

# CENTENNIAL COAL QUARTERLY ACTIVITIES REPORT



## June 2010 Quarterly Highlights

- Centennial's equity share of ROM coal production totalled 3.6 million tonnes for the quarter and 14.2 million tonnes on a full-year basis. Adjusting for discontinued operations (Newstan and Berrima) full-year production was 7% higher from continuing operations.
- Centennial's equity share of coal sales totalled 3.8 million tonnes and 13.8 million tonnes on a full-year basis, with export sales up 6% on the prior year.
- ROM coal production under Centennial management totalled 4.4 million tonnes for the quarter and 17.5 million tonnes on a full-year basis, while sales under management totalled 4.5 million tonnes for the quarter and 17.0 million tonnes for the full-year.
- July 2010 production is off to a good start, with the Group meeting production expectations.
- Final dividend of 4 cents per share (40% franked) has been declared, with a record date of 5 August 2010 and payable on 8 October 2010.

## All Cash Takeover Offer Announced on 5 July

- All cash takeover offer (the "Offer") at A\$6.20 cash per share for all Centennial Coal Company Limited ("Centennial") shares not already owned or controlled by Banpu Public Company Limited ("Banpu").
- The Offer price represents a 55% premium to the closing price on 5 May 2010, being the day prior to Banpu announcing it had acquired a relevant interest in 14.9% of the shares in Centennial, and a 40% premium to the last traded price prior to announcement of the Offer.
- Centennial Directors unanimously recommend Centennial's Shareholders accept the Offer in the absence of a Superior Proposal and subject to an independent expert finding that the Offer is fair and reasonable to Centennial Shareholders.
- Centennial currently expects dispatch of Banpu's Bidder's Statement and the Offer acceptance period to begin on 29 July 2010.
- Centennial's Target's Statement (which will include an independent expert's report containing the expert's opinion as to whether the Offer is fair and reasonable to Centennial Shareholders) is expected to be dispatched in mid-August 2010.

June 2010

27 July 2010



**Production & Sales Report (Centennial's Equity Share) for June 2010 Quarter**

	<b>Jun 10 Qtr ROM Production Tonnes</b>	<b>Jun 10 Qtr Saleable Production Tonnes</b>	<b>Jun 10 Qtr Domestic Sales Tonnes</b>	<b>Jun 10 Qtr Export Sales Tonnes</b>	<b>Jun 10 Qtr Total Sales Tonnes</b>
<b>Western Region</b>					
Angus Place (50%)	490,233	490,233	438,626	-	438,626
Charbon (95%) / Clarence (85%)	553,258	478,724	49,669	490,871	540,540
Springvale (50%)	191,607	168,123	79,238	150,306	229,544
Other	110,615	110,615	-	187,498	187,498
<b>Total - Western Region</b>	<b>1,345,713</b>	<b>1,247,695</b>	<b>567,533</b>	<b>828,675</b>	<b>1,396,208</b>
<b>Northern Region</b>					
Awaba/Newstan	201,689	201,689	203,355	74,797	278,152
Mandalong	1,590,765	1,538,466	1,281,458	315,407	1,596,865
Manning/Myuna	497,803	497,803	479,639	-	479,639
<b>Total - Northern Region</b>	<b>2,290,257</b>	<b>2,237,958</b>	<b>1,964,452</b>	<b>390,204</b>	<b>2,354,656</b>
<b>Group Total</b>	<b>3,635,970</b>	<b>3,485,653</b>	<b>2,531,985</b>	<b>1,218,879</b>	<b>3,750,864</b>

**Notes:**

1. ROM = Run of Mine / Raw Coal Production.
2. % = indicates Centennial ownership of each mine - otherwise 100%

**Production & Sales Report (Centennial's Equity Share) for the 12 months to 30 June 2010**

	<b>Jun 10 YTD ROM Production Tonnes</b>	<b>Jun 10 YTD Saleable Production Tonnes</b>	<b>Jun 10 YTD Domestic Sales Tonnes</b>	<b>Jun 10 YTD Export Sales Tonnes</b>	<b>Jun 10 YTD Total Sales Tonnes</b>
<b>Western Region</b>					
Angus Place (50%)	1,698,209	1,698,209	1,656,172	-	1,656,172
Charbon (95%) / Clarence (85%)	2,630,356	2,356,012	207,984	2,248,807	2,456,791
Springvale (50%)	1,306,246	1,222,213	589,757	642,912	1,232,669
Other	339,420	339,420	-	505,865	505,865
<b>Total - Western Region</b>	<b>5,974,231</b>	<b>5,615,854</b>	<b>2,453,913</b>	<b>3,397,584</b>	<b>5,851,497</b>
<b>Southern Region</b>					
Berrima	29,434	29,434	45,540	-	45,540
<b>Total - Southern Region</b>	<b>29,434</b>	<b>29,434</b>	<b>45,540</b>	<b>-</b>	<b>45,540</b>
<b>Northern Region</b>					
Awaba/Newstan	796,940	689,059	249,588	505,702	755,290
Mandalong	5,492,443	5,433,906	4,750,244	516,698	5,266,942
Manning/Myuna	1,883,148	1,883,148	1,878,192	-	1,878,192
<b>Total - Northern Region</b>	<b>8,172,531</b>	<b>8,006,113</b>	<b>6,878,024</b>	<b>1,022,400</b>	<b>7,900,424</b>
<b>Group Total</b>	<b>14,176,196</b>	<b>13,651,401</b>	<b>9,377,477</b>	<b>4,419,984</b>	<b>13,797,461</b>

