

FORECAST REPORT 2011-12

Introduction

Following the outcome of the Shareholder Review of Queensland Government Owned Generators announced on 25 November 2010, the Queensland Government owned generators were restructured from three (Stanwell Corporation Limited (Stanwell), Tarong Energy Corporation Limited (Tarong Energy) and CS Energy Limited (CS Energy)) into two (Stanwell and CS Energy), with Tarong Energy becoming a subsidiary of Stanwell and a number of asset transfers to and from Stanwell being effected on 1 July 2011.

Management's forecast of the expected results for the financial year ending 30 June 2012 is as follows:

	2011-12 Forecast	2010-11 Actual	Explanation
Net Profit/(Loss) after Tax (NPAT)	\$40m - \$50m	\$(12)m	The 2010/11 loss was mainly due to: asset impairment resulting from the introduction of a carbon price; onerous contract provision increases; and offset in part by gains on sale of surplus assets. The 2011/12 forecast reflects the new asset portfolio.
Forced Outage Factor ¹	3% - 4%	N/A	Comparison is not possible due to differing assets.

Market Environment in 2011-12

The following factors are likely to have a significant impact upon the energy market in Queensland in 2011-12 and beyond:

- climate change and government policy responses, including the Carbon Price Mechanism, initiatives/incentives for reducing carbon intensity and increased Renewable Energy Target;
- surplus capacity in the Queensland electricity market;
- coal seam gas production in Queensland and the commissioning of new LNG plants in Gladstone; and
- impact of large vertically integrated energy companies (as both customers and competitors).

Strategic Priorities for 2011-12

In 2011-12, Stanwell will:

- continue to focus on attaining a Zero Harm workplace;
- prepare for the introduction of a carbon price; and
- commence the realisation of benefits from the combined Stanwell and Tarong asset portfolio.

Major Projects for 2011-12

- Major overhauls of generating units including upgrades for efficiency and reductions in nitrous oxide emissions.
- Integration of the merged business.

¹ Weighted Average of Stanwell's portfolio of generators in the National Electricity Market – excludes Mica Creek Power Station