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REDBANK ENERGY

ASX Release

3 September 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET UNDER ASX LISTING RULE 4.3A
REDBANK ENERGY APPENDIX 4E FOR THE PERIOD TO 30 JUNE 2013

Please see attached the Appendix 4E for the year ended 30 June 2013 relating to Redbank Energy Limited (ASX: AEJ).

The Appendix 4E is based on financial reports which are in the process of being audited and are due to be released no later than 30 September 2013.

As previously announced, Redbank Energy encountered a minor delay in the finalisation of its Appendix 4E. This caused the company's shares to be suspended from Official Quotation on 2 September 2013. Upon release of its Appendix 4E for the year ended 30 June 2013, Redbank Energy expects that its shares will be reinstated to Official Quotation.

ENDS

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REDBANK ENERGY GROUP

APPENDIX 4E

Preliminary Final Report

Name of entity:	**Redbank Energy Group ("REG"), comprising Redbank Energy Limited ABN 67 116 665 608 and Controlled Entities**
ABN:	**As Above**

1. Details of the reporting period
(Listing Rule 4.3A 1)

Current Period:	1 July 2012 - 30 June 2013
Previous Corresponding Period:	1 July 2011 - 30 June 2012

2. Results for announcement to the market
(Listing Rule 4.3A 2)

		% Movement	2013 A$'000	2012 A$'000
2.1	Revenues from ordinary activities	9.7%	98,398	62,674
2.2	Profit / (Loss) from ordinary activities after tax attributable to members	271.6%	29,392	7,909
2.3	Profit / (Loss) for the period attributable to members	271.6%	29,392	7,909
2.4	Distributions	**Amount per security**	**Franked amount per security**	
	Current period Final distribution Interim distribution (paid)	- -	- -	
	Previous corresponding period Final distribution (paid)	-	-	
2.5	Record date for determining entitlement to the final distribution	N/A		
2.6	Provide a brief explanation of any of the figures reported above necessary to enable the figures to be understood: Refer to the discussion in Section 14 of this release.			

3. Income statement
(Listing Rule 4.3A 3)

	Note	2013 $'000	2012 $'000
Revenue from continuing operations	B	89,614	61,858
Other income	B	8,784	816
Net gain on disposal of business	D	-	26,958
Financing income	B	766	760
Total income		**99,164**	**90,392**
Operating expenses	B	(71,610)	(36,615)
Depreciation and amortisation expense	B	(11,959)	(11,472)
Finance costs	B	(16,873)	(17,807)
Fair value gain on derivatives	B	31,002	49,729
Impairment loss	B	(47,111)	(72,592)
Total expense from ordinary activities		**(116,551)**	**(88,757)**
Profit/(loss) before income tax		**(17,387)**	**1,635**
Income tax (expense)/benefit		46,779	6,274
Profit/(loss) from continuing operations		**29,392**	**7,909**
Profit/(loss) from discontinued operations		**-**	**-**
Profit/(loss) for the year		**29,392**	**7,909**
Profit/(loss) attributable to stapled security holders as:			
Equity holders of the Company		29,392	7,909
		29,392	**7,909**
Other comprehensive income from continuing operations			
Other comprehensive income		-	-
		-	-
Other comprehensive income from discontinued operations		-	-
Other comprehensive income for the year, net of tax		**-**	**-**
Total comprehensive income for the year		**29,392**	**7,909**
Loss and other comprehensive income deficit attributable to security holders are as follows:			
Equity holders of the Company		29,392	7,909
		29,392	**7,909**
		Cents	**Cents**
Earnings per share of the parent based on earnings attributable to the equity holders of the parent			
Basic earnings per share		3,738.04	1,005.85
Diluted earnings per share		3,738.04	1,005.85

4. Balance sheet
(Listing Rule 4.3A 4)

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents		5,400	16,634
Trade and other receivables		12,577	8,919
Derivative financial instruments		26,402	24,738
Inventories		2,524	2,535
Other assets		3,240	1,786
Total current assets		**50,143**	**54,612**
Non-current assets			
Derivative financial instruments		120,462	91,124
Property, plant and equipment		61,329	114,542
Intangibles		4,727	8,536
Other assets		16,890	19,753
Total non-current assets		**203,408**	**233,955**
Total assets		**253,551**	**288,567**
Current liabilities			
Trade and other payables		12,306	13,429
Borrowings	C	192,746	206,270
Employee benefits		905	1,026
Other liabilities		-	-
		205,957	**220,725**
Total current liabilities		**205,957**	**220,725**
Non-current liabilities			
Deferred tax liabilities		9,834	56,613
Employee benefits		105	118
Provisions		21,043	23,891
Total non-current liabilities		**30,982**	**80,622**
Total liabilities		**236,939**	**301,347**
Net assets		**16,612**	**(12,780)**
Equity holders of the Company			
Contributed equity		656,224	656,224
Reserves		1,038,409	1,038,409
Accumulated losses		(1,678,021)	(1,707,413)
Total equity		**16,612**	**(12,780)**