**Notes:**

1. ROM = Run of Mine / Raw Coal Production.
2. % = indicates Centennial ownership of each mine - otherwise 100%
3. Berrima ceased to be a part of the Centennial Group with effect from midnight 31 August 2009.

## Summary - Production & Sales (Centennial's Equity Share)

Mar-10 Quarter Tonnes '000s		Jun 10 Quarter Tonnes '000s	Jun-09 Quarter Tonnes '000s	Comparative Quarter As Reported % Change	Jun 10 YTD Tonnes '000s	Jun 09 YTD Tonnes '000s	Comparative YTD As Reported % Change
3,178	ROM Production	3,636	3,184	14%	14,176	15,006	-6%
3,070	Saleable Production	3,486	3,029	15%	13,651	14,052	-3%
1,987	- Domestic sales	2,532	2,092	21%	9,377	10,215	-8%
1,046	- Export sales	1,219	1,236	-1%	4,420	4,154	6%
3,033	Total sales	3,751	3,328	13%	13,797	14,369	-4%

## Group Production & Sales Overview

### Group Overview

Centennial's equity share of ROM production for the quarter was 3.6 million tonnes, up 14% on both the previous quarter and on the prior corresponding period. Mandalong performed strongly for the quarter producing 1.6 million tonnes, confirming a new annual record of 5.5 million tonnes. Angus Place completed a longwall changeover in early April and performed ahead of plan into year-end, while Springvale's longwall changeover was completed in mid-May.

With all three longwalls operating at full production over the last 6 weeks of the period, transport logistics were under pressure. Despite best efforts, closing stocks were 611,000 tonnes at June-end, up 222,000 tonnes or 57% on the prior corresponding period.

On a full-year basis, Centennial's equity share of ROM production was 14.2 million tonnes.

Centennial's equity share of saleable production, at 13.7 million tonnes for the full-year, was down 3% against the previous year. However, adjusting for saleable production of 1.4 million tonnes for Newstan and Berrima in the previous year, saleable production on a like-for-like basis was 8% higher.

Sales for the quarter were 3.8 million tonnes, up 24% on the March 2010 Quarter and up 13% on the prior corresponding period respectively, while on a full-year basis, sales were 13.8 million tonnes, down 4% on the previous year. Importantly, export sales continue to increase and form a greater proportion of overall sales, with full-year exports up 6% on the previous year.

On a tonnes under management basis, ROM production was 17.5 million tonnes for the full-year, 6% above the previous year, while sales under management were 17.0 million tonnes for the full-year, 5% above the previous year. (Tonnes under management exclude Newstan and Berrima.)

## Operations

### Western Region

#### **Airly (100% interest)**

Production ramp up at Airly continued during the June 2010 Quarter, with the mine advancing from the development of surface access portals to "life-of-mine" roadways. (Airly produced 57,000 during this first phase of mining.)

The "Place Change" mining system, which has been successfully employed at Clarence for over 10 years, was implemented in June with Airly crews being trained at Clarence and benefitting from the experience gained there. In addition, the mine's first shuttle cars were delivered in June, completing the first full production unit.

As previously advised, the first trainload of Airly coal was railed to Port Kembla for export on 22 April. Commissioning of the surface conveyors and the coal handling system is now substantially completed and the Principal Contractors (Laing O'Rourke) demobilised in late June.

**Angus Place (50% interest)**

Angus Place produced 980,000 tonnes (100% basis) for the June 2010 Quarter, ahead of expectations, with excellent results achieved in May and June in particular.

While mining conditions remained challenging, as mining of the Wolgan Zone progressed, it has been particularly pleasing to see the longwall achieving consistent results following the engineering modifications (including pan-line modifications, the introduction of the 7LS shearer and relay-bar modifications).

Longwall development activities continue to show improvement and consistency, confirming longwall continuity. There will not be a longwall changeover during the 2011 financial year, with Angus Place's next changeover scheduled for the September 2011 Quarter.

**Charbon (95% interest)**

Charbon produced 1,014,000 tonnes (100% basis) from its underground and open cut operations for the year, some 300,000 tonnes short of its 2010 production target. As Charbon is a predominantly export mine, this has had a significant effect on the Group's export sales for the 2010 financial year.

The shortfall in production is almost entirely attributable to the open-cut operation, which experienced continuing delays in obtaining necessary Government approvals for its lease extension. The open-cut operation is continuing to mine the remnant Irondale seam in the interim.

