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David Hatfield
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Australian Competition & Consumer Commission
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8 December 2008

Dear Mr Hatfield

PUBLIC FILE VERSION

Submission in relation to Applications A9110 - A9112 - Application for authorisation from Port Waratah Coal Services Limited and Newcastle Coal Infrastructure Group

Centennial Coal Company Limited (**Centennial**) makes this submission in response to the application for Authorisation by Port Waratah Coal Services Limited (**PWCS**) and Newcastle Coal Infrastructure Group Pty Ltd (**NCIG**) (collectively the **Applicants**).

This submission is for the public file. Certain confidential information in Annexures A-C and at paragraph 3.25 has been redacted on the basis that it contains commercially sensitive information which would damage Centennial if disclosed.

1 Background

1.1 The Applicants have applied to the ACCC for authorisation of the PWCS Tonnage Allocation Stage 1 (**Stage 1 Allocation**) (set out in Attachment 1 of the Applicants' Submission). The Applicants propose the Stage 1 Allocation as a measure to:

- manage access to coal loading services at the Port of Newcastle given imbalances between demand and capacity; and
- provide the basis for a long term system of managing access to and expansion of coal terminal capacity.

1.2 The Applicants have also applied for Authorisation of any Long Term Terminal Access Protocols (**Long Term Protocols**) which are developed and agreed to in the future by Producers, the Applicants and/or any Hunter Valley Coal Chain participant as approved by the ACCC.

1.3 While Centennial recognises the need for an industry solution to manage access to coal loading services at the Port of Newcastle, it does not believe that the Stage 1 Allocation as it stands is an appropriate solution.

2 Summary of our concerns - Authorisation should only be granted on a condition rectifying the formula to address unused capacity and Centennial's position

2.1 Centennial requests that a condition be imposed on the authorisation to rectify the calculation of the Producer Base Tonnage. This calculation appears to depart from the

SYD2666

Key Terms of the Producer Agreement dated 26 June 2008 (**Producer Agreement**) and from the recommendations of Mr Greiner.

2.2 If this is not addressed, the formula will cause significant harm to Centennial, reducing its export capacity requirements from PWCS by a significant percentage in 2009 (refer to **Confidential Annexure C**).

2.3 As we will show below, this will also result in a dead weight loss of capacity which would otherwise be available within the overall system constraints.

2.4 PWCS' capacity is 102mt, but only 96.7mt is proposed for 2009 due to constraints in rail transport. If Centennial's condition is accepted, the overall system will be able accommodate up to 97.1mt in 2009 as Centennial will be able utilise available back-loading and empty rail wagons to ship up to an additional 450,000 tonnes.

2.5 This issue has long term significance since the method used to determine the Producer Base Tonnage used in the Stage 1 Allocation is likely to form the basis of the capacity allocated to each producer under the Long Term Protocols.

2.6 While acknowledging the necessity that a solution be in place on 1 January 2009, Centennial requests that the ACCC impose a condition (outlined below) on any interim or final authorisation in order to allow coal chain capacity to be allocated equitably between producers and to ensure that the burden of the arrangement does not fall more heavily on one producer over others.

2.7 Imposing such a condition would allow total exports from the Hunter Valley to increase by up to 450,000 tonnes (with an approximate value gain of up to $45m to the industry), without material harm or loss to other producers whose capacity entitlements will be unaffected or not materially affected by Centennial's condition.[1]

2.8 In the absence of such a condition, Centennial would be effectively locked out from exporting and would not be able to continue supplementing its lower priced domestic contracts with higher prices derived on export. This would force Centennial to reassess its business model and could lead to reduced production and job losses from currently operating mines.

3 Proposed methods of calculation

The Applicants' proposal

3.1 The Stage 1 Allocation provides for Aggregate Base Tonnages for 2009 to be 96.7mt.

3.2 For each producer, their Producer Base Tonnage will be determined by comparing their highest '*actual allocation usage*' pursuant to the capacity balancing systems in place for 2004-2007 (**Highest Actual Usage**) or their PWCS '*binding demand nominations*' for 2008 proportionally reduced to 95mt (**2008 Allocation**).

3.3 Tne Applicants have not clearly explained these two different measures of allocation. The 2008 Allocation is based on binding demand nom nat ons submitted to PWCS for 2008 as proportionately reduced under the capacity balancing system. In practice, the 2008 Allocation will be used by all but a few producers such as Centennial. Thus, the 2008 Allocation operated by reference to producers' nominations, and was not linked to the source of coal.

'*Highest Actual Usage*' is defined in the Applicants' Submission as a producer's:

> "*...highest actual usage of coal handling services expressed in tonnes in a Calendar Year [2004 - 2007] as determined by PWCS in accordance with the*

[1] This is a classic example of Pareto Optimality i.e. the point which improves the position for all producers at a loss to none.

usage provisions of the Coal Handling Services Agreement in force during each relevant year".

3.4 What the Applicants' Submission does not make clear is that this definition applies in a discriminatory manner. This definition for 2004-07 is much narrower than the 2008 definition and limits a producer's usage to coal which has been sourced from that producer's own mines, regardless of volume exported from other sources (such as the swap arrangements that were common over that period). The 2008 calculation is not so limited (refer to the attached confidential email from Michael Dowzer of the Greiner Review team at **Confidential Annexure A**).

3.5 Centennial's position is that the meaning of the phrase "*highest throughput*" in the Producer Agreement (see below) and the phrase in the Greiner Report "*best allocation tonnage in the period 2004 to 2007*" contain no condition restricting the tonnage to that sourced from the producer's mines and should in fact be interpreted as "*throughput through the port*".

3.6 This would take into account producers' total exports as measured by that producer's bill of lading tonnage, i.e. it would take account of a situation where a producer has exported coal which it has acquired from other sources.

3.7 As part of the Greiner Review discussions, Centennial accepted the definition for the 2004-2007 year on the understanding that it would take account of a producer's total actual exports/shipments.

3.8 Indeed, the main body of the Producer Agreement of 26 June 2008 (as attached to Attachment 3 of the Confidential Version of the Applicants' Submission in support of Authorisation, see point 1 on page 1) which was negotiated over a long period of time adopts the definition of "*actual throughput*" for the 2004-2007 year which is consistent with our interpretation. It states:

> "*producers can use either their 2008 allocation or their highest throughput from 2004-2007 as the basis for ongoing allocation in PWCS*"

3.9 On the other hand, Attachment 1 to the draft Producer Agreement adopts the definition of "*actual allocation usage*".

3.10 The alternative formulation gained currency when, pursuant to the Attachment 1, Mr Michael Dowzer sent an email with each producer's tonnage allocation calculated on the basis of coal from the producers own mine pursuant to a model circulated by Brett Lewis of Bloomfield (refer to **Confidential Annexure A**).

3.11 Attachment 1 to the Producer Agreement was a last minute document which was distributed to producers one day prior to the day that the Producer Agreement was submitted to the Greiner Review and was drafted without Centennial's input or agreement.

3.12 Centennial has raised its concerns about the change to the formula in a number of contexts and with relevant parties.

3.13 However, it has not been possible for Centennial to obtain a substantive response from the other producers on this issue. This may be due to the fact that the issue only became apparent quite late in the negotiation process and Centennial is the only producer who is disadvantaged by the current definition.

3.14 Centennial has not received a substantive response or explanation from any party as to any reasons why Centennial's request should not be met nor any examples of any hardship or loss which would be suffered.

The effect on Centennial

Centennial currently supplies coal into the domestic market as well as the export market. Coal in the domestic market is generally sold under long-term supply contracts whilst coal in the export market is generally sold based on annual price renegotiations. Typically, the export price of coal is greater than the domestic price. Centennial is able to operate this way by supplementing its lower price domestic contracts with higher price export contracts.

3.16 The loss of this export revenue will significantly impact on Centennial's business model and may force it to reduce production and staff numbers in currently operating mines. This would have significant flow on economic effects for the region.

3.17 In the last few years, due to operational difficulties at Centennial's Newstan mine (refer to the attached market announcements at **Annexure B**), coal which would otherwise have been exported by Centennial has had to be diverted domestically to service long-term domestic contracts. This has artificially depressed Centennial's export levels over the last few years. This is supported by the figures which Centennial submitted to PWCS in various forecasts.

3.18 With a gradual drop-off in long term domestic contracts and the overcoming of these operational problems, Centennial will be in a position to significantly increase its export levels for 2009/10 and beyond.

3.19 The net effect of the proposed Stage 1 Allocation for Centennial is to reduce its export capacity requirements from PWCS by a significant percentage in 2009.

3.20 The confidential table in **Confidential Annexure C** highlights the differences in allocated capacity for Centennial between Centennial s forecast export capac ty, the App icants' proposed Base Tonnage calculation, and Centennial s preferreo calcu ation for 2004-2007.

3.21 Centennial submits that the Applicants' Submission provides no rational explanation for adopting different methods of calculation for the 2004-2007 and 2008 periods. The obvious result is that producers who happened to receive a high allocation in 2008 are significantly advantaged over those who rece veo a higher allocation w thin the 2004-2007 period such as Centennia . In the case of Centennial, this results in a significant reduction in port capacity entitlement.

Centennial's proposed calculation

3.22 Recognising that any effects on other producers' Base Tonnage needs to be minimised, Centennial proposes a compromise solution that takes into account the burden on Centennial resulting from the Applicants' proposal without imposing significant detriment to other producers.

3.23 This method of calculation involves the following steps:

1 increasing the Aggregate Base Tonnage from 96.7mt to 97.1mt (see discussion on the benefits arising from the proposal below); and

2 allocating capacity using actual throughput as measured by bill of lading tonnage

3.24 As discussed below, Centennial would prima facie be allocated up to an additional 0.45Mt (subject to compression) under this method At the same time, Centennial calculates that there would be no impact of its proposal in terms of reducing allocation to other producers, or at worst would be only 0.4%.

3.25 The following table illustrates these percentages.

	Scenario 1	Scenario 2	Scenario 3
PWCS/NCIG Submission			
Base Tonnage (mt)	96.70	96.70	96.70
Port/Coal Chain Capacity (mt)	94.00	96.00	98.00
Percentage Entitlement	97.21%	99.28%	101.34%
CEY Proposal			
(i) Base Case			
Base Tonnage (mt) (additiona 0.45mt for CEY)	97.15	97.15	97.15
Port/Coal Cha n Capacity (mt) (increases by 0.45mt)	94.45	96.45	98.45
Percentage Entitlement	97.22%	99.28%	101.34%
Impact on Other Producers	**0.00%**	**0.00%**	**0.00%**
(ii) Worst Case			
Base Tonnage (mt) (additional 0.45mt for CEY)	97.15	97.15	97.15
Port/Coal Chain Capacity (mt)	94.00	96.00	98.00
Percentage Entitlement	96.76%	98.82%	100.87%
Impact on Other Producers	0.45%	0.46%	0.47%
Impact on CEY			
[Confidential]	**[Confidential]**		
[Confidential]	**[Confidential]**		
[Confidential]	**[Confidential]**		

Explanatory Footnote

(i) The above table shows the total base tonnage of all producers versus Port Waratah's potential throughput for 2009 for competing proposals

(ii) Scenario 1 to 3 shows the different port capacity levels for Port Waratah for 2009

(iii) Under the CEY Base Case, total base tonnage and total port capacity increases by up to 0.45mt correspondingly leading to a neutral outcome for other producers

Benefits arising from Centennial's proposal

3.26 The coal to be exported by Centennial is sourced from the Newstan mine. The Newstan mine is located approximately 25 kilometres south from the Port of Newcastle and is on the railway line from Sydney to Newcastle. Empty coal trains currently run past Newstan from the domestic power stations via the Port of Newcastle to supplying mines in the Hunter.

3.27 In general terms, the stated capacity of PWCS is currently around 102mtpa, however, its actual coal chain capacity is currently around 94mtpa. There are various reasons for this but the key reason is generally acknowledged to the performance of the coal chain, in particular the issues with the rail network.

3.28 In this regard, Centennial has been informed by Pacific National and the Hunter Valley Coal Chain Logistics Team that additional coal can be transported to the Port of Newcastle from Newstan with no impact on the rail system's capacity, and thus on overall total coal chain capacity. This is because these trains would otherwise be "empty" trains.

3.29 As a result, if Centennial were to have access to increased port capacity as it proposes, in accordance with its actual "*best allocation usage in the period 2004 to 2007*", total exports from the Hunter Valley would in fact increase by approximately up to $45m (450,000 tonnes at $100/tonne).

3.30 In this scenario, there would be no adverse effect on the allocation of other producers.

3.31 **This change to the system would deliver substantial additional public benefits by increasing efficient utilisation of the coal chain system and leading to increased export volumes.**

3.32 This would also benefit the State by way of increased revenues. Mining royalties in New South Wales are calculated on an ad valorem basis: the higher the sale price, the higher the royalty. Assuming a relatively conservative export coal price of A$100 per tonne for 2009, up to 450,000 tonnes of coal exported will earn the State Government approximately $2.5 million in royalties.

