Hunter Energy Pty Limited

Status: Ongoing

Hunter Energy has been setup to acquire the Redbank Power Station located in the Hunter Valley. The 151MW power station is capable of using multiple fuels to generate base load electricity, including coal, biomass and waste gas.

Unique Investment Opportunity to Create Base Load Power Asset

- Hunter Energy's first proposed project is the recommissioning and acquisition of the Redbank Power Station (151MW) at a low upfront cost without existing debt.
- Original construction costs were over $200M and the plant delivered $26-$32m EBITDA per annum from 2005 to 2013. Current replacement costs for the plant are estimated at over $500M.
- Redbank Power Station was previously owned by Babcock & Brown and was closed following the collapse of B&B and inability to refinance its debt.
- The plant has been on care and maintenance and is ideally located amongst the Hunter Valley coal fields.
- Once re-commissioned, financial modelling shows the plant will conservatively be generating income estimated of $20M EBITDA per annum.
- Redbank is one of the newest coal-fired power stations in Australia and has an expected economic life of at least a further 20 years.

Potential Value Uplift

- The renewed need for baseload power in the Eastern Australian market has created a significant opportunity for existing coal fired power stations
- Certainty of supply and base load power are now being recognised as a necessary and fundamental part of the grid. Grid prices are also strong.
- An example of the improved market conditions is the Vales Point Power Station in NSW which was bought from the NSW Government for $1M and has now been valued at over $700M
- A similar opportunity exists with Redbank as an existing asset requiring minimal capital to restart.

Market Conditions

- There has been a significant tightening of supply and demand in the energy market in Eastern Australia.
- Wholesale energy prices have increased and there is a strong price outlook going forward.
- Base load power is recognised as a necessary part of the grid to support the transition to renewables.
- Existing power stations are reaching the end of their economic life tightening supply.
- Energy policy now recognises energy security as a key part of the development of the energy market.
- Federal Government has announced it supports the introduction of a National Energy Guarantee

Rationale for Investment

- ✓ Relatively low capital required for entry
- ✓ Plant has been well maintained during shut down
- ✓ Distribution connection and capacity readily available
- ✓ Capacity enlargement options available
- ✓ Key previous management and consultants available
- ✓ High electricity wholesale prices expected to continue in the mid-term
- ✓ Clear exit strategy via capital markets

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