Trading Update - January 2013

9 January 2013

The Directors of Rurelec PLC (AIM: RUR), the electricity utility focused on power generation in Latin America, are pleased to announce that the Company's projects are progressing well and provide the following update:

Trading Update from Peter Earl, Chief Executive Officer

Chile

As announced on 4th October 2012, Rurelec's Termonor subsidiary has received the final government land zoning authorisations in Arica. These are the final precursor to construction, which is expected to commence in February 2013. Termonor has signed an Engineering, Procurement and Construction ("EPC") contract with Energy Contact of Canada, its prime contractor, for the refurbishment and installation of a General Electric 6B gas turbine. The capital cost of the plant is US$16.5 million, with an initial commitment of US$6 million pending initiation of the civil works. The current timetable calls for the turbine to be delivered to the Port of Arica in February, at which time the instruction to commence construction is expected to be issued, with a view to commercial operation by the end of 2013. Agrosonda Chile is the principal sub-contractor.

In order to maintain the momentum of the project, in December 2012 Rurelec acquired the remaining 50 per cent of Termonor. It therefore currently holds 100 per cent of the issued share capital of the project company and will continue to do so until its original project partners, Invener, complete their own recapitalisation arrangements with local investors.

It remains Rurelec's intention to own, in partnership with Chilean investors, an eventual fifty per cent interest in Termonor. Northern Chile is regarded by the Rurelec Board as the most attractive power market in Latin America, and the Arica project's economics have improved considerably over the last year. As a result of a sharp increase in forecast electricity demand in the very north of Chile, the Arica power plant capacity is expected to be increased in due course from the initial configuration of 40 MW, rising to between 80 and 120 MW in a design similar to Rurelec's Comodoro Rivadavia plant in Argentina which uses the same 6B gas turbine as Arica.

The Directors are also delighted to announce that the Company has agreed terms with Independent Power Corporation PLC ("IPC") to acquire its 50 per cent interest of Central Illapa SA, a Chilean project company developing a 250 MW open cycle gas fired peaking plant in Mejillones, one of the key power hubs on the SING system of the Chilean power grid. Central

Trading Update - January 2013

Illapa has also been shortlisted by an international mining group in a tender to supply 500 MW of power to their operations in northern Chile. If awarded the power purchase agreement ("PPA"), Rurelec would work with substantial industry partners to construct, own and operate this high efficiency liquefied natural gas ("LNG") fired combined cycle gas turbine ("CCGT") plant operating in tandem with the 250 MW Illapa peaking plant. Rurelec and IPC have together been short-listed for a further 500 MW CCGT project to be constructed in northern Chile also to run on LNG with capacity to be contracted to another mining group. The PPA proposals are scheduled to be adjudicated in the second or third quarters of 2013.

Rurelec is acquiring the shares in Central Illapa for zero premium and refunding a portion of its third party project costs to date. IPC will continue to provide services to augment Rurelec's development efforts for which it will be reimbursed at cost. In addition, at financial close of each project, Rurelec will pay IPC development fees. The level of fee for each of the projects has been agreed following an external appraisal of relevant fee scales commissioned by the Independent Directors of Rurelec.

It remains Rurelec's target to own 50 per cent of over 1,250 MW of new Clean Tech generation capacity in Chile in the coming years and to obtain a quotation on the Santiago Stock Exchange.

Peru

In 2012 Rurelec acquired its first projects in hydro-electric power generation in Peru with the acquisition of the 255 MW run-of-river Santa Rita project and the portfolio of small hydro projects which is owned by Rurelec's subsidiary, Cascade Hydro Limited ("Cascade"). Canchayllo, the first Cascade project, has secured a US$7.2 million financing agreement with IIC, a financing arm of the Inter-American Development Bank. Construction of the project has now begun and the plant size has been increased to just over 5 MW at a total cost of US$11 million. Mechanical completion is now expected at the end of 2013 with an in service date of early 2014.

The financing of the Canchayllo project has acted as the catalyst for a substantial private equity capital raising effort for Cascade which is expected to close at the end of Q1 2013. The increase in capital will dilute Rurelec's shareholding below the current 50 per cent interest of Cascade, a company with a strong management team that is expected to build up a substantial portfolio of hydro plants in Peru.

Argentina

The Energia del Sur plant in Commodoro Rivadavia continues to trade as expected. The plant

Trading Update - January 2013

is performing well at the operating level though it continues to suffer the impact of increased costs as a result of inflation.

Bolivia

The Guaracachi arbitration process remains on course and the timetable for the hearing at the Permanent Court of Arbitration ("the PCA") in The Hague is still set to commence in April of this year. The parties' filings may be viewed at the PCA website http://www.pca-cpa.org/, in accordance with the agreement on full transparency reached with Bolivia's Attorney General.

Bangladesh

While Rurelec is focused on Latin America, the Company has nonetheless sought to capitalise on its track record of building and owning CCGT power plants at a time when other companies put their expansion plans on hold as a result of the difficulties arising from the global banking crisis. Rurelec has successfully used its experience and skills in operating thermal plants in Argentina and Bolivia to sponsor projects outside of the Americas. As a result, a Rurelec sponsored project of 108 MW in Chittagong in partnership with Energypac Confidence Power Ventures (ECVP) has recently achieved financial close with a group of prominent local Bangladeshi banks supported by regional multilaterals. The plant is now under construction and is expected to achieve mechanical completion in August.

Rurelec is hoping to develop a follow-on CCGT project of some 400 to 500 MW in Bangladesh operating on LNG as a clone of the two LNG projects which it is now pursuing in Chile based on the original engineering and feasibility work completed by IPC.

Commenting on the trading update, Peter Earl, CEO of Rurelec said:

“Our decision to focus on Chile and Peru comes at a time when both countries urgently need new generation capacity and when the regional mining companies are looking for reliable and experienced partners to meet the energy needs of their operations.

“These new projects are intended to replace the 540MW of generation capacity lost in May 2010 when Bolivia nationalised our subsidiary, Guaracachi. This expansion, coupled with the conclusion of the Bolivian arbitration process, should make 2013 a memorable year for Rurelec.”

For further information please contact:

Trading Update - January 2013

Peter Earl, CEO, Rurelec PLC Tel: 020 7793 5610

Ana Ribeiro, Head of Communications

www.rurelec.com
Paul Shackleton, Daniel Stewart & Company Plc Tel: 020 7776 6550
Halimah Hussain/Jon Belliss, XCAP Securities Tel: 020 77101 7070