3.33 This royalty would be more than halved if no condition was imposed on the Stage 1 Allocation and Centennial was unable to export and forced to sell on the domestic market (approximately $1 million) and reduced even further, if the inability to export forced Centennial to reassess its business model and contract its operations.

4 Public benefits and detriments

4.1 The Applicants outline public benefits resulting from the proposed Stage 1 Allocation. However, the Applicants' Submission fails to properly consider the public detriments of the proposed allocation method and indeed, on the public benefits that the Applicants assert their proposal will deliver.

Impact on competition

4.2 The practical effect of the Stage 1 Allocation is that it will be likely to entrench an existing producer's entitlement to port capacity going forward, irrespective of whether that is representative of its future export requirements. Correspondingly, it may effectively lock producers such as Centennial out of the export market due to the fact that the company's historical exports are significantly less than its forecast exports. As mentioned previously, Centennial's business model is predicated on combining the benefit of higher priced export contracts to supplement its lower price domestic contracts.

4.3 The thermal coal export market is relatively concentrated and Centennial is one of the few remaining independent coal producers in Australia. Locking Centennial out of the export market would further increase market concentration and potentially lead to higher export coal prices. This will then flow through to increase coal prices in the domestic market which are influenced by the export coal price.

4.4 In addition, the inability to export would impact on the financial viability of Centennial's existing mines which currently supply a significant percentage of the domestic market at prices below export prices. If Centennial was to shut these mines down, it would have a major impact on the domestic market given that Centennial currently supplies approximately 46% of the NSW generators' coal requirements.

4.5 The flow on effects of such a consequence would have serious detrimental impacts not only on competition, but for employment, consumers and the whole Hunter Valley coal industry.

Public detriment resulting from inefficient use of investment

4.6 Centennial has made significant investments to enable it to operate at full capacity and produce coal to export, only to find that its ability to recover these sunk costs may now be damaged through a measure of allocation which severely restricts its ability to export.

4.7 The result is that the Stage 1 Allocation creates economic inefficiencies by preventing a producer who has invested in resources from efficiently recovering on this investment.

5 Interim authorisation

5.1 The Applicants submit that granting interim authorisation would not prevent the Hunter Valley coal industry from being able to return to its pre-authorisation state if the ACCC were ultimately to deny authorisation. However, this fails to recognise that interim authorisation means that the potential detriment of the proposed solution will "bite" from the moment it is first introduced, since producers seek to contract for capacity on a forward looking basis.

5.2 Moreover, the Applicants submission does not make clear that the Base Tonnage determined during the Stage 1 Allocation will in fact be the Base Tonnage used to allocate capacity for the solution authorised in any final authorisation.

5.3 On one reading, the Applicants' Submission might suggest that there is scope to renegotiate or reassess the Base Tonnage allocations, and that the ACCC will have a further opportunity to consider this when considering the proposed MOU and Long Term Access Protocols to be provided, respectively, by end March and end June next year.

5.4 However, from the producer's discussions to date, the general understanding amongst producers is that this issue will not be altered as part of any Long Term Access Protocol. Further, the draft Producer Agreement implicitly assumes this to be the case and in fact, given that interested parties have spent approximately 12 months negotiating this solution, an interim authorisation on the tonnage allocation basis proposed by the Applicants would reduce any incentive for a different solution to be reached.

5.5 The potential anticompetitive effects of the proposal warrant caution and emphasise the undesirability of shifting the status quo on an interim basis. The detail must be considered and the balance of public benefit and detriment properly assessed before a new scheme is implemented under the protection of an interim authorisation.

5.6 Any risk of reverting to a scenario without a capacity allocation system can be balanced by imposing a condition on interim authorisation as set out below. To authorise, even on an interim basis, the Stage 1 Allocation without such a condition, would, in Centennial's view, amount to an inappropriate exercise of the ACCC's interim powers.

6 Proposed condition

6.1 Centennial proposes that the ACCC should authorise the Applicants' proposal only on the express condition of the authorisation that the following amendments be made to the PWCS Tonnage Allocation Stage 1 as set out in Attachment 1 of the application:

1 the Aggregate Base Tonnage set out in section 6.1 be increased from 96.7mt to 97.1mt; and

2 the definition of Highest Actual Usage in the Dictionary be amended by the insertion of the words '*or bill of lading tonnage*' so that it reads: '*each Producer's highest actual usage of coal handling services <u>or bill of lading tonnage</u> expressed in tonnes for a Calendar Year for any of the Calendar Years 2004, 2006, 2006 or 2007 as determined in accordance with the usage provisions of the Coal Handling Services Agreement in force during each relevant year*'.

6.2 In Centennial's submission, the Commission has power to impose such a condition and should do so as a condition of both the interim and substantive authorisation.

6.3 Such a condition is permitted under section 91 of the TPA. The Australian Competition Tribunal has noted that there is no express limit upon the kinds of conditions that may be imposed provided they, relate to the subject matter and increase or make more certain the likelihood that the scheme will achieve the requisite public benefits.[2]

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[2] In *Re Application by Medicines Australia* [2007] ACT4, the Tribunal stated at [133]:

> "*A condition may be imposed upon authorisation for reasons which include the following:*

6.4 If Centennial's condition is accepted, Centennial submits that the scheme will produce substantial public benefits for the industry as a whole, whereas absent Centennial's condition, the scheme's public benefit will be significantly reduced on account of the losses and detriments identified in this submission.

Yours sincerely

Robert G Cameron
Managing Director and CEO
Centennial Coal Company Limited

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1. In a case in which there is no or insufficient public benefit in the proposed contract, arrangement, understanding or conduct satisfying the ACCC for the purposes of s90(6) or 90(8) that authorisation can be granted, a condition may be imposed requiring a variation of the proposal which would yield the requisite public benefit. Such a condition may...(ii) reduce the public detriment which would otherwise cause the claimed public benefit to be discounted..."

Index to Annexures	
Annexure	**Confidential?**
Annexure A - Email from Michael Dowzer of the Greiner review Team	Confidential
Annexure B - Market announcements of operational difficulties at Centennial's Newstan mine	No
Annexure C - Table outlining differences in allocated capacity	Confidential

Annexure A - Confidential

[Email from Michael Dowzer of the Greiner review Team]

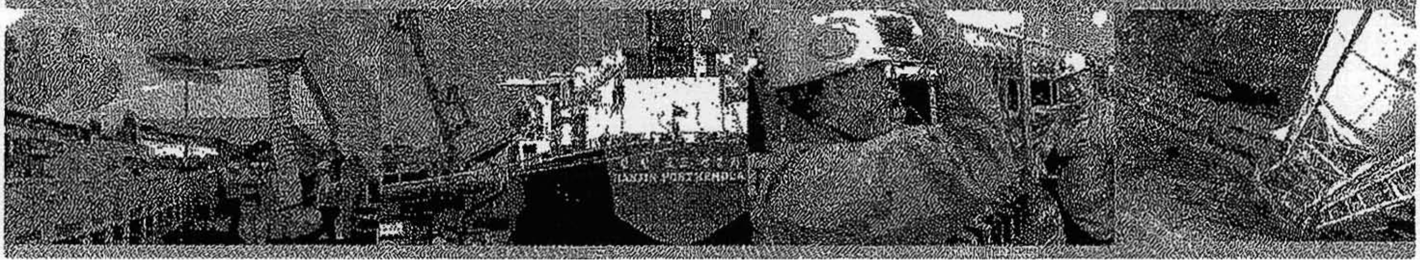
Annexure B - Not confidential

[Market announcements of operational difficulties at Centennial's Newstan mine]

Annexure C - Confidential

[Table outlining differences in allocated capacity]

CENTENNIAL COAL MARKET RELEASE



Newstan Production Update – 19 October 2005

Centennial Coal Company Limited ("Centennial") provides the following update with respect to progress at the Company's Newstan mine.

Since the announcement on 7 October 2005, there has been encouraging progress on consolidating and stabilising the faulted area on the longwall face, including PUR ("polyurethane resin") injection into the surrounding strata. However, this remedial work on the longwall face has been slower than expected.

In addition, further analysis of the faulted area has been carried out by independent experts to assist local management with the necessary steps to mine through the faulted area.

On 7 October the Company advised of an unstable underground atmosphere, which arose from a higher than usual gas content resulting in a temporary withdrawal of employees from underground. Late yesterday, similar atmospheric problems were encountered requiring a precautionary withdrawal of employees from underground in accordance with the Mine's safety procedures.

Local management is concentrating its efforts to ensure the affected area (which is in a localised part of the old underground workings remote from the current longwall face) is made permanently stable. This involves the injection of inert gas into the affected area, which is expected to commence today.

The Company is closely monitoring progress to ensure normal operations recommence as soon as possible.

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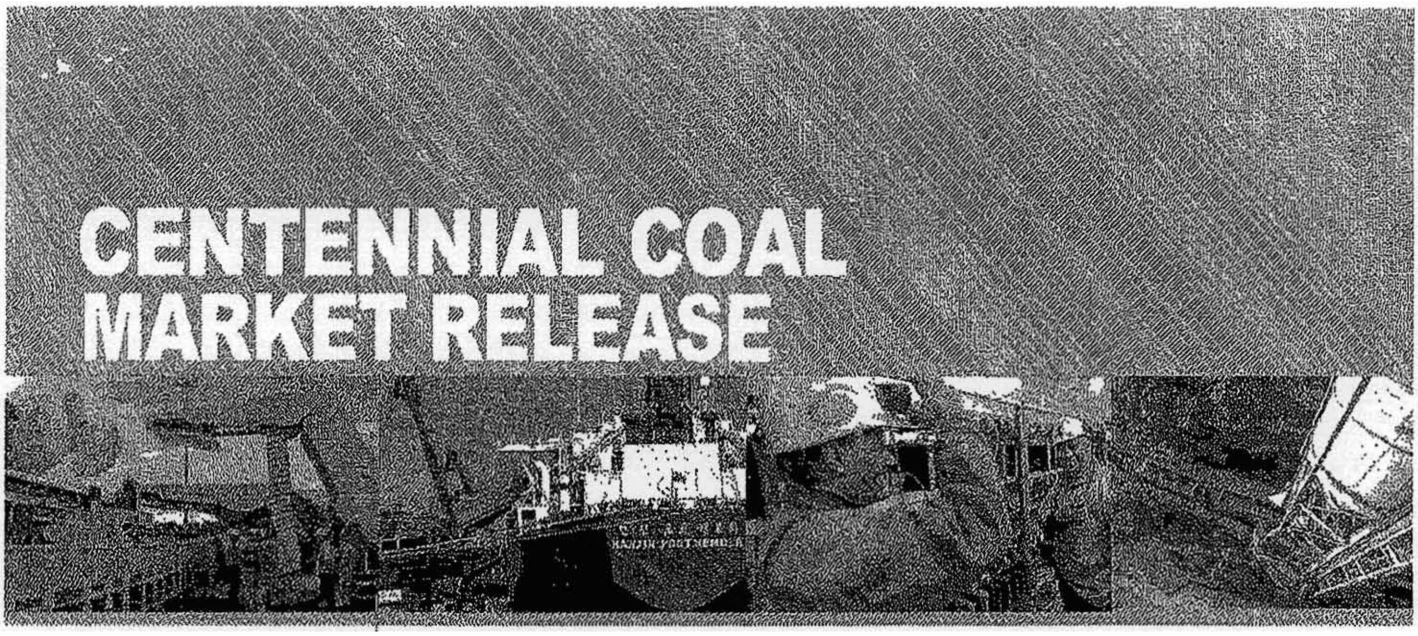
Centennial Coal



Newstan Longwall Recommences Production

In response to investor enquiries, Centennial Coal is pleased to confirm that the Newstan longwall has recommenced production in the new LW23 block. Newstan Management report that face conditions are excellent and that longwall ramp-up continues with fine-tuning of the various new and upgraded components of the longwall expected to be completed within the next few days.

As part of this changeover, a new Armoured Face Conveyor ("AFC") and Beam Stage Loader ("BSL") have been installed and the shearer upgraded. The new AFC is almost 3 times more powerful than its predecessor (its operating capability having been severely compromised as it worked through the extreme faulting found in the middle of LW22).

Update on Internal Strategic Review

Newstan is one of the group of mines that was the subject of a strategic review announced on 20 February 2006. This review was evaluating whether some of the Company's mines may have greater strategic value in the hands of an owner other than Centennial. As part of this process, Centennial invited indicative bids following a number of approaches from interested parties.

Following an assessment of the indicative bids received, the Directors have formally approved a short-list of parties who have been invited to conduct formal due diligence and submit final offers for the mines in question. These parties have commenced mine site visits as part of their due diligence.

Final bids are expected during the September 2006 Quarter with a decision regarding the future of these assets anticipated shortly thereafter.

