



## ASX Release

18 May 2012

### **DISPUTE WITH AUSGRID UNDER REDBANK POWER PURCHASE HEDGE AGREEMENT**

1. Redbank Energy Limited (ASX:AEJ) advises that its wholly owned subsidiary Redbank Project Pty Limited ("**Redbank Project**") has triggered the dispute resolution provisions under the Power Purchase Hedge Agreement ("**Redbank PPHA**") which it is a party to with Ausgrid, a NSW Government owned utility. The Redbank PPHA underwrites the revenue received from the operation of the Redbank Power Station.
2. The dispute relates to the entitlement of Redbank Project to pass through under the Redbank PPHA the costs incurred by Redbank Project under the Commonwealth Government's Clean Energy Act, 2011. Redbank Project considers that it is entitled to pass these costs through to Ausgrid. Ausgrid has denied that Redbank Project is able to do so.
3. As a result of the position taken by Ausgrid, Redbank Project has been required to trigger the dispute resolution mechanisms under the Redbank PPHA. The need for Redbank Project to take this action has been made more acute by the fact that the carbon tax comes into effect on 1 July 2012.
4. The dispute resolution provisions contained within the Redbank PPHA establish a process of settlement discussions followed by arbitration as the means to resolve the dispute. In the event that this matter goes to formal arbitration, Redbank is hopeful that a decision could be handed down before the end of this year; however, it may take longer.
5. The outcome of the dispute will have a material financial impact on Redbank Project. Redbank Project's current estimate for its carbon tax liability for the 2012/2013 financial year is approximately \$28.288M.

The Boards of Redbank Project and Redbank Energy continue to work closely with the Redbank Project lending syndicate to agree to new long term amendments to Redbank Project's financing arrangements following the previously announced extension of its Bank Support Agreement to 31 May 2012.

**ENDS**

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**Further Information:**

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