As previously reported, Charbon continues to focus on extending the mine's operating life beyond that of the existing open-cut and underground operations. During the quarter, substantial recoverable reserves have been identified in the eastern underground area. Preliminary studies are underway to quantify the work necessary to access this coal, with several options under consideration. (These new reserves are included in the revised JORC Statement attached to the Quarterly Activities Report.)

Elsewhere, exploratory drilling at the proposed western underground (Haystack) has been completed. Borehole results indicate that coal quality is good, but also identified a geological feature requiring a review of the positioning of the main roadways to minimise the effect of this feature. Meanwhile, the last extraction panel in the southern section of the existing underground workings has now been completed and extraction has commenced in the main roadways.

**Clarence (85% interest)**

Clarence produced 384,000 tonnes (100% basis) for the June 2010 Quarter and 1,962,000 tonnes for the financial year. A new annual record.

Annual production was, however, approximately 100,000 tonnes below expectations, with production (and hence export sales) affected by the delayed delivery and start-up of the Flexible Conveyor Train ("FCT") and some poorer than expected mining conditions experienced in 314 development panel. The FCT commenced operations on 31 May, with pleasing early results in 710 production panel and a steady increase in production consistency thereafter.

Sales for the quarter were 423,000 tonnes (100% basis), underpinned by continued strong demand for Clarence's high-quality, low-sulphur coal, and contributed to an annual sales total of 1,959,000 tonnes.

**Ivanhoe North (100% interest)**

Ivanhoe North is a truck and shovel open-cut mine site rehabilitation operation, producing approximately 0.5 million tonnes over two years. The mine, which is a low strip ratio, low risk addition to the Group's western operations, provides a useful contribution to Group profitability.

During the June 2010 Quarter, Ivanhoe North produced 72,500 tonnes of coal destined for the export market, shipping through Port Kembla. It also has the ability to supplement supply into domestic markets.

**Springvale (50% interest)**

Springvale produced 383,000 tonnes (100% basis) during the June 2010 Quarter, down on both the previous corresponding period and on the March 2010 Quarter.

As previously advised, adverse ground conditions encountered earlier in the development of LW413 during the 2009 financial year, resulted in a mid-block changeover (or "step-around") being required. The "step-around" was completed successfully during the quarter, with the longwall recommencing production in mid-May, although conditions caused the changeover to take a little longer than anticipated.

On a full year basis, Springvale produced 2,612,000 tonnes, with sales of 2,465,000 tonnes, down on the 2009 financial year, largely the result of mining conditions and the need for two longwall changeovers in the financial year.

Following the mid-block "step-around" noted above, the next full changeover from LW413 to LW414 will occur over calendar year-end.

Open-cut operations at Lamberts Gully, adjacent to Springvale, were concluded during the June 2010 Quarter.

## Northern Region

### **Awaba (100% interest)**

Awaba continues to perform well, producing 202,000 tonnes during the June 2010 Quarter, 7% above the previous corresponding period. Annual production for the year was 797,000 tonnes.

Further work with respect to the recovery of coal pillars in old workings has been very successful, with the expectation that the mine's life will be further extended well into the 2012 calendar year.

As a result, it is anticipated that Awaba will continue to deliver its low cost thermal coal product into the domestic power generation market into 2012, enabling Mandalong to export its surplus coal into the export market.

### **Mandalong (100% interest)**

Mandalong returned a new annual production record of 5,492,000 tonnes for the 2010 financial year, an increase of 13% (615,000 tonnes) over the prior corresponding year. This increase is largely attributed to the fact that the mine incurred only one longwall changeover during the financial year, with the mine subject to a changeover every 8-9 months. (Consequently, the 2011 financial year will be subject to two changeovers, the first during August, with the second scheduled to straddle the March 2011 Quarter's end.)

In addition to the annual production record noted above, a number of other major production records were also achieved during the June 2010 Quarter, including a monthly production record of 690,000 tonnes in May and a weekly production record of 172,000 tonnes achieved during that month. All of this was achieved without a recorded lost time injury.

During the June 2010 Quarter, export infrastructure at the Cooranbong Coal Handling facility was completed, with 480,366 tonnes transported to Newstan for washing and export.

### **Mannering (100% interest)**

Mannering produced 165,000 tonnes for the June 2010 Quarter, 10% above the previous corresponding period. Production for the 2010 financial year was 729,000 tonnes, 22% above the previous year.

Mannering operates two "Place Change" units, with one unit operating in good geological conditions during the quarter, while the other unit was again relocated to an area with less geological disturbance.

A third production unit is no longer in operation, with the mine refocused as a two-unit operation and the spare equipment being prepared for the introduction of a fourth unit at Myuna.

### **Myuna (100% interest)**

Myuna produced 333,000 tonnes during the June 2010 Quarter, 20% higher than the previous quarter and 30% higher than the corresponding period – marking a steady improvement in performance.

For the full financial year, Myuna produced 1,154,000 tonnes, 2% higher than the previous year.