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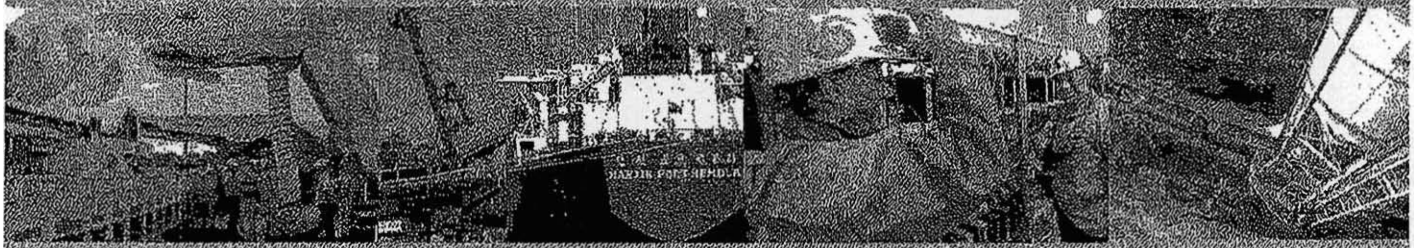
12 July 2006

Centennial Coal

CENTENNIAL COAL MARKET RELEASE



Newstan Longwall Clears Fault Zone

Centennial Coal Company Limited (Centennial) is pleased to advise that the Newstan longwall has now successfully mined through the remainder of the faulted zone. This follows previously announced production difficulties at Newstan.

Following a maintenance day, scheduled for Wednesday 30 November, Newstan will resume normal production and mine the remainder of the current block, being 1.2 kilometres in length (approximately 1.3 million tonnes of coal). This timing is in-line with the guidance provided in Centennial's September 2005 Quarterly Activities Report.

It is expected that Newstan will commence its next longwall changeover in April 2006, during which the new $10 million armoured face conveyor will be installed.

29 November 2005

[END]

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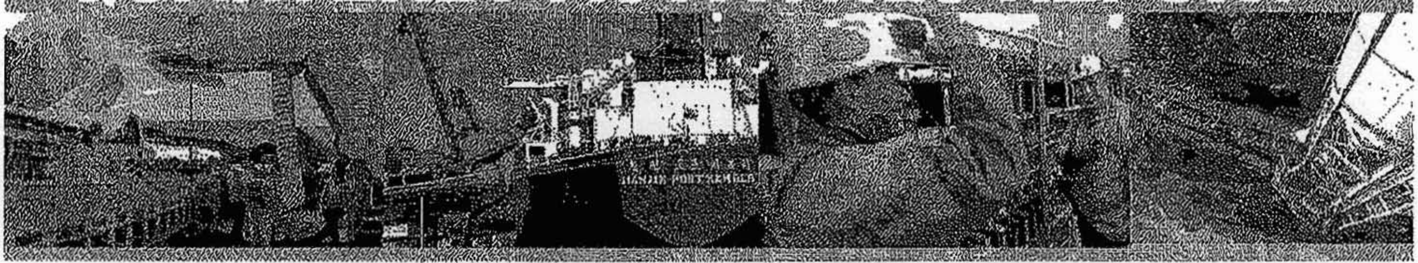
ROBERT CAMERON
Managing Director

CENTENNIAL COAL QUARTERLY ACTIVITIES REPORT



December 2005

Production Up Despite Newstan Difficulties

Key Points:

- ROM coal production under Centennial management totalled 4.2 million tonnes for the quarter and 8.4 million tonnes on a YTD basis, up 37% and 16% on the prior corresponding periods respectively.
- Centennial's equity share of ROM coal production totalled 3.7 million tonnes for the quarter and 7.2 million tonnes on a YTD basis, up 36% and 13% on the prior corresponding periods respectively.
- Centennial's equity share of coal sales totalled 3.7 million tonnes for the quarter and 7.0 million tonnes on a YTD basis, up 4% and 3% on the prior corresponding periods respectively.
- Production difficulties at Newstan, due to faulting on the longwall face, severely impacted the first half, particularly the second quarter. Newstan resumed normal production in early December.
- The Takeover Offer for Austral Coal Limited ("Austral") closed on 21 November, with Centennial holding 85.79% of Austral and its Tahmoor coking coal mine.
- Tahmoor produced 640,000 tonnes (100% basis) for the quarter.
- Mandalong produced 998,681 tonnes in the quarter, a record for the mine.
- Development consent granted for four new lease areas at Clarence, equivalent to 21 years of additional mine-life.
- Enterprise agreement negotiations successfully completed at all the ex-Powercoal mines.
- Project Application for Anvil Hill lodged under Part 3A of the NSW Environmental Planning & Assessment Act.
- The Group's capital structure improved with the issue of US$205 million long-term debt, raised via the US private placement market, replacing shorter-term bank debt.

31 January 2006

Centennial Coal

Production & Sales Report (Centennial's Equity Share) for the December 2005 Quarter

	Dec 05 Qtr ROM Production Tonnes	Dec 05 Qtr Saleable Production Tonnes	Dec 05 Qtr Domestic Sales Tonnes	Dec 05 Qtr Export Sales Tonnes	Dec 05 Qtr Total Sales Tonnes
Western Region					
Angus Place	61,412	61,412	106,413	0	106,413
Clarence (85%) / Charbon (95%)	567,477	501,130	58,806	375,172	433,978
Springvale (50%)	410,382	410,382	395,295	19,441	414,736
Ivanhoe	120,094	90,072	33,526	72,546	106,072
Total – Western Region	*1,159,365*	*1,062,996*	*594,040*	*467,159*	*1,061,199*
Southern Region					
Tahmoor (86%)	549,711	423,382	-	386,802	386,802
Berrima	43,808	43,808	55,347	-	55,347
Total – Southern Region	*593,519*	*467,190*	*55,347*	*386,802*	*442,149*
Northern Region					
Newstan / Awaba	459,568	389,719	482,899	270,071	752,970
Myuna / Mannering / Fassi Auger	466,609	466,609	470,846	-	470,846
Mandalong	998,681	997,513	973,794	-	973,794
Total – Northern Region	*1,924,858*	*1,853,841*	*1,927,539*	*270,071*	*2,197,610*
Group Total	*3,677,742*	*3,384,027*	*2,576,926*	*1,124,032*	*3,700,958*

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 6 months to 31 December 2005

	Dec 05 YTD ROM Production Tonnes	Dec 05 YTD Saleable Production Tonnes	Dec 05 YTD Domestic Sales Tonnes	Dec 05 YTD Export Sales Tonnes	Dec 05 YTD Total Sales Tonnes
Western Region					
Angus Place	624,574	624,574	643,462	-	643,462
Clarence (85%) / Charbon (95%)	1,195,208	1,057,683	120,167	883,410	1,003,577
Springvale (50%)	884,961	885,473	800,141	119,525	919,666
Ivanhoe	222,714	169,578	33,527	117,289	150,816
Total – Western Region	*2,927,457*	*2,737,308*	*1,597,297*	*1,120,224*	*2,717,521*
Southern Region					
Tahmoor (86%)	736,738	550,673	-	580,918	580,918
Berrima	110,858	110,858	111,507	-	111,507
Total – Southern Region	*847,596*	*661,531*	*111,507*	*580,918*	*692,425*
Northern Region					
Newstan / Awaba	1,151,894	927,297	894,088	423,399	1,317,487
Myuna / Mannering / Fassi Auger	941,363	941,363	950,042	-	950,042
Mandalong	1,350,608	1,349,440	1,336,382	-	1,336,382
Total – Northern Region	*3,443,865*	*3,218,100*	*3,180,512*	*423,399*	*3,603,911*
Group Total	*7,218,918*	*6,616,939*	*4,889,316*	*2,124,541*	*7,013,857*

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

Summary - Production & Sales (Centennial's Equity Share)						
	Dec 2005 Quarter Tonnes '000s	Dec 2004 Quarter Tonnes '000s	Quarter Change %	Dec 2005 YTD Tonnes '000s	Dec 2004 YTD Tonnes '000s	YTD Change %
ROM Production	3,677,742	2,713,175	+ 36 %	7,218,918	6,362,428	+ 13 %
Saleable	3,384,027	2,611,200	+ 30 %	6,616,939	6,070,150	+ 9 %
Sales	3,700,958	3,559,585	+ 4 %	7,013,857	6,792,914	+ 3 %

Group Production Overview

Centennial's equity share of ROM production for the quarter, at 3.7 million tonnes, was 36% above the prior corresponding period. This increase was achieved through the addition of Tahmoor in April 2005 and the commencement of longwall production from Mandalong in January 2005. This was despite the loss of around one million tonnes from the well-documented production problems at Newstan and the closure of Munmorah in June 2005. Similarly, on a YTD basis, ROM production was 13% above the six months to 31 December 2004.

Centennial's equity share of sales of 3.7 million tonnes for the quarter and 7.0 million tonnes for the six months were 4% and 3% respectively above the prior corresponding periods.

Newstan returned to normal production in December and, combined with improved development performance during the quarter, should be back on track for the remainder of the 2006 financial year.

Following the acquisition of Austral Coal earlier in the year and the introduction of Centennial's management systems and philosophies, particularly with regard to safety and process management, Tahmoor ended the calendar year on a high. The mine produced 640,000 tonnes (100% basis) for the quarter, 9% higher than its previous best under Centennial management and approaching the mine's record quarterly production of 686,000 tonnes.

Springvale continues to perform well, benefiting from the efficiencies gained from the first of the wider 305 metre longwall panels (LW410) and an upgraded armoured face conveyor. Springvale is currently in the process of relocating its longwall to the first of its longer blocks, which are 3.6 kilometres long by 305 metres wide and contain approximately five million tonnes of coal. During this changeover, the opportunity will be taken to upgrade the coal clearance system, the longwall crusher and stage loader, which together will increase the productive capability of the mine.

Angus Place's longwall changeover was completed in early January, having taken a little longer than planned as a consequence of poor floor conditions in the access roadways around LW920, hampering relocation to LW930. However, during the longwall changeover, significant upgrades were undertaken to the coal clearance system and longwall equipment that will provide improved reliability and production capability for LW930 and subsequent longwalls.

Production rates at Clarence increased, despite variable geological conditions experienced during the quarter, as workplace changes were implemented to improve production consistency.

Centennial still anticipates that Clarence will return a record profit for the 2006 financial year, benefiting from strong contracted export prices for its highly sought after, low sulphur thermal coal.

Mandalong returned a record quarterly production of 998,681 tonnes, demonstrating the mine's productive capability. This was despite operating with only one coal clearance system while a second system (required to meet Mandalong's contractual obligations to Delta Electricity from 1 July 2006) is completed and commissioned.

During the quarter, Mandalong commenced work on several projects designed to take advantage of the mine's productive capability, including widening the longwall to 160 metres (from LW5) and the evaluation of export infrastructure options.

Three of the Group's smaller mines, Awaba, Berrima and Charbon, are performing strongly and are forecast to provide a healthy contribution to Group profitability.

Centennial has concluded the first re-negotiation of enterprise agreements for the ex-Powercoal mines, Awaba, Angus Place, Mandalong, Myuna and Newstan, with little disruption. The enterprise agreements were concluded at rates reflecting CPI and anticipated productivity improvements. The enterprise agreements, which cover the majority of the Group's workforce, effectively set the pay structures for the ex-Powercoal operations for another three years.

Operations

Western Region

Angus Place (100% interest)

ROM production for the quarter totalled 61,400 tonnes, with the scheduled longwall changeover affected by poor floor conditions around LW920, which hampered the removal of the longwall equipment and its re-deployment to LW930. The longwall returned to full production in early January 2006.

During the longwall changeover, significant upgrades were undertaken to the coal clearance system and longwall equipment that will provide improved reliability and production capability for LW930 and subsequent longwalls.

Development during the quarter was below expectations, as a result of poor strata conditions experienced during mining the final 100 metres of Maingate 930 and around the LW930 installation face. However, development of LW940 has not been materially affected, with sufficient lead-time available to ensure longwall continuity in March / April 2007.

Despite the delay in completing the longwall changeover, Angus Place remains on target for another good year.

Charbon (95% interest)

The Charbon underground and open-cut mines continue to perform well, benefiting from record export contract prices. During the quarter, Charbon achieved a new daily production record of 5,091 tonnes.

Charbon remains on track to deliver a significant contribution to Group profitability, and another record for the mine.

Clarence (85% interest)

Production rates improved during the quarter despite Clarence continuing to experience variable geological conditions, particularly in 330 panel area where faulting and joint zones resulted in "cut-out" distances being reduced. As a result, further development of 330 panel has ceased and extraction commenced before relocating to 301 panel.

Work continues to improve production consistency, including changes to the mine's shift pattern designed to reduce operational complexity, improve maintenance planning and reduce pressure on infrastructure.

Despite the impact of the geological issues experienced during the quarter, production consistency is improving and Centennial anticipates that Clarence will return a record profit for the 2006 financial year, benefiting from strong contracted export prices for its low sulphur thermal coal.

On 11 January 2006, Centennial announced that the Minister for Planning had granted development consent to mine four new lease areas, effectively adding 21 years to Clarence's mine-life. It is intended that mining will commence in one of these new areas later this year.

Springvale (50% interest)

Springvale produced 820,700 tonnes (100% basis) during the quarter. This was slightly ahead of expectations, benefiting from the efficiencies gained from the first of the wider 305 metre longwall panels (LW410) and an upgraded armoured face conveyor.