5. Cash flow statement
(Listing Rule 4.3A 5)

	2013 $'000	2012 $'000
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	94,936	67,963
Payments to suppliers and employees (inclusive of GST)	(71,711)	(37,739)
Interest received	766	715
Interest and other costs of finance paid	(16,767)	(17,475)
Income/withholding tax paid	-	-
Net cash inflow/(outflow) from operating activities	**7,224**	**13,464**
Cash flows from investing activities		
Payment for property, plant and equipment	(4,934)	(2,328)
Proceeds from sale of subsidiaries (net of cash and cash equivalents disposed of)	-	(1,851)
Net cash inflow/(outflow) from investing activities	**(4,934)**	**(4,179)**
Cash flows from financing activities		
Proceeds from borrowings	-	-
Repayment of borrowings	(13,524)	(13,289)
Net cash inflow/(outflow) from financing activities	**(13,524)**	**(13,289)**
Net (decrease)/increase in cash and cash equivalents	**(11,234)**	**(4,003)**
Cash and cash equivalents at the beginning of the year	16,634	20,638
Effect of exchange rate changes on cash and cash equivalents	-	-
Cash and cash equivalents at the end of the year	**5,400**	**16,634**

Notes to financial information

(Listing Rule 4.3A 3, 4, 5)

Note A – Going concern and impairment

Going concern

The financial information presented in this preliminary final report has been prepared on the basis that the Redbank Energy Group (Group) and Redbank Energy Limited (REL), the Group's ultimate parent entity are going concerns for financial reporting purposes.

The Group had a net current asset deficiency as at 30 June 2013 of $155.8m (2012: $($166.1m) and net assets of $16.6m (2012: net asset deficiency of $12.8m).

Redbank Project Pty Limited (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 any rights they might have under the Redbank Credit Facility for an initial term of 12 months. Entry into the BSA arose due to the fact that in late 2010, Bankwest cancelled Redbank Project's liquidity facility and Redbank Project was required under the terms of the Redbank Credit Facility to replace the liquidity facility. In the absence of an equivalent replacement liquidity facility the lenders may have declared an event of default and sought to enforce their security, including by declaring their debt due and payable.

Under the BSA, Redbank Project was to appoint independent external advisors to work to undertake various tasks prescribed by the BSA, including running a sale process or refinancing. Neither a sale nor refinancing was successful during this period, and the BSA was extended for various periods from March 2012 until January 2013, during which time Redbank Project engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project.

In January 2013 the lenders granted a 5 month extension of the BSA on amended terms which included a series of detailed steps to be completed by Redbank Project and the lenders. The purpose of these steps was to provide a framework to facilitate the agreement of a permanent restructure of the finance facilities by 31 May 2013.

The parties did not agree a permanent restructure during this time and the lenders did not grant an extension of the BSA beyond 31 May 2013. The expiry of the period of bank support meant that any rights the lenders may have had in respect of a previous breach of the Redbank Credit Facility were reinstated.
Redbank Project has not received any indication that the lenders will seek to exercise any of the rights that they may have. Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure. It has been informed that its lenders are currently formulating a revised proposal for a permanent restructure and is currently awaiting further details.

If negotiations with the lenders for a permanent restructure are ultimately unsuccessful and the lenders withdraw their support, it is likely the Group would not be able to meet its financial obligations when they fall due and payable. 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, in those circumstances 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. The directors regularly monitor and review the Group's operating and financial performance, including the profile of its debt facilities and forecast cash flows. On this basis, the Board has determined that it is appropriate that the Preliminary Financial Report be prepared on the basis that the Group is a going concern.

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 30 June 2013 has been the recognition of an impairment expense for property, plant and equipment and intangibles related to the Group of $47.1 million. The impairment was recognised against property, plant and equipment ($43.8 million) and intangible assets ($3.3 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. 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.

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.

