



ASX Release

2 April 2013

DEFERRAL OF REPAYMENT OF PRINCIPAL AND INTEREST

Further to the announcement by Redbank Energy Limited (ASX:AEJ) on 28 March 2013, Redbank Energy advises that its wholly owned subsidiaries Redbank Project Pty Ltd (Redbank Project) and Redbank Construction Pty Ltd (Redbank Construction) received at 3:16pm on 28 March 2013 a conditional proposal from its lenders (Syncora Guarantee Inc, Bank of Scotland International, KBC Bank and Commonwealth Bank of Australia (BankWest)) in relation to the deferral of the repayment of March principal and interest of approximately \$7.6 million until 5:00pm (Sydney time) on 10 April 2013 (Proposed Deferral). The Proposed Deferral required the Redbank entities to respond by midnight on 28 March 2013.

The Proposed Deferral provided that it was conditional on the term sheet for a permanent restructure (referred to in the announcement on 10 January 2013) including a number of new commercial terms.

The Proposed Deferral is in contrast to the one month unconditional deferral which the Redbank entities had sought during March as regards the March payment of principal and interest, as announced on 28 March 2013.

As mentioned in the ASX announcement of 28 March 2013, the original request for the deferral by the Redbank entities had been made as a result of the uncertainty in not having received the award in the arbitration with Ausgrid in relation to Redbank Project's entitlement under the Power Purchase and Hedge Agreement (PPHA), which is now expected to be received on 3 April 2013.

The board is considering the terms of the Proposed Deferral and will endeavour to respond to the lenders today. However, the board notes that the actions of the lenders in trying to re-open the January term sheet negotiations in the current circumstances are completely unreasonable. In particular, the timing of the arbitration award was and remains outside the control of the board. Moreover, following the release of the award, all parties should be in a significantly improved position to consider various options for the Redbank group.

If Redbank Project and Redbank Construction are unable to agree on a deferral with its lenders (assuming a deferral remains necessary following review of the arbitration award tomorrow), there is a risk that the Redbank entities may default under the relevant finance documents. The board understands that should the lenders enforce any or all of their securities (regardless of how that is done), the PPHA will likely not survive. If the PPHA is terminated, the Redbank power station will likely no longer be economically viable.

In turn, this will likely cause significant destruction of value in the Redbank group's business. In that scenario, Redbank Energy Limited is unlikely to be able to realise substantial value in connection with any of its various interests in the Redbank entities, including as regards its equity holding in the Redbank entities, amounts due to it under shareholder loans and amounts otherwise owing to other entities in the Redbank group as licence fees.

ENDS

Further Information:

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