Since the quarter's end, production from longwall 410 has been completed and the changeover to longwall 411 has commenced. LW411 is the first of Springvale's longer blocks, 3.6 kilometres long and 305 metres wide, containing approximately five million tonnes of coal. During this changeover, upgrades to the coal clearance system, the longwall crusher and stage loader will be undertaken, which will increase the productive capability of the mine.

During the period, Springvale commissioned the No. 3 shaft services and ventilation fan, providing life-of-mine facilities. In addition, commissioning trials for the Springvale Delta Water Transfer Scheme have commenced (delivering water from the mine's bore pumps for use by the local generator in electricity production), with the system scheduled to be at full capacity in February 2006.

Mandalong (100% interest)

Production for the December 2005 Quarter was a record 998,681 tonnes, demonstrating Mandalong's productive capability.

Whilst the quarter's production was a record, it should be noted that production was limited to the capacity of the Eraring coal clearance system during the construction of the Delta coal clearance system. Towards the end of the quarter, the Delta Decline was holed and the final part of the installation of the Delta coal clearance system commenced with final commissioning to be completed during February 2006.

Development of Maingate 3 is on track to be completed before the conclusion of LW2 at the end of February 2006. An additional 400 metres of development, beyond the installation faceline for LW3, is being mined in preparation for the longer LW4 block.

During the period, work commenced on several projects, including:

- face widening, increasing the longwall width from 115 metres to 160 metres;
- evaluation of export options (following the securing of Mandalong South reserves in late 2004 and demonstration of the longwall's productive capability); and
- the utilisation of mine gas by one of the local power stations.

Myuna (100% interest)

Myuna is currently transitioning from the Great Northern Seam to the Fassifern Seam. During this process, as Myuna completes the development of the pit bottom area and main roadways, production levels and coal quality are being adversely impacted.

The first Fassifern unit, which was commissioned towards the end of the previous quarter, has experienced some lateral stresses in the seam, possibly due to the confined area, resulting in lower production and coal quality as roof conditions dictated the mining horizon.

During the quarter, a second Fassifern unit was introduced to advance the workings (in 2 directions), away from these lateral stresses. Early indications show an encouraging improvement in conditions and productivity.

Production and coal quality should improve during the March 2006 Quarter with the introduction of a third Fassifern unit, completing the transition from the Great Northern Seam.

Newstan (100% interest)

The longwall production difficulties experienced by Newstan during the quarter have been previously announced.

Importantly the announcement of 29 November advised that Newstan had successfully mined through the complex fault zone encountered in the middle of LW22 and would shortly be back to normal production following a brief maintenance shutdown. In addition to the faulted zone, the mine experienced an unstable atmosphere in a sealed area of the mine on several occasions, hampering mining through the fault and a return to normal production. With the installation of a nitrogen injection plant on site, Centennial believes that this problem is now under control.

A return to normal production was achieved in early December.

With Newstan back in normal production and, combined with improved development performance during the quarter, the mine should be back on track for the remainder of the 2006 financial year. (A longwall changeover, including the installation of a new higher-powered armoured face conveyor, is scheduled for April / May 2006.)

Awaba

Awaba continues to perform strongly, with the mine well positioned for another good year benefiting from operational improvements undertaken to the conveyor system and successfully completed equipment overhauls. The mine remains on track to exceed forecast production for the 2006 financial year.

Following completion of a review of the mine's future, its mine-life has been extended by around two years. As a result, some minimal capital works have been undertaken to upgrade the equipment in accordance with its upgraded mine-life.

As previously advised, Awaba production was being diverted to supplement Newstan's production shortfalls.

Mannering

During the quarter, Mannering successfully commissioned a second continuous miner unit, which utilises the "Place Change" mining system. As a result, Mannering now produces from two panels utilising a "Place Change" unit and a "Super" unit.

The introduction of this second unit is part of a planned expansion of Mannering to produce up to one million tonnes per annum. The "Place Change" panel has already demonstrated its capability, having surpassed productivity shift targets (towards the end of December) with several shifts producing in excess of 1,000 tonnes, despite some less than favourable geological conditions encountered during this development phase of the mine.

The pre-existing "Super" unit is presently completing some dyke driveages, necessary to create pit room. Upon conclusion, this will allow Mannering to develop into a new more productive working area and provide the mine with the opportunity to take advantage of flexible panel layouts, which in turn should lead to further operational and productivity benefits. This development work is scheduled to be completed around the end of the March 2006 Quarter.

Southern Region

Tahmoor

Tahmoor ended the calendar year on a high, producing 640,000 tonnes (100% basis) for the quarter, 9% higher than its previous best under Centennial management and evidence that the mine's production consistency is improving. Development activities were 3% higher than the previous best under Centennial management.

Work continues to improve the long-term ventilation of the mine. A structured approach to this issue has resulted in a 250% improvement in airflow to the longwall face since Centennial took operational control of Tahmoor, in April 2005. Consequently, increased airflow has enabled greater consistency and higher production levels to be achieved. To further improve airflow, a secondary fan is being installed during February 2006 with a new mine fan to be installed in the 2007 financial year. Together these should ensure sufficient airflow to enable the mine to meet its 3.5 million tonnes per annum target in the 2009 financial year.

As previously advised, the opportunity was taken during the preceding longwall relocation to design out some inherent engineering problems on the longwall equipment that was constraining Tahmoor's efficient operation. This has proven to be extremely successful, with overall equipment availabilities rising above 95%. Less than 50 metres of retreat remains in the current longwall panel (23A) before the planned "step-around" of the dyke and sill located in the middle of the current panel. This "step-around" should be completed over the next few weeks.

The successful integration of Centennial management systems and philosophies continues, particularly with regard to safety and process management, and is evident in the mine's improving performance.

As a result, Tahmoor remains on track to achieve its production forecast of 2.0 million tonnes of raw coal for the 2006 financial year and conclude its contractual sales obligations (at prices significantly below prevailing coking coal market prices) with respect to the carry-over tonnage arising from the mine's previous operational problems.

Berrima

Berrima performed well during the quarter, with production and sales both above expectations.

Takeover of Austral Coal Limited ("Austral")

On 21 November 2005, Centennial closed its offer for Austral Coal Limited holding an 85.79% interest. Glencore International A.G. ("Glencore") and two banks with which it had entered into cash-settled equity swap arrangements over Austral shares, hold approximately 14%. Other parties hold less than 0.5%.

Major Development Project

Anvil Hill (100% interest)

During the December 2005 Quarter, work continued on the development of the Anvil Hill Project ("Project"), including:

- a detailed review of the geological resource, structure model and coal quality model was commenced utilising the information obtained from the additional slim core drilling program carried out in the previous quarter; and
- negotiations were initiated to select a mining contractor, which will also assist with mine planning during this planning / approvals phase.

Consultation with stakeholders, including the community and government agencies, continues to be of primary importance and whilst an intensive phase of community consultation has been completed, consultation will be ongoing throughout the application assessment and the implementation of the Project. The Community Liaison Committee continues to meet regularly.

From an environmental management perspective, minor modifications have been made to the Project mine plan to better accommodate the outcome of recent environmental studies and stakeholder feedback.

As mentioned in the 2005 Annual Report, recent changes to NSW planning legislation is likely to provide a more efficient process for the assessment of the Project. The newly enacted Part 3A of the NSW Environmental Planning & Assessment Act now regulates the approvals process for major projects such as Anvil Hill.

A project application under Part 3A was lodged in January 2006 with the Department of Planning. This lodgement facilitates the completion of an Environmental Assessment (replacing the Environmental Impact Statement formerly required), which is scheduled to be available for the public exhibition phase in the second half of 2006.

Sales and Marketing

Tahmoor, which currently receives less than the 2006 financial year benchmark price of US$125 FOBT per tonne because of its previous operational problems (and resultant carry-over tonnage), is performing well with all shipments being loaded promptly. Recent reports indicate that the major coal producers have settled coking coal prices to Japan at US$115, a smaller decrease than had been predicted by some industry commentators. Consequently, Tahmoor will receive a significant price increase above its current <US$90 average price for the 2006 financial year.

The weakness in export thermal coal spot prices during September to November 2005, driven by low volume spot sales and derivative trading, has reversed with prices having strengthened over the past two months. Spot prices have recovered from around the US$38 level to US$46 per tonne for prompt shipment. Energy market sentiment would also seem to support a strengthening in the thermal coal price, lead by increasing oil and gas prices and supported by increasing prices in the coal derivative "paper" market, with prices one and two years out at even higher levels.

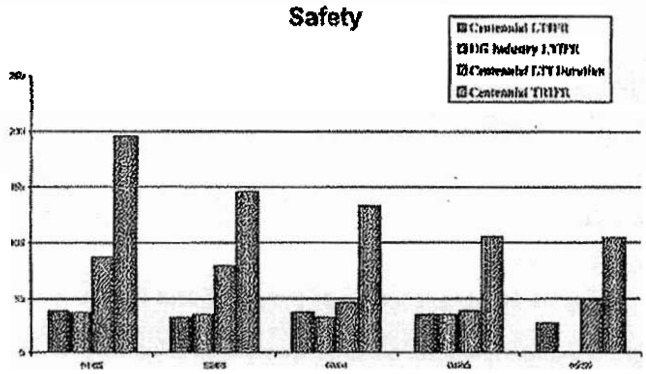
With respect to long-term contract pricing, negotiations are continuing with the bulk of Centennial's export thermal coal still be priced.

With regard to Centennial's sales position, the Company recently reported that it had been awarded a five year term supply contract to Taiwan Power Company, commencing in January 2006 at the rate of 500,000 tonnes per annum to be supplied from Port Kembla. This contract not only gives Centennial certainty for future production planning purposes, it also assists in further diversifying exports sales to attractive markets.

In summary, customers are lifting their tonnages in line with expectations from both Newcastle and Port Kembla. Domestically, coal demand also remains strong.

Health, Safety and Environment

Occupational Health & Safety Risk Management



During the December 2005 Quarter, Centennial maintained its quarterly Lost Time Injury Frequency Rate ("LTIFR") below the NSW underground industry average for the previous financial year. With half of the 2006 financial year completed, Centennial's LTIFR is some 20% better than that of the previous financial year.

The Duration Rate for Lost Time Injuries ("DRLTI") and the Duration Rate for Total Recordable Injuries ("DRTRI") both fell for the quarter, reversing rises reported in the September 2005 Quarterly Activities Report.

Whilst the Total Recordable Injury Frequency Rate ("TRIFR") did rise slightly for the quarter, it is still at its second lowest level since recording of this measure commenced in the 2002 financial year.

Centennial Coal

December 2005

Centennial remains committed to continual improvement in its Occupational Health and Safety performance. To this end, Centennial is holding a Group-wide OH&S Innovation Conference, scheduled for February, at which participants will demonstrate and share with their colleagues new safety initiatives to further promote improvements in the Group's safety performance and culture. Planning continues with the proposed re-launch of the Group's safety initiatives at this conference, re-emphasising the health and safety of its workforce as its highest priority and re-confirming its goal to eliminate accidents in the workplace.

Environment

Centennial is committed to continual improvement in environmental performance at all its operations and to developing effective community relations. There were no major environmental incidents during the December 2005 Quarter, although a number of minor (technical breaches) occurred. Programmes are in place to address the source of these exceedences.

Construction and commissioning of the Springvale to Delta Electricity mine water transfer pipeline continued throughout the quarter. It is anticipated that this water transfer system will be fully operational shortly and consequently will achieve reuse of this important resource for the benefit of the environment and community.

Centennial aims to operate in a manner compatible with broader community expectations and to maintain effective working relationships with stakeholders. Understanding community concerns is central to improving our performance in this area. Three individual (one-off) complaints were received during the December quarter. Where appropriate, actions have been completed or are progressing to address the source of the complaint.

Centennial participated in a number of Community Consultative Committee forums and continued with detailed stakeholder consultation for the Awaba Open Cut and Ivanhoe North Projects. It is intended that Centennial will actively participate in two further Consultative Committees that will be established during the March 2006 Quarter with respect to Awaba Open Cut and Clarence.

Hedging

Foreign Exchange Hedging Disclosure – 31 December 2005

		2005/06	2006/07	Total
Forwards				
Principal	*US$M*	18.4		**18.4**
Rate	*A$/US$*	0.7446		**0.7446**
Bought A$ Call Options				
Principal	*US$M*	88.0	36.0	**124.0**
Strike Price	*A$/US$*	0.7529	0.7400	**0.7491**
Sold A$ Put Options (1)				
Principal	*US$M*	70.0	36.0	**106.0**
Strike Price	*A$/US$*	0.7206	0.7000	**0.7136**
Total Hedged				
Principal	*US$M*	106.4	36.0	**142.4**
Rate	*A$/US$*	0.7514	0.7400	**0.7485**
Total Committed				
Principal	*US$M*	88.4	36.0	**124.4**
Rate	*A$/US$*	0.7255	0.7000	**0.7181**

Notes accompanying foreign exchange hedging disclosure:

(1) Sold A$ Put Options allow Centennial to participate in a depreciation of the A$, if that was to occur, to the average levels specified.