Note B. Profit/(loss) from operations

	2013 $'000	2012 $'000
Revenue		
Revenue from the sale of energy products	89,614	61,858
Other income	8,784	816
	99,164	**62,674**
Other income		
Release of provisions	-	-
Debt forgiveness	-	-
Net profit/(loss) on disposal of property, plant and equipment	-	-
	-	-
Financing Income		
Interest income		
Bank deposits	766	760
	766	**760**
(Loss)/profit before income tax has been arrived at after charging the following expenses:		
Operating expenses:		
Operating costs	52,751	22,431
Corporate and administrative costs	11,190	6,690
Employee benefit expenses		
Salaries and wages	7,670	7,494
	71,611	**36,615**
Impairment loss		
Property, plant and equipment	43,773	67,691
Intangibles	3,338	4,901
	47,111	**72,592**
Depreciation and amortisation		
Depreciation of property, plant and equipment	11,487	10,771
Amortisation of intangible assets	472	701
	11,959	**11,472**
Finance costs:		
Interest expense – external 3rd parties	16,584	17,475
Unwinding of discount on provisions	106	332
Other borrowing costs	183	-
	16,873	**17,807**
Derivative movement		
Fair value gain on Redbank PPHA derivative	31,002	49,729
	31,002	**49,729**

Note C. Borrowings

	2013 $'000	2012 $'000
Current		
Secured		
Redbank Credit Facility Agreement (i)	192,746	206,270
Total secured current borrowings	192,746	206,270
Unsecured		
Other borrowings	-	-
Other related party loans	-	-
Total unsecured current borrowings	-	-
Total current borrowings	192,746	206,270

(i) Redbank Credit Facility Agreement

This facility consists of two tranches.

- Tranche 1, expiring in 2018 has $32,036,000, outstanding as at 30 June 2013 (30 June 2012: $37,775,000).
- Tranche 2, expiring in 2023 has $160,710,000 outstanding as at 30 June 2013 (30 June 2012: $168,495,000).

Note D. Changes in the composition of the consolidated Group

(a) Disposal of business

No entities were disposed of by REG during the year ended 30 June 2013.

(b) Acquisition of business

No entities were acquired by REG during the year ended 30 June 2013.

Note E. Segment information

Primary reporting format – business segments

(Listing Rule 4.3A 14.4)

a) Segment performance

The Group's operations are in Australia. The segment information provided to the Board of Directors for the year ended 30 June 2013 is as follows:

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
30 June 2013				
Revenue from external customers	99,164		-	99,164
Inter-segment revenue (1)	-	2,263	(2,263)	-
Total segment revenue	**99,164**	**2,263**	**(2,263)**	**99,164**
Management EBITDA	**28,508**	**(1,720)**	**-**	**26,788**
30 June 2012				
Revenue from external customers	61,858	816	-	62,674
Inter-segment revenue (1)	-	1,746	(1,746)	-
Total segment revenue	**61,858**	**2,562**	**(1,746)**	**62,674**
Management EBITDA	**26,272**	**(213)**	**-**	**26,059**

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.

Note E. Segment information (continued)

b) Reconciliation of Normalised EBITDA to Statutory EBITDA:

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
30 June 2013				
Management EBITDA	**28,508**	**(1,720)**	**-**	**26,788**
Impairment	(43,773)	(3,338)	-	(47,111)
Mark to market derivative movements	31,002	-	-	31,002
Management adjustments	**(12,771)**	**(3,338)**	**-**	**(16,109)**
Statutory EBITDA	**15,737**	**(5,058)**	**-**	**10,679**
Net finance costs				(16,107)
Taxation				46,779
Amortisation and depreciation				(11,959)
				29,392

	Generation Aust $'000	Other Aust $'000	Elimination $'000	Total $'000
30 June 2012				
Management EBITDA	**26,272**	**(213)**	**-**	**26,059**
Impairment	(68,159)	(4,433)	-	(72,592)
Gain on disposal of business	-	26,958	-	26,958
Mark to market derivative movements	49,729	-	-	49,729
Debt forgiveness	-	-	-	-
Management adjustments	**(18,430)**	**22,525**	**-**	**4,095**
Statutory EBITDA	**7,842**	**22,312**	**-**	**30,154**
Net finance costs				(17,047)
Taxation				(6,274)
Amortisation and depreciation				(11,472)
				7,909

6. Details of distributions
(Listing Rule 4.3A 6)

	Record Date	Payment Date
2013 Interim Distribution	N/A	N/A
2013 Final Distribution	N/A	N/A

The Board of Directors of REG have suspended distributions until it has adequately strengthened its capital structure. Accordingly no distribution for the year ended 30 June 2013 will be paid. No distributions were paid in the prior year.

7. Details of distribution reinvestment plan
(Listing Rule 4.3A 7)

There will be no distributions paid by REG for the year to 30 June 2013. As a consequence there is no reinvestment plan at this point in time.