The successful implementation of pillar stripping (extraction) operations in the Great Northern Seam and changes to the mine layout in the Fassifern Seam has facilitated higher productivity, with the resultant June 2010 monthly production being the highest monthly production recorded at Myuna since 2004.

Myuna now has three operating units in three different seams, with two "Place Change" units (one each in the Wallarah and Fassifern seams), and a third extraction unit in the Great Northern Seam. The ex-Mannering unit is being prepared for introduction in the December 2010 Quarter.

### **Newstan (100% interest)**

Newstan remains on "care & maintenance", with ongoing activity associated with statutory inspections, mine dewatering, ventilation maintenance and environmental monitoring. An update with regard to the proposed Newstan Lochiel Project is set-out below in the Strategy & Projects section of this Quarterly Activities Report.

## Sales and Marketing – Industry Overview

Demand for all coal types into the Asian market continues to be strong.

Prices for the July - September 2010 period for metallurgical coals have been settled, with the hard coking coal price settled at US\$225 per tonne, low volatile PCI at around US\$180 per tonne, while semi-soft coking coal has settled around US\$172 per tonne.

This is the second "quarterly price" to be agreed for metallurgical coals, confirming the trend toward shorter pricing periods – supported by the continued recovery of Asian steel mills toward normal operating levels and thereby demand for metallurgical coals.

For thermal coal, it has been reported that mid-year contracts, starting from 1 July 2010, have been agreed between Japanese power companies and Australian shippers at around US\$103 per tonne. Spot prices for thermal coal over the past three months were maintained at strong levels, with the spot price above US\$100 per tonne for a period. Today, spot prices sit around US\$95-98 per tonne.

From a Centennial perspective, the Company continues to receive strong enquiries for coal to be shipped via Port Kembla and Port Newcastle. Customers continue to request the advancement of shipments, with stock levels of Australian coal generally low.

During the June 2010 Quarter, Centennial commenced shipments from the new NCIG (Newcastle Coal Infrastructure Group) terminal and can now offer its customers a greater degree of port flexibility by shipping coal from three terminals.

The NCIG coal export terminal passed its mechanical completion test on 28 June 2010 and formally moved into operational mode from 1 July 2010. NCIG is presently concluding financing for Stage 2AA, taking NCIG's capacity up to 53 million tonnes per annum.

## Health, Safety, Environment and Community ("HSEC")

Centennial has continued to demonstrate its commitment to improving its Occupational Health and Safety performance through the provision of strong safety leadership, employee safety awareness and a safe working environment - supported by robust management systems.

The Centennial Group achieved a 12-month moving average Lost Time Injury Frequency Rate (12mma LTIFR) of 11.8 at the end of June, with a June 2010 Quarterly LTIFR of 8.4. The 12-month moving average Total Recordable Injury Frequency Rate (12mma TRIFR) at the end of June was 49.5, with this quarter's rate standing at 45.5. These figures demonstrate a continuing trend of improvement.

During the June 2010 Quarter, training in safety leadership for third-party contractors' supervisory staff commenced. This training programme, developed by Centennial, is designed to reduce OHS incidents arising from the Group's use of third-party contracting firms and is aligned with the Company's successful in-house safety leadership training programme. Training for frontline supervisors in incident investigation also commenced during the period, with improved analysis of incidents identifying the "root cause" and thereby assisting in the further improvement of safety.

All senior operational personnel attended a second workshop during the quarter to further develop the new "Next Step" safety initiative (mentioned in the March 2010 Quarterly Activities Report). This second workshop built on the outcomes of an initial workshop involving Centennial Senior Management. The "Next Step" programme is expected to be completed during the next quarter. It is anticipated that this new initiative will further improve safety, building on the success of the original "Step Change" programme.

**NSW Minerals Council 2010 OHS Innovations Conference:** The NSW Minerals Council 2010 OHS Innovations Conference was held in May 2010, with Mannering announced as the Innovation Award winner for its "Strap Lifter" innovation. This innovation is a device that eliminates manual handling activities associated with handling steel strata control devices (known as "straps") in an underground coal mine, significantly reducing the potential for injuries in the management of roof and strata control.

Angus Place received a "Highly Commended" citation in the health category for its "Drill Rig Mounted Cable Pusher". This innovation reduces the amount of manual handling required for inserting strata control cable bolts into the roof of an underground mine. Angus Place installs approximately 20,000 bolts each year.

**Environment:** During the June 2010 Quarter, there were no major environmental incidents. As previously reported, a water discharge incident occurred at Newstan Colliery in August 2008 that resulted in Centennial being charged with a water pollution offence. Centennial pleaded guilty to this offence and the matter came before the Land and Environment Court in May 2010 to hear submissions. A judgement is expected in the September 2010 Quarter.

**Evolution:** Following on from a workshop with Centennial Senior Management, workshops were held during the June 2010 Quarter with mine management and environmental personnel to continue the development of the "Evolution" programme. This programme, which leverages off the lessons learnt from the successful safety "Step Change" programme, seeks to identify and implement environmental management initiatives to further improve environmental management performance across the Group.

