 24th day of May 2013 pwc

Independent auditor's review report to the members of Redbank Energy Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Redbank Energy Limited, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Redbank Energy Group (the consolidated entity). The consolidated entity comprises both Redbank Energy Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Redbank Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Redbank Energy Limited is not in accordance with the *Corporations Act 2001* including:

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(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material uncertainty regarding continuation as a going concern

Without qualifying our conclusion, we draw attention to Note 2(a) to the financial statements which comments on the deficiency of current assets and the deficiency of net assets of the consolidated entity and the status of the consolidated entity's external project finance facility. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Redbank Energy Limited group's ability to continue as a going concern and, therefore, the group may be unable to realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements.

PricewaterhouseCoopers

PricewaterhouseCoopers

Robert Baker

Robert Baker
Partner

24 May 2013