8. Statement of retained earnings showing movements
(Listing Rule 4.3A 8)

	2013 $'000	**2012 $'000**
Balance at beginning of financial year	(1,707,413)	(1,715,322)
Prior period adjustments	-	-
Net (loss) / profit attributable to shareholders	29,392	7,909
Movement in Defined Benefit Obligation	-	-
Balance at end of financial year	**(1,678,021)**	**(1,707,413)**
Attributable to:		
Equity holders of the Company	(1,678,021)	(1,707,413)
	(1,678,021)	**(1,707,413)**

9. Net tangible asset backing per security
(Listing Rule 4.3A 9)

	Current Period	Previous Period
Net tangible assets backing per security	$27.62	$44.89
Net assets backing per security	$21.12	($16.25)

10. Control gained or lost over entities during the period
(Listing Rule 4.3A 10)

Not Applicable.

11. Details of associates and joint venture entities
(Listing Rule 4.3A 11)

Not applicable.

12. Other significant information
(Listing Rule 4.3A 12)

All significant information in respect of REG has been presented in Note A of this release.

13. Accounting standards used by foreign entities
(Listing Rule 4.3A 13)

Not applicable.

14. Commentary on results
(Listing Rule 4.3A 14)

Redbank Operational Performance from July 2012 to June 2013:

Redbank Project contributed $26.4 million Management EBITDA to 30 June 2013.
In summary:

- Generator Earnings were 0.25% ($0.3m) below budget.
- Total fuel costs were 5.6% ($2.9m) below budget.
- Other Operating Costs were 17.4% ($4.4m) above budget.
- These costs include: Unplanned Maintenance; Finance & Administration Costs; and Refinancing and Transaction Costs.
- Labour and Management costs and General Plant expenditure were 4.7% ($0.4m) over budget.
- Compliance, Licences and Fees, Planned Outage Maintenance and Stockpile Maintenance were 10.2% ($0.8m) under budget.

Corporate Structure Matters

Bank Support Agreement – Redbank Credit Facility

The Group's only external debt obligation is the Redbank Credit Facility, a project finance obligation of Redbank Project.

On 31 March 2011, Redbank Project entered into a Bank Support Agreement (BSA) with its lenders whereby the lenders conditionally agreed not to enforce any rights they might have under the Redbank Credit Facility for an initial term of 12 months. Entry into the BSA arose due to the fact that in late 2010, Bankwest cancelled Redbank Project's liquidity facility and Redbank Project was required under the terms of the Redbank Credit Facility to replace the liquidity facility. In the absence of an equivalent replacement liquidity facility the lenders may have declared an event of default and sought to enforce their security, including by declaring their debt due and payable.

Under the BSA, Redbank Project was to appoint independent external advisors to undertake various tasks prescribed by the BSA, including running a sale process or refinancing. New facilities were also obtained, comprising 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 were initially for a term of 12 months and were available to support the liquidity and working capital requirements of Redbank Project.

Neither a sale nor refinancing was successful during this period, and the BSA was extended for various periods from March 2012 until January 2013, during which time Redbank Project engaged in negotiations with the lenders with the objective of agreeing a restructured long term finance facility for Redbank Project.

In January 2013 the lenders granted a 5 month extension of the BSA on amended terms which included a series of detailed steps to be completed by Redbank Project and the lenders. The purpose of these steps was to provide a framework to facilitate the agreement of a permanent restructure of the finance facilities by 31 May 2013. The parties did not agree a permanent restructure during this time and the lenders did not grant an extension of the BSA beyond 31 May 2013. The expiry of the period of bank support meant that any rights the lenders may have had in respect of a previous breach of the Redbank Credit Facility were reinstated.

Other consequences of the expiry of the bank support period include:

- the $3 million working capital facility and $2.5 million liquidity facility, which were undrawn as at 31 May 2013, are no longer available to Redbank Project;
- Redbank Project’s financial covenant testing thresholds have reverted to those set under the Redbank Credit Facility prior to entry into the BSA; and
- several reporting and co-operation obligations in respect of the lenders and their advisors are no longer required.

Redbank Project has not received any indication that the lenders will seek to exercise any of the rights that they may have. Redbank Project intends to continue to negotiate with its lenders to secure a permanent restructure. It has been informed that its lenders are formulating a revised proposal for a permanent restructure and is currently awaiting further details.

15. Audit / review of accounts upon which this report is based
(Listing Rule 4.3A 15)

This report is based on accounts which are in the process of being audited and due to be released no later than 30 September 2013.

16. Qualification of audit / review
(Listing Rule 4.3A 16)

The directors do not anticipate receiving a qualified or disputed audit report from its external auditor in relation to the Group's 30 June 2013 financial statements. If however the material uncertainties relating to the going concern status of the Group as outlined in Note A of this release persist at the date the financial statements are released, the directors expect the external auditor will refer to that material uncertainty regarding continuation as a going concern in a paragraph in their audit report.