**Climate Change:** During the June 2010 Quarter, Centennial submitted carbon data to the international Carbon Disclosure Project. The Carbon Disclosure Project collects carbon and climate change information from over 2,500 organisations across 60 countries and represents more than 500 institutional investors with over US\$64 trillion in assets under management and is the largest global climate change reporting system of its kind.

**Community:** Centennial continues to engage with the local communities in which it operates and was involved in numerous local community events during the June 2010 Quarter, including the West Cycle Classic (an annual fundraising event for the Westpac Rescue Helicopter Service) and the Hunter Environment Institute Conference. The Company also provided a financial commitment to support the Lithgow Aquatic Centre.

Further information on environmental initiatives and community involvement can be viewed at [www.centennialcoal.com.au](http://www.centennialcoal.com.au).

## Strategy & Projects

### All Cash Takeover Offer Received

On 5 July 2010, the Company announced that it had received an all cash takeover offer (the "Offer") at A\$6.20 cash per share for all outstanding Centennial shares not already owned or controlled by Banpu. (A copy of this announcement was released to the ASX before trading on 5 July 2010 and is available from the ASX or by visiting the Company's website at [www.centennialcoal.com.au](http://www.centennialcoal.com.au) and selecting the "Banpu's Offer for CEY" button.)

Centennial Directors have unanimously recommended that Centennial's Shareholders accept the Offer in the absence of a Superior Proposal and subject to an independent expert finding that the Offer is fair and reasonable to Centennial Shareholders.

The Offer price represents a 55% premium to the closing price on 5 May 2010, being the day prior to Banpu Plc announcing it had acquired a relevant interest in 14.9% of the shares in Centennial, and a 40% premium to the last traded price prior to announcement of the Offer.

Centennial currently expects Banpu to dispatch its Bidder's Statement, and that the Offer acceptance period (a minimum one-month period) to begin on 29 July 2010. Centennial's Target's Statement (which will include an independent expert's report containing the expert's opinion as to whether the Offer is fair and reasonable to Centennial Shareholders) is expected to be dispatched in mid-August 2010.

### Newstan Lochiel Project

Newstan Lochiel is a proposed 4 million ROM tonnes per annum mine, producing approximately 3.2 million saleable tonnes per annum. Lochiel is adjacent to and plans to utilise the export infrastructure at the existing Newstan operation.

Mining alternatives have been defined for the project, with scheduling and financial modelling of these alternatives also completed. Sensitivity studies are currently being finalised which, when completed, will enable the project pre-feasibility study to be considered ahead of a proposed investment decision.

During the quarter, the exploration programme continued, with 48 slim core boreholes now and two large diameter boreholes completed. Samples from these boreholes are being analysed and will provide valuable information for coal washability studies. Coal quality is known to be appropriate to produce a high-quality semi-soft coking coal fraction together with a domestic thermal product or, alternatively, it will be possible to produce a 100% export thermal product.

### Mandalong Southern Extension

The Mandalong South area is an extension to the existing Mandalong operation. Currently, a drilling programme is underway, with mine planning based on the integration and continuation of the existing Mandalong workings into this resource area. Five drillholes have now been completed, with an additional 45 holes planned.

### Inglenook Project

Inglenook covers four exploration areas known as Ilford (EL 7431), Cameron Road (EL7432), Melrose (EL7442) and Cherry Tree Hill (A414). These areas are in close proximity to Centennial's operations in the Western Coalfield and adjacent to the western rail line, enabling direct access to the Port Kembla coal export terminal. Inglenook has the opportunity to utilise the existing coal preparation and loading facilities at Charbon, where natural economies of scale can potentially deliver value in the future.

Inglenook has an estimated total coal resource of approximately 256 million tonnes (\* JORC Compliant – please refer to the Company's latest JORC compliant Statement of Resources & Reserves as at 30 June 2010 attached this Quarterly Activities Report).

Planning of the exploration programme is progressing and community consultation has commenced. The recently established project team has been focussed on assessing available geological and environmental information.

## Finance and Hedging

### Foreign Exchange Hedging Disclosure – 30 June 2010

		2010/11	2011/12	2012/13	Total
<b>Forwards</b>					
Principal	US\$M	64.0	32.0	45.0	141.0
Rate	A\$/US\$	0.8098	0.7965	0.7894	0.8002
<b>Bought A\$ Call Options</b>					
Principal	US\$M	312.0	112.5	22.5	447.0
Strike Price	A\$/US\$	0.8984	0.8932	0.8875	0.8965
<b>Sold A\$ Put Options <sup>(1)</sup></b>					
Principal	US\$M	268.5	94.5	22.5	385.5
Strike Price	A\$/US\$	0.8276	0.8177	0.7582	0.8208
<b>Total Hedged (at worst case rate)</b>					
Principal	US\$M	376.0	144.5	67.5	588.0
Rate	A\$/US\$	0.8820	0.8698	0.8196	0.8714
<b>Total Hedged (at best case rate) <sup>(1)</sup></b>					
Principal	US\$M	332.5	126.5	67.5	526.5
Rate	A\$/US\$	0.8241	0.8122	0.7787	0.8151

Notes accompanying foreign exchange hedging disclosure:

- (1) Sold A\$ Put Options allow Centennial to participate in a depreciation of the A\$, to the average levels specified, provided the spot rate stays below these levels.
- (2) During the June 2010 Quarter, the average exchange rate achieved was A\$1=US\$0.8811.
- (3) The mark to market valuation of the foreign exchange hedge book at 30 June 2010 was an unrealised loss of A\$11.0 million (at an exchange rate of A\$1=US\$0.8512). This compares with an unrealised loss of A\$19.3 million as at 30 June 2009 (at an exchange rate of A\$1=US\$0.8135).