(2) The mark to market valuation of the foreign exchange hedge book at 31 December 2005 was an unrealised loss of $0.2 million (at an exchange rate of A$1=US$0.7336).

Thermal Coal Hedging Disclosure

Centennial seeks to manage its revenue risk in order to reduce cashflow and profit volatility. The Company has been following the development of the thermal coal derivative market via the GlobalCOAL Newc Index and now believes that swap volumes have reached a level whereby it provides sufficient liquidity to undertake thermal coal hedging. Consequently, Centennial has taken the opportunity to lock in price levels above the current spot price for thermal coal.

Since the end of the December 2005 Quarter, the following coal swaps have been executed.

		2006/07	2007/08	2008/09	Total
Coal Swaps					
Quantity	*Metric Tonnes ("mt")*	330,000	690,000	360,000	**1,380,000**
Fixed Price	*US$/mt*	47.00	47.12	47.23	**47.12**

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) The table above represents the position as at 31 January 2006.

Other Corporate

Share Capital Movements

Exercise of Options

60,000 options were exercised by senior executives resulting in the issue of 60,000 ordinary shares.

Austral Takeover

The Company has allotted 63,869,366 shares, on the basis of 10 Centennial shares for every 37 Austral shares held, to those accepting Austral shareholders. As a result, Centennial is the registered owner of 85.79% of Austral Coal Limited, at 31 December 2005. As the offer for Austral closed on 21 November 2005, all acceptances have been processed and no further shares are required to be allotted to former Austral shareholders.

Share Purchase Plan

During the quarter, the Company allotted 3,374,543 shares under a Share Purchase Plan, which raised $16.4 million, net of expenses, providing additional financial capacity and flexibility to continue to strengthen and grow the business.

US Debt Private Placement

Centennial issued US$205 million of long-term senior unsecured notes into the North American private placement debt market, US$40 million of which was raised as Australian dollar floating rate notes. The issue was completed on 7 December 2005 at a weighted average coupon of 5.90% with bullet maturities of 7, 10, 12 and 15 years. The proceeds of this issue were applied to repay existing bank debt.

March 2006 Quarterly Activities Report

The Company's next Quarterly Activities Report is indicatively scheduled for release on 27 April 2006.

December 2005 Half-Year Financial Report

The Company will report its December 2005 Half-Year Result on 20 February 2006.

Corporate Information

Directors

Kenneth Moss	Chairman
Robert Cameron	Managing Director
Catherine Brenner	Non-Executive Director (appointed 6 September 2005)
Robert Duffin	Non-Executive Director
Paul Moy	Non-Executive Director
John Roth	Non-Executive Director

Senior Group Management

Robert Cameron	Managing Director
Malcolm Clyde	GM Strategy & Development
Robert Dougall	Chief Financial Officer
Roger Knight	GM Marketing
Tony Macko	GM Corporate Affairs
David Moult	Chief Operating Officer
Peter Parry	GM Financial Control

Company Secretary

Tony Macko

Issued Capital

At 31 December 2005, the issued capital of the Company was 293,713,414 fully paid ordinary shares.

Substantial Shareholders (as advised *)

Noble Group Limited	-	6.77%
Promina Group Limited	-	6.33%
Perennial Value Management Limited	-	5.94%

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

Options Over Ordinary Shares

On 16 December 2005, Centennial announced that it had granted 2,473,333 options to executives of the Company under the Senior Executive and Director Share Option Scheme. The options were issued at a purchase price of $0.437 per option, exercisable at $3.77 per share (a total cost to the executive of $4.207 per share).

During the period, since the last Quarterly Activities Report, 60,000 options have been exercised resulting in 60,000 new shares issued and listed.

At 31 December 2005, Centennial had 6,535,332 options outstanding under the Company's Senior Executive and Director Share Option Scheme, representing 2.23% of the Company's currently listed ordinary shares.

Full Company Name & Registered Office

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ABN 30 003 714 538

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Facsimile: +61 2 9261 5533
E-mail: cey1@centennialcoal.com.au

Stock Exchange Listing

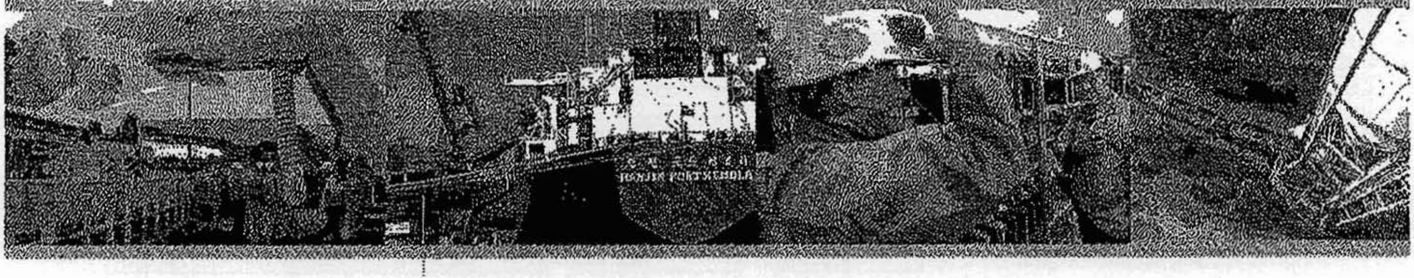
Australian Stock Exchange
Home Exchange – Sydney NSW
The Company's ASX code is "CEY"

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: www.computershare.com

Website www.centennialcoal.com.au

CENTENNIAL COAL
QUARTERLY ACTIVITIES REPORT



March 2006

Key Points:

- ROM coal production under Centennial management totalled 4.2 million tonnes for the quarter and 12.5 million tonnes on a YTD basis, up 13% and 8% on the prior corresponding periods respectively.
- Centennial's equity share of ROM coal production totalled 4.0 million tonnes for the quarter and 11.2 million tonnes on a YTD basis, both up 13% on the previous corresponding periods respectively.
- Centennial's equity share of coal sales totalled 3.9 million tonnes for the quarter and 10.9 million tonnes on a YTD basis, up 12% and 6% on the prior corresponding periods respectively.
- Production and sales increases were achieved despite the impact of four longwall changeovers and the operational issues at Newstan.
- Angus Place achieved a record weekly production of 93,000 tonnes and its second highest monthly production.
- Mandalong completed an efficient longwall changeover in the quarter, and is quickly returning to normal production levels.
- Tahmoor produced 88,500 tonnes in the first week of the June 2006 Quarter, substantially exceeding a 5-year mine record.
- A decision has been made to relocate the Newstan longwall earlier than expected as a consequence of continuing equipment reliability problems, in particular the old armoured face conveyor ("AFC"), which has been damaged by the need to work through the unusually severe geology encountered earlier in the financial year. A new AFC is ready for installation as part of the upcoming relocation.
- The previously-identified equipment reliability issue at Newstan has been greater than anticipated. This, together with the decision to relocate the longwall earlier, has further adversely impacted 2006 financial year earnings, with NPAT now estimated to be between $20 to $26 million (after minorities). However, the new AFC combined with the early relocation will have a positive impact on Newstan's 2007 financial year production and earnings.
- The NSW State Government has confirmed that the Anvil Hill Project has been registered as a major development proposal and will be assessed under Part 3A of the NSW Environmental Planning & Assessment Act. Subject to approval, Anvil Hill remains on track to come into production in early 2008.

27 April 2006

Centennial Coal

Production & Sales Report (Centennial's Equity Share) for the March 2006 Quarter

	Mar 06 Qtr ROM Production Tonnes	Mar 06 Qtr Saleable Production Tonnes	Mar 06 Qtr Domestic Sales Tonnes	Mar 06 Qtr Export Sales Tonnes	Mar 06 Qtr Total Sales Tonnes
Western Region					
Angus Place	838,654	838,654	825,893	-	825,893
Clarence (85%) / Charbon (95%)	667,928	613,528	72,845	496,275	569,120
Springvale (50%)	146,031	146,031	191,539	4,789	196,328
Ivanhoe	-	-	7,422	19,150	26,572
Total – Western Region	*1,652,613*	*1,598,213*	*1,097,699*	*520,214*	*1,617,913*
Southern Region					
Tahmoor (86%)	297,311	202,172	-	208,245	208,245
Berrima	20,932	20,932	34,309	-	34,309
Total – Southern Region	*318,243*	*223,104*	*34,309*	*208,245*	*242,554*
Northern Region					
Newstan / Awaba	768,690	604,803	573,656	180,504	754,160
Myuna / Mannering / Fassi Auger	523,624	523,624	514,601	-	514,601
Mandalong	729,057	729,057	765,338	-	765,338
Total – Northern Region	*2,021,371*	*1,857,484*	*1,853,595*	*180,504*	*2,034,099*
Group Total	*3,992,227*	*3,678,801*	*2,985,603*	*908,963*	*3,894,566*

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 9 months to 31 March 2006

	Mar 06 YTD ROM Production Tonnes	Mar 06 YTD Saleable Production Tonnes	Mar 06 YTD Domestic Sales Tonnes	Mar 06 YTD Export Sales Tonnes	Mar 06 YTD Total Sales Tonnes
Western Region					
Angus Place	1,463,228	1,463,228	1,469,356	-	1,469,356
Clarence (85%) / Charbon (95%)	1,863,136	1,671,210	193,012	1,379,685	1,572,697
Springvale (50%)	1,030,992	1,031,503	991,680	124,314	1,115,994
Ivanhoe	222,714	169,579	40,948	136,440	177,388
Total – Western Region	*4,580,070*	*4,335,520*	*2,694,996*	*1,640,439*	*4,335,435*
Southern Region					
Tahmoor (86%)	1,034,050	752,845	-	789,162	789,162
Berrima	131,790	131,790	145,816	-	145,816
Total – Southern Region	*1,165,840*	*884,635*	*145,816*	*789,162*	*934,978*
Northern Region					
Newstan / Awaba	1,920,584	1,532,100	1,467,744	603,903	2,071,647
Myuna / Mannering / Fassi Auger	1,464,987	1,464,987	1,464,643	-	1,464,643
Mandalong	2,079,665	2,078,497	2,101,720	-	2,101,720
Total – Northern Region	*5,465,236*	*5,075,584*	*5,034,107*	*603,903*	*5,638,010*
Group Total	*11,211,146*	*10,295,739*	*7,874,919*	*3,033,504*	*10,908,423*

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

Summary – Production & Sales (Centennial's Equity Share)						
	Mar 2006 Quarter Tonnes '000s	Mar 2005 Quarter Tonnes '000s	Quarter Change %	Mar 2006 YTD Tonnes '000s	Mar 2005 YTD Tonnes '000s	YTD Change %
ROM Production	3,992,227	3,531,635	+ 13%	11,211,146	9,894,063	+ 13%
Saleable	3,678,800	3,368,101	+ 9%	10,295, 739	9,438,250	+ 9%
Sales	3,894,566	3,470,495	+ 12%	10,908,423	10,263,409	+ 6%

Group Production Overview

Centennial's equity share of ROM production for the quarter, at 4.0 million tonnes, was 13% above the prior corresponding period. This increase is largely attributable to the addition of Tahmoor in April 2005. Similarly, on a YTD basis, ROM production was also 13% above the nine months to 31 March 2005.

Centennial's equity share of sales of 3.9 million tonnes for the quarter and 10.9 million tonnes for the nine months were 12% and 6% respectively above the prior corresponding periods.

Newstan produced 604,000 tonnes during the quarter. However, the mine has continued to experience significant, but intermittent difficulties with equipment reliability issues arising from damage caused to the old equipment.

As a result of these difficulties, in particular the impact of the ageing AFC (which is materially affecting the ability of the longwall to mine through the remainder of the current block (LW22)) a decision has now been made to relocate the longwall earlier than anticipated, at 7 cut-through. During the relocation, the longwall will be thoroughly overhauled and a new and more powerful AFC installed. This will allow Newstan to recommence production in LW23 in late June 2006 and return to profitability. (The new AFC was purchased in 2005 and was ready for installation in December at the originally scheduled end of LW22.)

While the decision to relocate early will adversely affect the Group's 2006 financial year result, it will have a positive impact on 2007 financial year production and earnings.

Elsewhere, the Group's other longwall mines all operated within expectations, with all four remaining longwalls recommencing production following changeovers at various points over the quarter. Most encouragingly, Angus Place and Tahmoor both set production records towards the end of the March 2006 and the beginning of the June 2006 Quarters respectively.

Angus Place had a very strong quarter achieving a record weekly production of 92,956 tonnes and its second highest monthly production of 321,569 tonnes, while Tahmoor set a new daily output record under Centennial's management and subsequently a new mine weekly record of 88,500 tonnes in early April immediately following its "step-around" changeover.

Springvale continues to perform well, recently completing its longwall changeover to the first of its 3.6 kilometres long blocks containing approximately five million tonnes of coal. During the changeover, the opportunity was taken to upgrade the coal clearance system, longwall crusher and stage loader, thereby increasing the productive capability of the mine.

