

Hepburn Wind Project Update – June 2011

Overview

Physical construction of the Leonards Hill wind farm was completed in May 2011. At the date of this update, the commissioning and testing process is underway. The wind farm first generated power on 22 June 2011.

This document summarises the projected revenue, expenses and cash flow for the first 10 years of operation based on information available as at 23 June 2011.

The updated financial forecast below reflects the board's projections using information available at the present time. While the board has taken great care in the preparation of the forecast, actual performance depends on many factors beyond the control of the co-operative. Interested parties are therefore advised that the forecast is a guide only. Future performance may vary significantly (favourably or otherwise) from the forecast below. It is recommended that each investor consult their financial advisor to consider these risks and their own risk profile.

Projected revenue, expenses and cash flow

| Year of Wind Farm | 1 | 2 | 3 | 4 | 5 | Years 6-10 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| Financial year ending 30 June | 2012 | 2013 | 2014 | 2015 | 2016 | 2017-2021 |
| Energy Output (MWh) | 12,200 | 12,200 | 12,200 | 12,200 | 12,200 | 61,000 |
| | \$'000 | | | | | |
| Renewable Energy Sales | 1,037 | 1,218 | 1,645 | 1,752 | 1,790 | 9,669 |
| Wind Farm Operations & Maintenance | 129 | 132 | 168 | 168 | 168 | 992 |
| Group Overheads | 173 | 177 | 181 | 186 | 191 | 1,027 |
| Operating Expenses | 64 | 65 | 67 | 69 | 70 | 379 |
| Total Operating Expenses | 366 | 374 | 417 | 423 | 429 | 2,398 |
| Community Sustainability Fund | 31 | 32 | 32 | 33 | 34 | 183 |
| Total Expenses | 397 | 405 | 449 | 456 | 463 | 2,581 |
| Trading Profit | 640 | 813 | 1,197 | 1,297 | 1,327 | 7,088 |
| Interest Received | - | 40 | 67 | 95 | 97 | 462 |
| Interest Paid | 230 | 230 | 230 | 250 | 222 | 604 |
| Depreciation | 487 | 487 | 487 | 488 | 489 | 2,463 |
| Profit Before Taxation | (77) | 135 | 547 | 654 | 714 | 4,484 |
| Cash Flow | 410 | 564 | 849 | 925 | 968 | 5,498 |
| Shares on Issue ('000s) | 8,986 | 8,986 | 8,986 | 8,986 | 8,986 | 8,986 |
| Annual Cash Flow per Share Gross (cents) | 4.6 | 6.3 | 9.5 | 10.3 | 10.8 | 12.2 |

Revenue and expenses for years 6-10 have been totalled and cash flow per share calculated from the totals.

Assumptions and notes

1. These projections assume debt finance of \$3,100,000. The terms of this finance include a three year period of interest only payments followed by a seven year period where principal and interest are repaid. It is possible that additional member subscriptions will allow debt levels to be reduced, furthermore the board may seek to adjust its financing structures as the business allows.
2. Cash flow per share is the net result of operating cash flow less interest paid. The projections are based on the number of shares issued at the end of May 2011. Future activities may alter the number of shares on issue.

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3. Distributions per share will generally be lower than cash flow per share as some earnings may be retained. Cash flow per share should not be taken as an indication of distributions per share. All distributions will be at the discretion of the board, as approved by the membership.
4. The energy yield per annum is based on the expert wind energy assessment performed by Garrad Hassan. The wind energy assessment is based on empirical data from the wind monitoring mast that was installed on the site in 2006. Following the collection and analysis of 12 months of wind data, Garrad Hassan produced a detailed wind assessment predicting a hub-height average wind speed of 7.7 m/s with a standard error of 0.50 m/s. Garrad Hassan analysed the detailed wind data and the nominal performance of the chosen wind turbines and predicted that the average annual energy production of the wind farm will exceed 12.2 MWh in 50% of years, 10.8 MWh in 75% of years, and 9.4 MWh in 90% of years. While the methodology applied is rigorous, the predictions are based on a number of estimates and assumptions which may lead to error (positive or negative) in the predictions. Furthermore, actual performance of any system harnessing natural forces will exhibit variability, and as such there is a significant risk that average estimates will not be met in a given year.
5. In the early stages of wind farm operations it is possible that testing, commissioning and ‘bedding-in’ activities, both of the wind farm and of associated electricity network support infrastructure, may limit energy production. The magnitude is not currently expected to be significant and as such no allowance has been made for this possibility.
6. The projections account for an expected 10.3% energy income uplift due to the application of loss factor uplifts specific to the wind farm site. Applicable loss factors are sourced from the Australian Energy Market Operator (AEMO). Uplift factors may change over the life of the project.
7. The forward price projections for energy and Large-scale Generation Certificates (LGCs, formerly RECs) are based on detailed research and modelling supplied by Intelligent Energy Systems (IES), conducted in April 2011. Although the methodology involved in deriving these estimates is rigorous, there are many factors that could influence future prices.
8. Wind Farm Operations includes estimated costs for lease payments, council rates, wind farm insurances, electricity market charges, operations and maintenance contracts and limited provisions for unexpected equipment replacement. These costs include estimates and are subject to change.
9. General Operations includes estimated costs for staff, secretarial, share registry, office rental and special insurances. These costs include estimates and are subject to change.
10. An inflation rate of 2.5% p.a has been assumed in line with the Reserve Bank of Australia target inflation rate of 2.0%-3.0% p.a.

Further information

Additional information on the project is available at hepburnwind.com.au/docs or by contacting:

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