Volatility in foreign exchange markets continues to cause extreme fluctuations in unrealised A-IFRS foreign exchange hedge accounting gains or losses arising from the use of foreign currency collar options (as required to be reported under A-IFRS). The effects of this volatility over recent accounting periods is set-out in the table below:

Accounting Period	Exchange rate at end of period	Pre-tax gain/(loss) A\$M
6 months ended 31 December 2008	0.6928	(11.4)
12 months ended 30 June 2009	0.8135	(6.9)
6 months ended 31 December 2009	0.8967	9.9
12 months ended 30 June 2010	0.8512	(2.5)

In order to facilitate a proper comparison of underlying profitability between periods, Centennial has chosen to disclose these unrealised foreign exchange hedge accounting gains and losses as "Significant Items" in its semi-annual financial reports. The \$9.9 million pre-tax unrealised gain at December 2009 has reversed into a \$2.5 million pre-tax unrealised loss, a \$12.4 million turnaround.

Furthermore, this non-cash adjustment does not represent today's position, with the 30 June 2010 balance date pre-tax unrealised A-IFRS FX hedge accounting loss of \$2.5 million having already reversed and become a pre-tax gain of \$14.5 million as at 26 July 2010, a turnaround of \$17.0 million in less than a month.

### Thermal Coal Hedging Disclosure – 30 June 2010

		2010/11	Total
<b>A\$ Coal Options</b>			
Quantity	Metric Tonnes ("mt")	60,000	60,000
A\$ Put	A\$/mt	\$82.50	\$82.50
A\$ Call	A\$/mt	\$103.50	\$103.50

Notes accompanying thermal coal hedging disclosure:

- (1) The coal swaps are against the GlobalCOAL NEWC Index.
- (2) The coal swaps are OTC (Over-the-Counter) products executed with Centennial's banks.
- (3) All US\$ Coal Swaps were closed-out in the December 2009 Quarter.
- (4) During the June 2010 quarter, 30,000 tonnes of A\$ coal options matured at a net cost of \$0.3 million. The mark-to-market valuation of the coal hedge book at 30 June 2010 was an unrealised loss of A\$1.1 million (at an average forward coal price of US\$98.79/mt and an exchange rate of A\$1=US\$0.8512). This compares with an unrealised loss of A\$9.3 million as at 30 June 2009.

## Dividend

### **Dividend Declaration**

As previously advised on 5 July 2010, via the announcement of Banpu's all-cash takeover offer, the Bid Implementation Agreement between Banpu and Centennial permits Centennial to pay a final dividend of up to 4 cents per share. It was also advised that, in the event that such a dividend is paid, Shareholders would be entitled to keep the dividend without adjustment to the takeover Offer price.

In light of the Banpu takeover offer and the imminent despatch of Banpu's Bidder's Statement, the Directors have brought forward consideration of the final dividend. Accordingly, the Directors have declared a final dividend of 4 cents per share, partially franked to 40%, (2009: 4 cents fully franked).

Key dates to note with respect to the final dividend are:

- 30 July 2010 - shares trade "ex-div".
- 5 August 2010 - record date for dividend entitlement.
- 8 October 2010 - dividend payment date.

Centennial does not anticipate paying tax for the financial year ended 30 June 2010, largely as a result of the application of the Federal Government's investment allowance tax provisions to the Group's applicable capital expenditure. Accordingly, the Directors have determined that the 2010 final dividend of 4 cents per share can only be franked to 40%.

### **Suspension of the Dividend Reinvestment Plan ("DRP")**

In light of the announcement of Banpu's takeover offer for all the Centennial shares not already owned or controlled by Banpu ("the Banpu Bid"), the Directors considered it appropriate to modify the rules of the Dividend Reinvestment Plan ("DRP") and have suspended the operation of the DRP until the end of the offer period with respect to the Banpu Bid.

A copy of the modified DRP rules will be attached to a separate ASX announcement, which will be released later today.

## Statement of Resources & Reserves as at 30 June 2010

Centennial has completed its annual review of its Statement of Resources & Reserves. This updated Statement of Resources & Reserves contains an increase in reserves at Charbon (as noted above) and also a first-time recognition of a significant 256 million tonne resource at Inglenook. The Group's latest JORC Statement of Resources & Reserves as at 30 June 2010 can be found as an attachment to this Quarterly Activities Statement.