Mandalong produced 729,057 tonnes over the March 2006 Quarter, impacted by a longwall changeover that commenced in mid-March. Following an efficient changeover, the mine has quickly ramped up to full production. In a busy quarter for the mine, Mandalong also completed the final commissioning of the 5.5 km Delta coal clearance system. Together with its pre-existing Eraring system, Mandalong now has direct connections via underground and overland conveyors from the coalface to the two major Central Coast power stations. By removing the need for trucking, the coal clearance system is one of the most environmentally and community friendly coal delivery systems in Australia. Importantly, it also provides greater delivery flexibility and improved reliability of coal flow to the mine's customers.

Clarence achieved a small improvement in overall production rates with the commencement of extraction activities in 330 panel, despite operating in variable conditions during the quarter. Work continues to improve production consistency, with some initial changes to the mine's shift pattern already implemented. Further changes, which are designed to reduce operational complexity; improve maintenance planning; and reduce pressure on infrastructure, are expected to be initiated upon finalisation of a new Enterprise Agreement.

Of the Group's smaller mines, Awaba and Charbon continue to perform strongly. Myuna's turnaround, following its transition from the Great Northern Seam to the Fassifern Seam, is gathering pace with mine production targets being regularly met or exceeded. Mannering continues to make progress through the faulted area at pit-bottom, albeit slower than anticipated. Berrima encountered adverse geological conditions in the middle of the quarter, but has now returned to normal production levels.

Operations

Western Region

Angus Place (100% interest)

ROM production totalled 838,654 tonnes for the quarter, following completion of a longwall changeover in early January 2006. During the longwall changeover, further upgrades were undertaken to the coal clearance system and the longwall equipment, improving reliability and overall production capability.

Overall, Angus Place had a very strong quarter achieving a record weekly production of 92,956 tonnes and its second highest monthly production of 321,569 tonnes. In addition, development is at record levels and well on track for the next longwall changeover to LW940 in March / April 2007, ensuring longwall continuity.

Angus Place remains on target for another good year.

Charbon (95% interest)

The Charbon underground and open-cut mines continue to perform well, with total production for the quarter 22% above expectations. Daily, weekly and monthly records were achieved during the quarter, with the Charbon coal preparation plant processing 125,644 tonnes in February, resulting in record monthly sales and allowing the mine to maximise the benefit of prevailing record export contract prices.

Charbon remains on track to deliver a record contribution to Group profitability.

Clarence (85% interest)

Clarence achieved a small improvement in overall production rates with the commencement of extraction activities in 330 panel, despite operating in variable conditions during the quarter. Following the completion of the 301-conveyor extension through a major fault, the mining unit has been relocated to 301 panel where ground conditions are expected to be considerably more favourable. Similarly, extraction activities have been completed in 612 panel and the mining unit relocated to 611C panel as a "place change" development unit.

Work continues to improve production consistency, with some initial changes to the mine's shift pattern already implemented. Further changes, designed to reduce operational complexity, improve maintenance planning and reduce pressure on infrastructure, are expected to be initiated upon finalisation of a new Enterprise Agreement (under the new WorkChoices regime).

In January 2006, the Minister for Planning granted development consent to mine four new lease areas, effectively adding 21 years to Clarence's mine-life. Upon receipt of the relevant mining leases it is intended that mining will commence in one of these new areas later this year.

Although Clarence has experienced variable conditions across its three mining units during the year-to-date, Centennial anticipates that Clarence will return a record profit for the 2006 financial year, benefiting from strong contracted export prices for its low sulphur thermal coal.

Springvale (50% interest)

Springvale continues to meet expectations.

During the March 2006 Quarter, Springvale moved to the first of its wider and longer blocks (LW411), being 3.6 kilometres long and 305 metres wide, containing over five million tonnes of coal and expected to take approximately 20 months to mine. During the changeover, upgrades to the coal clearance system, the longwall crusher and stage loader were undertaken, increasing the productive capability of the mine.

Given that the mine was in changeover mode for much of the quarter, Springvale only produced 312,000 tonnes (100%) for the period.

Following receipt in March 2006 of NSW Government approval of its Subsidence Management Plan ("SMP"), Springvale now has approvals in place to mine blocks LW411 through to LW418. This represents around 40 million tonnes of coal.

Northern Region

Mandalong (100% interest)

The Mandalong Mine was officially opened by the NSW Minister for Primary Industries, the Hon. Ian McDonald MLC, on 13 March 2006, following completion of the mine's construction with the commissioning of the Delta Coal Clearance System.

Production for the March 2006 Quarter, at 729,057 tonnes, was impacted by the planned longwall changeover which commenced in mid-March. Production resumed in mid-April, making this changeover one of the most efficient experienced within the Group and a credit to the Mandalong team in only the mine's second ever longwall move following commencement of longwall mining in January 2005.

The final commissioning of the Delta Coal Clearance System was completed in February 2006. The Delta system comprises a 5.5 km underground conveyor link to Delta Electricity's Vales Point Powerstation and, together with its pre-existing Eraring system, enables Mandalong to deliver coal directly to its two main customers via a combination of dedicated underground and overland conveyor systems. By removing the need for trucking, the coal clearance system, which has a capacity of up to 3,500 tonnes per hour, is considered to be one of the most environmentally and community friendly of any coal delivery system in Australia. In a seamless process from coalface to customer, the coal clearance system enables greater delivery flexibility and improved reliability of coal flow to the mine's customers.

Following the end of the quarter, Mandalong received NSW Government approval of its Subsidence Management Plan ("SMP") for LW3, LW4 and LW5. Work continues on the proposed face widening, a project to increase longwall face width from 115 metres to 150 metres, with an order placed for the additional supports required to bring this project to fruition.

Following an impressive ramp-up from its recent longwall changeover, Mandalong is anticipated to finish the 2006 financial year strongly.

Myuna (100% interest)

Myuna has successfully transitioned from the Great Northern Seam to the Fassifern Seam, with a marked improvement in production in both February and March following a period in which development through a faulted area at pit-bottom adversely affected production levels and coal quality.

With the improvement in production levels and coal quality over the past two months, Myuna has returned to profitability.

Newstan (100% interest)

As previously advised, Newstan returned to normal production conditions in December 2005 following the longwall production difficulties experienced earlier in the December 2005 Quarter. However, the longwall continued to experience equipment reliability problems as a direct consequence of the stresses placed on it while it worked its way through the major fault zone in LW22. Despite a period of downtime set aside for repairs and maintenance, significant downtime continues to be experienced as the longwall retreats over the remainder of the current block. In many instances, the full extent of the impact on the equipment only became apparent with the longwall in operation under normal load conditions.

While recognition of the expected financial impact of the equipment issues was taken into account in Centennial's revised guidance announced with the Company's half-year results in mid-February 2006, this impact has been more than anticipated, primarily because of the poor availability of the damaged AFC.

As a result of the ongoing difficulties with the AFC, a decision has been made to relocate the longwall earlier than anticipated, at 7 cut-through. During the relocation, the longwall will be thoroughly overhauled and the new and more powerful AFC installed. This will allow Newstan to recommence production in LW23 in late June 2006 and return to profitability. However, a consequence of this decision is to adversely affect the 2006 financial year result through lower coal production and increased amortisation.

Unfortunately, a decision to relocate earlier was not feasible as Mandalong was undergoing a longwall changeover and hence reducing coal supply within the Central Coast area. The next opportunity to relocate Newstan's longwall is at 7cut-through.

Work is also progressing on a permanent solution to resolve the unstable atmosphere around LW21, with fly ash being used to isolate and seal parts of the old "goaf" (voids) in the previous longwall extraction area. When completed, this should allow the current expensive campaign of inertisation to be terminated. As a precaution for the future, the Group is looking to procure its own mobile inertisation plant, reducing its reliance on the more expensive large scale unit being used at present.

March 2006

Awaba

Awaba continues to perform strongly and, despite its production being diverted to supplement Newstan's production shortfalls, remains on track to exceed forecast production for the 2006 financial year and make a healthy contribution to Group profitability.

The mine operates utilising continuous miners in a retreat configuration, mining small panels via pillar quartering. This method has consistently delivered a steady production rate above targeted levels.

As previously advised, the completion of a review of the mine's future resulted in Awaba's mine-life being extended by around two years. Accordingly, following the confirmation of the extension to Awaba's mine-life, some minimal capital works are being undertaken to upgrade and extend the working life of the mine's equipment fleet.

In addition to the already confirmed extension of mine-life noted above, an application has been lodged with the Department of Primary Industries to undertake pillar "stripping" work in previously mined first working panels, approval of which will extend the life of the operation to December 2008.

Mannering

Mannering continues to experience variable geological conditions, which are negatively affecting production while it completes some dyke driveages necessary to create pit-room during this development phase of the mine. While it was anticipated that this development phase would be completed around the end of the March 2006 Quarter, the geological feature running through the workings of both production districts is still negatively influencing panel advancement. The "Super" unit has penetrated the last known dyke on one side of the panel and is expected to be clear by the end of May 2006, while the "Place Change" panel has encountered this dyke in a more favourable direction and is expected to be clear in early May.

The successful mining of this zone will increase pit-room and operational flexibility, enabling Mannering to take advantage of more flexible panel layouts, which in turn should lead to further operational and productivity benefits.

Considering the less than favourable geological conditions experienced during this development phase, it is encouraging to note that the "Place Change" unit continues to excel – having surpassed its productivity target by more than 20% during the March 2006 Quarter.

Southern Region

Tahmoor

During the March 2006 Quarter, Tahmoor successfully undertook the planned "step-around" of the previously identified igneous intrusion, effectively splitting LW23 into two parts, 23A and 23B. The physical relocation of the longwall was one of the quickest relocations undertaken in the history of Tahmoor and was accomplished without safety incident or injury. As a direct consequence of the need for the "step-around", production for the quarter was restricted to 346,500 tonnes (100%) for the quarter.

As a result of Centennial's systematic approach to upgrading the mine's ventilation system, there has been a 250% improvement in airflow to the longwall face since taking operational control in April 2005. During the recent "step-around", the opportunity was taken to install a high-pressure secondary ventilation fan. This is a further stage in the long-term solution to the mine's inherited ventilation problem, leading to the installation of new main fans in the 2007 financial year. The impact of the installation of the secondary fan is to maintain the gains achieved so far as the return airways extend as the longwall progresses further into the Tahmoor North area.

The increased airflow from the newly installed secondary fan has already assisted in significantly raising productivity at Tahmoor, with production following completion of the "step-around" setting a new daily output record under Centennial's management and subsequently a new mine weekly record of 88,500 tonnes in early April. (The mine's previous weekly production record was set in 1991.)

The mine remains on target to achieve raw coal production of approximately 2 million tonnes for the 2006 financial year. With the further planned upgrades to the ventilation system and the main drift belt, Centennial is confident that the mine's production will continue to increase and meet its 3.5 million tonnes per annum raw coal production target in the 2009 financial year.

Development for the quarter totalled 3,581 metres, some 10% lower than the record set in the previous quarter. The most significant impact on development rates was the intersection of areas of "tight" coal, which prevents the early release of gas due to geological abnormalities retaining the gas within the coal, despite advanced drainage. Pre-planned operational procedures permitted successful mining of these "tight" areas, albeit at a slightly slower rate than normal, except for one small area that is currently being completed. Despite slower development during the quarter, longwall continuity is sufficiently ahead for the mine's next longwall changeover in July 2006.

Berrima

Adverse geological conditions had a major impact on production during the March 2006 Quarter, resulting in reduced production and sales. Berrima has now successfully negotiated the faulted area, with production improving as mining moves away from the disturbed strata.

Major Development Project

Anvil Hill (100% interest)

Significant progress has been achieved during the March 2006 Quarter to enable a submission to be made to the NSW State Government to obtain development approval for the Anvil Hill Project.

In particular, following the lodgement of a Project Application in January 2006, in accordance with the recently implemented Part 3A of the Environmental Planning & Assessment Act, the Department of Planning has registered the Anvil Hill Project as a major development proposal.

Additionally, Thiess Pty Limited ("Thiess") has been engaged to undertake detailed mine planning for the project. Subject to the successful completion of commercial negotiations, it is intended to enter a long-term contract with Thiess for the provision of open-cut mining services to the Anvil Hill Project, conditional upon approvals being gained for the Project's development.

A detailed review of the geological model, which commenced in the previous quarter, has confirmed geological resource estimates with no changes to the mine plan required.

Work continues on the documentation of the project proposal in an Environmental Assessment ("EA"), which is planned to be submitted in July 2006 for public exhibition and assessment by State Government authorities. The EA is required under the new Part 3A assessment process and replaces the previously required Environmental Impact Statement ("EIS").

Consultation with individual community members, various community-based groups, Muswellbrook Shire Council and regulatory authorities continues to have prominence in this preparatory phase. The development proposal and various aspects of the current environmental studies completed to date have been presented for public inspection and feedback as part of an open process of dialogue with the local community.

Sales and Marketing

The resurgence in thermal export prices reported in the last quarter has continued. Thermal coal spot export prices have increased from the US$46 level, referred to in the previous Quarterly Activities Report, to over US$50 per tonne. The most recently reported export spot sale achieved US$54 per tonne.

This sustained market strength has improved the bargaining position of producers as they seek to maintain contract prices at or close to such levels. The annual Asian contract price negotiations remain largely unsettled, with buyers delaying discussions in the hope that prices will fall. However, at present, there is little evidence of this occurring.

Tahmoor has settled Asian coking coal prices slightly lower than original expectations, impacted by the earlier price settlements of the major coking coal producers. However, given Tahmoor's sub US$90 average price for the 2006 financial year, this still represents a very significant price increase for the mine's high quality, hard coking coal product. Prices into Europe are yet to be concluded.

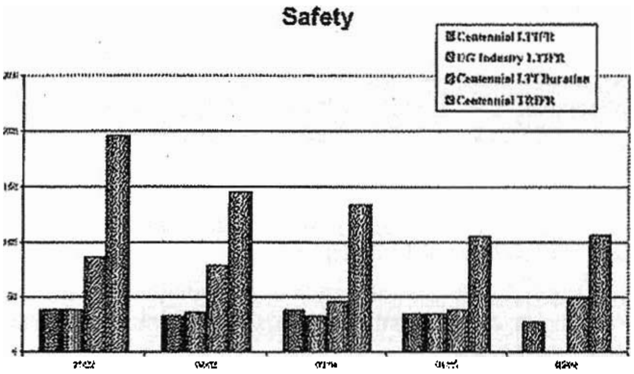
Newstan's semi-soft prices were settled at the higher end of recently announced price settlements, with its coal gaining acceptance as a soft-coking coal and superior to the average Newcastle semi-soft coals.

Centennial continues to find new and diversified customers for its products, including a new export supply agreement to a recently constructed coal-fired facility in a country not previously supplied by the Group.

Domestically, both the power generation and industrial markets remain strong. A new product screening system, recently installed at Clarence Colliery, has increased access to the higher margin sized-coal market.

Health, Safety and Environment

Occupational Health & Safety Risk Management



During the March 2006 Quarter, Centennial again maintained its quarterly Lost Time Injury Frequency Rate ("LTIFR") below the NSW underground industry average for the previous financial year. With three quarters of the 2006 financial year completed, Centennial's LTIFR is approximately 20% better than that of the previous financial year.

The Duration Rate for Lost Time Injuries ("DRLTI") and the Duration Rate for Total Recordable Injuries ("DRTRI") both remained flat for the quarter.

Whilst the Total Recordable Injury Frequency Rate ("TRIFR") did rise slightly for the quarter, it is still similar to the figure reported for the 2005 financial year.

Centennial remains committed to continual improvement in its Occupational Health and Safety performance. To this end, Centennial held a successful Group-wide OH&S Innovation Conference during February 2006, at which participants demonstrated and shared with their colleagues new safety initiatives to further promote improvements in the Group's safety performance and culture. The conference was also used to re-launch the Group's safety initiatives, re-emphasising the health and safety of its workforce as its highest priority and re-confirming its goal to eliminate accidents in the workplace. In support, an OH&S Vision statement, which has been signed off at all levels within the Group, from main Board to individual employee level, was endorsed by the conference and distributed to all mine sites together with other promotional material.

Environment

Centennial is committed to continual improvement in environmental performance at all its operations and to developing effective community relations. There were no major environmental incidents during the March 2006 Quarter, although a number of minor technical breaches occurred. Programmes are in place to address the source of these exceedences.

Following an investigation by the NSW Department of Environment and Conservation ("DEC") of an inappropriate water discharge from the Fassifern Auger Mine in February 2005, the DEC has commenced proceedings in the Land and Environment Court against Centennial Newstan Pty Ltd, as the owner and operator of the mine. Centennial Newstan is charged with polluting waters under the Protection of the Environment Operations Act 1997. The matter has been adjourned until May.

Development applications for the expansion of operations at Lamberts Gully and Angus Place were submitted during the quarter. The applications have completed the public exhibition and submission phase, receiving only a small number of submissions against the proposals. It is anticipated that the NSW State Government assessment process will result in an appropriate and timely determination.

A grant has been received for land management works at the Ivanhoe Colliery Voluntary Conservation Area at Pipers Flat. Centennial has continued its involvement in a catchment management initiative at Long Swamp, near Angus Place.

Centennial in the Community

During the quarter, Centennial made "Envirosmart" grants to each of six Lake Macquarie primary schools, to enable them to complete environmental projects within their school grounds. The Centennial Group also sponsored the Maitland Mercury Hunter River Super Show, in addition to its ongoing commitment to the Smith Family in the Hunter Valley and many other local causes.

In addition, many individual operations continued to sponsor local groups. For example, Tahmoor donated funds to the Disabled Surfers Association of Australia, Youth Off the Streets, the Bargo Soccer Club and Tahmoor Public School. Myuna contributed to the cost of the 2006 Dobell Festival of Arts and Crafts.

The Company also sponsored two first-year apprenticeships in the Mining Skills Centre at the Muswellbrook TAFE. These cover the first-year employment costs and course fees for two local students.

Finance and Hedging

Debt

At 31 March 2006, the Group's gearing (as measured by Net Debt to Net Debt plus Equity) was 43%. This compares with 42% at 30 June 2005 and 40% at 31 December 2005.

Foreign Exchange Hedging Disclosure - 31 March 2006

		2005/06	2006/07	2007/08	2008/09	Total
Forwards						
Principal	*US$M*	41.0	18.0	36.0	18.0	**113.0**
Rate	*A$/US$*	0.7322	0.7250	0.7200	0.7150	**0.7244**
Bought A$ Call Options						
Principal	*US$M*	35.5	168.0	-	-	**203.5**
Strike Price	*A$/US$*	0.7503	0.7293	-	-	**0.7330**
Sold A$ Put Options (1)						
Principal	*US$M*	26.5	168.0	-	-	**194.5**
Strike Price	*A$/US$*	0.7161	0.6923	-	--	**0.6955**
Total Hedged						
Principal	*US$M*	76.5	186.0	36.0	18.0	**316.5**
Rate	*A$/US$*	0.7405	0.7284	0.7200	0.7150	**0.7296**
Total Committed						
Principal	*US$M*	67.5	186.0	36.0	18.0	**307.5**
Rate	*A$/US$*	0.7258	0.6954	0.7200	0.7150	**0.7061**

Notes accompanying foreign exchange hedging disclosure:

(1) Sold A$ Put Options allow Centennial to participate in a depreciation of the A$, if that was to occur, to the average levels specified.

(2) The mark to market valuation of the foreign exchange hedge book at 31 March 2006 was an unrealised loss of $3.1 million (at an exchange rate of A$1=US$0.7152).

Thermal Coal Hedging Disclosure - 31 March 2006

		2006/07	2007/08	2008/09	Total
Coal Swaps					
Quantity	*Metric Tonnes ("mt")*	330,000	690,000	405,000	**1,425,000**
Fixed Price	*US$/mt*	47.00	47.12	47.54	**47.21**

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) The mark to market valuation of the coal hedge book at 31 March 2006 was an unrealised loss of $3.0 million (at an average forward coal price of US$49/mt and an exchange rate of A$1=US$0.7152).

Outlook

As noted above, there have been further consequential impacts arising from the Newstan geological problems encountered earlier in the financial year. The damage caused to equipment, in particular to the existing AFC originally scheduled to be replaced in December 2005 at the planned end of LW22), has resulted in lower production rates and higher costs.

A decision has now been made to relocate Newstan's longwall earlier than anticipated. This will allow the longwall to be thoroughly overhauled and the new, more powerful AFC installed. The effect of this decision is to bring forward the time that improved production rates can be achieved, but will adversely impact the 2006 financial year through lower coal production and additional amortisation.

Consequently, net profit after tax (and minorities) for 2006 is expected to be in the range of $20 to $26 million. The profit impact is dependent on the exact timing of the relocation of Newstan's longwall and year-end shipping schedules.

Beyond the 2006 financial year, Centennial remains confident that its major mines will make a significant contribution to future profits and that this year is not illustrative of the ongoing level of the Group's profitability. This confidence is supported by:

- a continuing strong demand outlook, both in export and domestic terms, underpinning coal prices at or near record levels;
- a resolution of Newstan's equipment issues;
- the planned stepped expansion of Tahmoor's production combined with the benefit of significantly increased coking coal prices for the 2007 financial year (when compared with its inherited low prices) for its high quality product;
- the likely expansion of Mandalong; and
- the development of the Anvil Hill Project, with first coal in early 2008.

Other Corporate

Share Capital Movements

Exercise of Options

50,000 options were exercised by senior executives resulting in the issue of 50,000 ordinary shares.

Dividends

On 21 April 2006, the Company paid an interim dividend of 6 cents per share (unfranked) to those Shareholders who were recorded on the share register on 7 April 2006, the "record-date". The cash component of the dividend totalled $12.5 million.

Dividend Reinvestment Plan ("DRP")

On 21 April 2006, the Company allotted 1,370,866 shares to those Shareholders who chose to take their dividend in the form of shares, representing 29% of the total dividend payable. The shares were allocated at $3.7332 per share, being a 2.5% discount to the 5-day weighted averaged price of the Company's shares between 3 April to 7 April 2006.

Change in Directors

Appointment of a Non-Executive Director

On 19 April 2006, Dr Peter Dodd was appointed as a Non-Executive Director of the Company. Dr Dodd is currently working part time with CSR on a range of strategy initiatives and is a former global head of corporate finance with ABN AMRO. He brings a wealth of corporate finance and commercial experience at this exciting time in Centennial's development.

Dr Dodd will stand for re-election at the Company's next Annual General Meeting (scheduled for November 2006), having filled a casual vacancy.

Retirement of a Non-Executive Director

Following the appointment of Dr Dodd, it is with regret that the Directors announce the retirement of Mr John Roth from the Board. In two terms, Mr Roth has served as a Director both prior to and since Centennial's listing in 1994. Mr Roth leaves Centennial to pursue burgeoning family business interests and leaves with the sincere thanks of his fellow Directors for his strong contribution over these past 17 years.

June 2006 Quarterly Activities Report

The Company's next Quarterly Activities Report is indicatively scheduled for release on 27 July 2006.

June 2006 Full-Year Financial Report

The Company intends to report its June 2006 Full-Year Result on 17 August 2006.

Corporate Information

Directors

Kenneth Moss	Chairman
Robert Cameron	Managing Director
Catherine Brenner	Non-Executive Director
Peter Dodd	Non-Executive Director (appointed 19 April 2006)
Robert Duffin	Non-Executive Director
Paul Moy	Non-Executive Director

Senior Group Management

Robert Cameron	Managing Director
Malcolm Clyde	GM Strategy & Development
Robert Dougall	Chief Financial Officer
Roger Knight	GM Marketing
Tony Macko	GM Corporate Affairs
David Moult	Chief Operating Officer
Peter Parry	GM Financial Control

Company Secretary

Tony Macko

Issued Capital

At 31 March 2006, the issued capital of the Company was 293,763,414 fully paid ordinary shares.

Substantial Shareholders (as advised *)

M&G Investment Management Limited	-	9.08%
Noble Group Limited	-	6.77%
Promina Group Limited	-	6.33%
Perennial Value Management Limited	-	5.94%

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

Options Over Ordinary Shares

During the period, since the last Quarterly Activities Report, 50,000 options have been exercised resulting in 50,000 new shares issued and listed.

At 31 March 2006, Centennial had 6,485,332 options outstanding under the Company's Senior Executive and Director Share Option Scheme, representing 2.23% of the Company's currently listed ordinary shares.