## Other Corporate

### **Share Capital Movements**

#### **Exercise of Options**

During the June 2010 Quarter, 217,500 options were exercised under the Senior Executive and Director Share Option Scheme ("1999 Scheme").

#### **Interim Dividend**

On 18 February 2010, the Company announced an interim dividend of 4 cents per share (50% franked) to be paid to those Shareholders recorded on the Share Register on 1 April 2010, the "record-date".

The 2010 interim dividend was paid on 20 April 2010 and totals \$15.8 million, with \$4.1 million satisfied via the issue of 941,650 shares under the Company's Dividend Reinvestment Plan ("DRP").

On 20 April 2010, the Company allotted 941,650 shares to those Shareholders who elected to take their 2010 interim dividend in the form of shares, representing 26.3% of the total dividend payable. The shares were allotted at \$4.3888 per share, being the 5-day volume weighted average price of the Company's shares between 9 April to 15 April 2010. (**Note:** As previously advised, the pricing period is the five days commencing on the fourth day after the "record date".)

A discount of 2.5% per DRP share applied to those Shareholders who chose to receive their dividend in the form of shares.

## June 2010 Full-Year Financial Report

The Company intends to report its June 2010 Full-Year Result on 16 August 2010.

## September 2010 Quarterly Activities Report

The Company's next Quarterly Activities Report is indicatively scheduled for release on 26 October 2010.

## Glossary

A glossary of technical mining terms is available on the Company's website [www.centennialcoal.com.au](http://www.centennialcoal.com.au) and / or at the back of the 2009 Annual Report.

## Corporate Information

### Directors

Kenneth Moss	Chairman
Robert Cameron	Managing Director and Chief Executive Officer
Bruce Allan	Non-Executive Director
Catherine Brenner	Non-Executive Director
Richard Grellman	Non-Executive Director
Paul Moy	Non-Executive Director

### Senior Group Management

Robert Cameron	Managing Director and Chief Executive Officer
Louise Baldwin	General Counsel
Katie Brassil	Group Manager External Affairs
Robert Dougall	Chief Financial Officer
Tony Macko	General Manager Corporate Affairs and Company Secretary
David Moulton	Chief Operating Officer
Michael Ngo	Group Manager Strategy and Development
Peter Parry	General Manager Financial Control
Ian Williams	General Manager Marketing
Brendon Wilson	Deputy General Manager Marketing

### Company Secretary

Tony Macko

### Issued Capital

As at 30 June 2010, the issued capital of the Company was 394,998,737 fully paid ordinary shares. Since the end of the June 2010 Quarter, the issued capital of the Company has risen to 395,028,737 fully paid ordinary shares through shares issued following the exercise of executive options (refer above).

### Substantial Shareholders\*

Banpu Public Company Limited (Banpu)	-	19.89%
Credit Suisse Holdings (Australia Limited)	-	6.15%
National Australia Bank Limited	-	8.06%
JPMorgan Chase & Co (and its affiliates)	-	5.50%
UBS AG	-	5.05%

\* **Note:** Does not necessarily take account of recent changes in the Company's share capital.

### Equity Incentives / Rights Over Ordinary Shares

Since the the end of the June 2010 Quarter, 30,000 options have been exercised and 35,000 options have lapsed with respect to the Company's Senior Executive and Director Share Option Scheme ("1999 Scheme").

Consequently, Centennial presently has 1,495,000 options outstanding under the 1999 Scheme.

With regard to the Company's Performance Rights and Option Plan ("PROP"), 105,000 options and 68,000 share performance rights have lapsed.

Consequently, the total amount of equity incentives on issue under the Company's Employee Incentive Schemes (the 1999 Scheme and PROP) amounts to 8,853,183 units (on a one-for-one basis). This represents 2.24% of the Company's currently listed ordinary shares, and is within the 7% limit approved by Shareholders.

All incentives are subject to performance hurdles except for 528,500 shares issued to professional staff under the Deferred Incentive Share Plan ("DISP"), which vest progressively upon the individual being in the employ of Centennial Group Companies on the first, second and third anniversaries of their issue.

(**Note:** Banpu has agreed to make an offer to cancel all outstanding equity incentives for a cash amount, per equity incentive, equal to the difference between the payment proposed to be offered under the takeover bid in respect of each Centennial Share and the exercise price (if any) of the relevant incentive.)

June 2010

**Full Company Name & Registered Office**

Centennial Coal Company Limited  
ABN 30 003 714 538

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Sydney NSW 2000  
Australia

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Facsimile: +61 2 9261 5533

E-mail: [cey1@centennialcoal.com.au](mailto:cey1@centennialcoal.com.au)

**Website** [www.centennialcoal.com.au](http://www.centennialcoal.com.au)

**Stock Exchange Listing**

Australian Securities Exchange  
Home Exchange – Sydney NSW  
The Company's ASX code is "CEY"

**Shareholder Enquiries**

Computershare Investor Services Pty Limited  
Level 3, 60 Carrington Street  
Sydney NSW 2000

Telephone: 1300 855 080 (Investor Enquiries)  
Facsimile: + 61 2 8234 5050

Website: [computershare.com](http://computershare.com)

## Statement of Resources and Reserves (millions of tonnes) – as at 30 June 2010

Mine/Project	Mining Method	Measured Resource	Indicated Resource	Inferred Resource	Total Resource	Proved Reserve	Probable Reserve	Total Coal <sup>(4)</sup> Reserves	Marketable Reserve <sup>(5)</sup>
Airly	Cont. Miner	0.0	98.1	21.0	119.1	0.0	34.3	34.3	34.3
Angus Place	Longwall	80.1	176.9	0.0	257.0	25.0	2.2	27.2	27.2
Awaba	Cont. Miner	4.4	0.0	37.0	41.4	1.4	0.0	1.4	1.4
Charbon	Cont. Miner & Open-cut	10.0	7.9	0.0	17.9	3.2	6.0	9.2	7.4
Clarence	Cont. Miner	35.5	193.1	0.0	228.6	7.6	43.0	50.6	47.5
Inglenook <sup>(6)</sup>	Underground Project	0.0	54.4	202.0	256.4	0.0	0.0	0.0	0.0
Ivanhoe	Open-cut	2.9	4.2	0.0	7.1	1.3	0.5	1.8	1.8
Mandalong	Longwall	93.5	185.1	3.0	281.6	34.0	56.5	90.5	90.5
Manning <sup>(7)</sup>	Cont. Miner	8.9	293.3	0.0	302.2	1.7	7.8	9.5	9.5
Myuna <sup>(8)</sup>	Cont. Miner	2.6	343.4	101.0	447.0	0.0	18.4	18.4	18.4
Neubecks <sup>(9)</sup>	Open-cut Project	31.0	1.9	0.0	32.9	16.4	1.7	18.1	18.1
Newstan <sup>(10)</sup>	Cont. Miner Project	22.6	74.1	8.0	104.7	2.8	10.5	13.3	11.3
Newstan Lochiel	Longwall Project	63.5	137.7	0.0	201.2	0.0	65.9	65.9	52.7
Springvale	Longwall	109.9	60.5	0.0	170.4	37.0	29.3	66.3	66.3
<b>TOTAL</b>		<b>464.9</b>	<b>1,630.6</b>	<b>372.0</b>	<b>2,467.5</b>	<b>130.4</b>	<b>276.1</b>	<b>406.5</b>	<b>386.4</b>

**Notes to be read in conjunction with this JORC Statement:**

- Resources and Reserves are reported as at 30 June 2010 and are in accordance with the 2004 Australasian Code for Reporting Identified Mineral Resources and Ore Reserves (JORC Code). All figures reported are on a 100% holding basis.
- The Measured and Indicated Resources are inclusive of those Resources modified to produce the Proved and Probable Reserves. Inferred Resources are rounded down to the nearest million tonnes.
- The above table has been compiled from Resource and Reserve estimate reports prepared by Competent Persons (considered suitably experienced under the JORC Code). The Competent Persons consent to the inclusion in this Statement of matters based on their work in the form and context in which it appears. The Competent Persons who have prepared the estimates are: M. Ives of Centennial Coal Company Limited (Resources for Airly, Angus Place, Awaba, Charbon, Clarence, Inglenook, Ivanhoe, Mandalong, Manning, Myuna, Neubecks, Newstan, Newstan Lochiel and Springvale); A. Myors of Centennial Coal Company Limited (Reserves for Airly, Angus Place, Charbon, Clarence, Ivanhoe, Neubecks and Springvale); and N. Alston of Centennial Coal Company Limited (Reserves for Awaba, Mandalong, Manning, Myuna, Newstan and Newstan Lochiel).
- For all mines, Total Coal Reserves are an aggregate on a 100% yield basis.
- For Airly, Angus Place, Awaba, Ivanhoe, Mandalong, Manning, Myuna, Neubecks and Springvale, Marketable Reserves are reported on a 100% yield basis as raw coal from these mines is considered to be 100% marketable. For the remaining mines, coal preparation facilities are used to enhance product specifications and hence Marketable Reserves are stated subject to the following yields:

• Charbon	80%
• Clarence	94%
• Newstan	85%
• Newstan Lochiel	80%

- Inglenook includes resources previously reported for Cherry Tree Hill.
- Manning resources include EL6639.
- Myuna resources and reserves include Wallarah, Great Northern and Fassifern Seams.
- Neubecks includes resources and reserves previously reported as Worgan Road.
- Newstan includes both upper and lower seam Resources and Lower Seam Reserves.
- Resources for Awaba, Mandalong, Manning and Myuna are stated on an 'in-situ' moisture basis.
- Resources for Airly, Angus Place, Charbon, Clarence, Inglenook, Ivanhoe, Neubecks, Newstan, Newstan Lochiel and Springvale are stated on an 'air-dried' moisture basis.
- Reserves and marketable reserves are quoted on an 'as-received' moisture basis.

June 2010