Full Company Name & Registered Office

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ABN 30 003 714 538

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E-mail: cey1@centennialcoal.com.au

Stock Exchange Listing

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

Shareholder Enquiries

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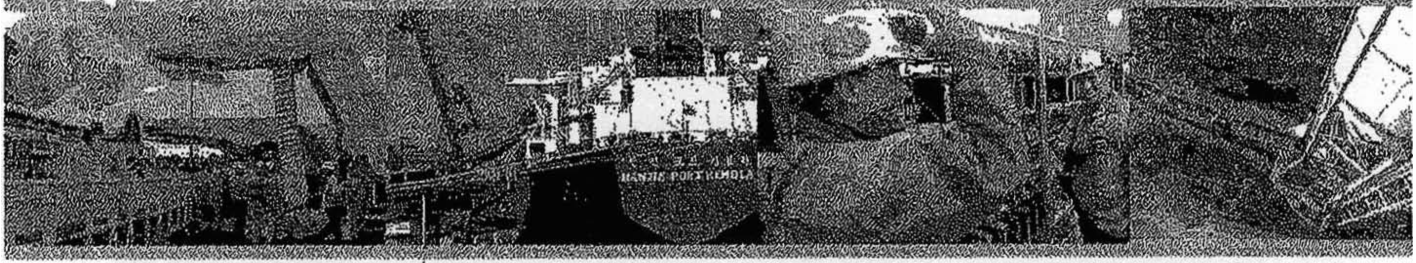
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone: 1300 855 080 (Investor Enquiries)
Facsimile: + 61 2 8234 5050
Website: www.computershare.com

Website www.centennialcoal.com.au

CENTENNIAL COAL
QUARTERLY ACTIVITIES REPORT



Key Points:

- ROM coal production under Centennial management totalled 5.2 million tonnes for the quarter and 17.7 million tonnes on a full year basis, down 6% and up 6% respectively on the prior corresponding periods.
- Centennial's equity share of ROM coal production totalled 4.4 million tonnes for the quarter and 15.6 million tonnes on a full year basis, down 12% and up 5% respectively on the previous corresponding periods.
- Centennial's equity share of coal sales totalled 4.3 million tonnes for the quarter and 15.2 million tonnes on a full year basis, down 5% and up 1% respectively on the prior corresponding periods.
- Production and sales were primarily impacted by the previously announced operational issues encountered at Newstan, which has had a two million tonne impact on the Group's FY2006 production and financial results.
- The Newstan longwall changeover and the installation of new equipment has been successfully completed, with production ramp-up underway. This follows the decision to relocate the Newstan longwall earlier than expected because of continuing equipment reliability problems.
- With the exception of Newstan, the Group's longwall operations all made significant contributions to profitability and continue to demonstrate growth potential with several recent production and development records achieved.
- Clarence and Charbon have returned record years, boosted by strong export revenues, with another strong year expected following recent export thermal contract price settlements at similar levels to last year.
- Following a slightly longer relocation of the Newstan longwall than originally anticipated and slower progress through a localised zone of poor roof conditions at Tahmoor during June, the Company's previous profit guidance of $20 to $26 million has been negatively impacted. As a consequence, FY2006 post-tax earnings are now anticipated to be between $16 to $17.5 million.
- With improving performances from the Group's major mines and the first half of FY2007 scheduled to have only two longwall changeovers, one each at Tahmoor and Mandalong, Centennial anticipates a good start to FY2007. As a result, the Directors anticipate maintaining the final dividend at 7 cents per share (unfranked).

June 2006

26 July 2006

Centennial Coal

Production & Sales Report (Centennial's Equity Share) for the June 2006 Quarter

	Jun 06 Qtr ROM Production Tonnes	Jun 06 Qtr Saleable Production Tonnes	Jun 06 Qtr Domestic Sales Tonnes	Jun 06 Qtr Export Sales Tonnes	Jun 06 Qtr Total Sales Tonnes
Western Region					
Angus Place	861,972	861,972	854,615	-	854,615
Clarence (85%) / Charbon (95%)	578,307	498,997	69,708	576,034	645,742
Springvale (50%)	459,313	453,547	370,769	75,719	446,488
Ivanhoe	7,787	1,242	7,478	33,901	41,379
Total – Western Region	*1,907,379*	*1,815,758*	*1,302,570*	*685,654*	*1,988,224*
Southern Region					
Tahmoor (86%)	608,708	413,489	-	464,500	464,500
Berrima	51,360	51,360	34,221	-	34,221
Total – Southern Region	*660,068*	*464,849*	*34,221*	*464,500*	*498,721*
Northern Region					
Newstan / Awaba	467,152	399,895	433,095	39,709	472,804
Myuna / Mannering / Fassi Auger	445,798	445,798	455,160	-	455,160
Mandalong	919,133	919,133	921,627	-	921,627
Total – Northern Region	*1,832,083*	*1,764,826*	*1,809,882*	*39,709*	*1,849,591*
Group Total	*4,399,530*	*4,045,433*	*3,146,673*	*1,189,863*	*4,336,536*

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 2006

	Jun 06 ROM Production Tonnes	Jun 06 Saleable Production Tonnes	Jun 06 Domestic Sales Tonnes	Jun 06 Export Sales Tonnes	Jun 06 Total Sales Tonnes
Western Region					
Angus Place	2,325,200	2,325,200	2,323,971	-	2,323,971
Clarence (85%) / Charbon (95%)	2,441,442	2,170,207	262,720	1,955,720	2,218,440
Springvale (50%)	1,490,305	1,485,051	1,362,449	200,033	1,562,482
Ivanhoe	230,501	170,820	48,426	170,341	218,767
Total – Western Region	*6,487,448*	*6,151,278*	*3,997,566*	*2,326,094*	*6,323,660*
Southern Region					
Tahmoor (86%)	1,642,758	1,166,334	-	1,253,662	1,253,662
Berrima	183,150	183,150	180,037	-	180,037
Total – Southern Region	*1,825,908*	*1,349,484*	*180,037*	1,253,662	*1,433,699*
Northern Region					
Newstan / Awaba	2,387,736	1,931,995	1,900,839	643,612	2,544,451
Myuna / Mannering / Fassi Auger	1,910,785	1,910,785	1,919,803	-	1,919,803
Mandalong	2,998,798	2,997,630	3,023,347	-	3,023,347
Total – Northern Region	*7,297,319*	*6,840,410*	*6,843,989*	643,612	*7,487,601*
Group Total	*15,610,675*	*14,341,172*	*11,021,592*	*4,223,368*	*15,244,960*

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

Summary – Production & Sales (Centennial's Equity Share)						
	Jun 2006 Quarter Tonnes '000s	**Jun 2005 Quarter** Tonnes '000s	**Quarter Change** %	**Year ended 30 Jun 2006** Tonnes '000s	**Year ended 30 Jun 2005** Tonnes '000s	**Change** %
ROM Production	4,399,530	5,013,726	- 12%	15,610,675	14,907,789	+ 5%
Saleable	4,045,433	4,537,248	- 11%	14,341,172	13,975,499	+ 3%
Sales	4,336,536	4,581,922	- 5%	15,244,960	15,150,849	+ 1%

Group Production Overview

Centennial's equity share of ROM production for the quarter, was 4.4 million tonnes, 10% above the March 2006 Quarter, but 12% below the prior corresponding period. Production during the quarter, benefited from the return to production of four longwalls, all of which had a changeover at some point during the previous quarter. On a comparison with the prior corresponding period, clearly Newstan's LW22 problems were the major factor for the lower production. (Newstan has now successfully moved production to LW23.)

On a full year basis, ROM production was 5% above the prior corresponding year to 30 June 2005, benefiting from the addition of a full-year from each of Mandalong and Tahmoor (longwall production having commenced at Mandalong in January 2005 and Tahmoor having been acquired in mid-April 2005) and despite the loss of almost two million tonnes from Newstan.

Similarly, Centennial's equity share of sales, at 4.3 million tonnes for the quarter, was 11% above the March 2006 Quarter, but 5% below the prior corresponding period. On a full year basis, sales were 1% above the prior corresponding year to 30 June 2005, at 15.2 million tonnes.

Operations

Western Region

Angus Place (100% interest)

Angus Place's strong performance continues, achieving a weekly production record of 110,148 tonnes during the June 2006 Quarter, an increase of 18% over its previous best attained in the March 2006 Quarter, and demonstrating the productive capability of this mine following recent targeted capital investment.

ROM production for the June 2006 Quarter totalled 861,972 tonnes, an increase of 3% over the previous quarter.

Longwall development continues at record levels, with 3,035 metres achieved for the period – almost 30% higher than expectations. As a result, the mine has established a favourable development float, essential for maintaining longwall continuity. (The next longwall changeover to LW940 is scheduled for March / April 2007.)

Work continues on upgrading mine infrastructure, with Angus Place currently transitioning from its ageing fleet of rail equipment and rolling stock, for the underground transportation of personnel and materials, to a more modern and flexible rubber tyre transport fleet. This project, which is due to be completed in the December 2006 Quarter, has already provided increased efficiency in the movement of personnel and materials and a reduction in maintenance costs.

Charbon (95% interest)

The Charbon underground and open-cut mines continue to perform well, with total production for the quarter of 283,000 ROM tonnes and sales of 326,000 tonnes. On a full year basis, Charbon produced 1,132,131 ROM tonnes, with sales of 961,492 tonnes, of which 872,878 tonnes were exported to Korean and Japanese customers.

Following a period of development activity, Charbon recommenced pillar extraction during May, utilising a partial extraction system that had not been employed at Charbon for many years. This mining system has enabled access to an area of coal previously considered not recoverable. To-date, the partial extraction system has proved to be very productive, averaging in excess of [illegible],500 tonnes per unit shift since June.

Clarence (85% interest)

During the June 2006 Quarter, Clarence completed extraction activities in the 330-panel area. The 330-area suffered from variable conditions, significantly impacting Clarence's performance during the 2006 financial year. Operations have now been relocated into the 600-area, which has proven to be more productive with a positive trend of increased productivity now beginning to establish itself. Despite the variable conditions experienced during the year, Clarence returned a record profit for the 2006 financial year, benefiting from strong contracted export prices for its low sulphur thermal coal.

Clarence produced 364,000 tonnes over the quarter and 1,606,962 for the full year, with sales of 336,000 tonnes for the quarter and 1,535,320 tonnes for the year. Over 1,325,000 tonnes were exported to a diverse range of Asian and European markets, with the balance sold into Clarence's niche domestic industrial markets.

Following the receipt of development consent over four lease areas, comprising the 700 series panels, from the Minister for Planning in January 2006, mining leases have now been granted that provide Clarence with an additional 20 years of mine-life. Work has already commenced to access these new lease areas, with ventilation, services and conveyor systems being installed. Production is due to commence in the March 2007 Quarter, opening-up an area within 500 metres west of pit-bottom that will reduce travelling time.

As previously reported, work continues to improve production consistency, with some initial changes to the mine's shift pattern already implemented. A new Enterprise Agreement (under the new WorkChoices legislation) has been agreed with the workforce and is currently progressing through the Employment Advocate process.

Springvale (50% interest)

Springvale continues to exceed expectations, realising the benefits of recent capital investment, with the mine surpassing previous production records during the June 2006 Quarter. Over the past 18-20 months, Springvale has invested in a longwall face extension; an upgrade to its coal clearance system - providing additional capacity and greater reliability; a replacement beam stage loader, a new crusher; and longwall face electro-hydraulics. The resultant records (daily of 25,697 tonnes set in early June, weekly record of 97,441 tonnes set in the same week, monthly record of 370,453 tonnes set in May) demonstrate the significant improvement in productive capacity and reliability achieved.

Mine production for the quarter totalled 850,100 tonnes, significantly ahead of expectations, with the small Lamberts Gully open-cut adding another 68,500 tonnes. On a full year basis, Springvale produced 2,980,611 tonnes, a record for the mine.

Development activities in preparation for LW412 are well advanced and importantly on track to establish a comfortable float ahead of the next scheduled longwall relocation, anticipated toward the end of the December 2007 Quarter. (Note: The current longwall block (LW411), which commenced during the March 2006 Quarter, is 3.6 kilometres long and 305 metres wide, and contains approximately five million tonnes of coal. It is expected to take approximately 20 months to mine.)

During the period, several important projects were completed, including final commissioning of the Springvale – Delta Water Transfer Scheme, which provides surplus mine water for Delta Electricity's cooling towers.

Northern Region

Mandalong (100% interest)

Following a successful ramp-up from its recent longwall changeover, Mandalong finished the 2006 financial year strongly, producing 919,000 tonnes for the June 2006 Quarter compared with 729,000 tonnes in the previous quarter (both quarters affected by the longwall changeover which commenced in mid-March). During the quarter, Mandalong set new daily, weekly and monthly production records, peaking at 412,982 tonnes for the month of May, with a daily record of 25,269 tonnes in late June.

In early July, Mandalong achieved a new daily production record of 26,317 tonnes and followed this up with two successive weekend shift records and another new daily record of 26,784 tonnes last week.

On a full year basis, Mandalong produced three million tonnes for the year and has demonstrated its capacity to produce at significantly higher levels as the mine moves to longer and wider blocks later in the 2007 financial year.

Work continues on the proposed face widening, a project to increase longwall face width from 115 metres to 150 metres, with an order already placed for the additional supports required to bring this project to fruition.

While the new Delta coal clearance system has already proven its value, delivering approximately 420,000 tonnes during the quarter, a decision has been made to install a coal sizer at the top of the underground bin to provide additional product and flow control at this point in the coal delivery cycle. The coal sizer will be installed during the next longwall changeover scheduled for October 2006.

Myuna (100% interest)

The improvement in conditions reported in the March 2006 Quarter, following Myuna's successful transition from the Great Northern Seam to the Fassifern Seam, continued into April before experiencing a period of variable conditions during May and early June affecting production and coal quality.

Conditions have improved since mid-June, as Myuna advanced through these fault zones.

Newstan (100% interest)

As previously advised, a decision was made to relocate the longwall earlier than anticipated, at 7-cut-through, due to ongoing equipment reliability problems as a direct consequence of the stresses placed on it while it worked its way through the major fault zone in LW22.

The longwall changeover commenced in early May, but poor roof conditions and face slabbing necessitated additional roof support, lengthening the bolt-up period and the retrieval of longwall face supports. Consequently, production in LW23 re-commenced a little later than planned.

Newstan produced 267,000 tonnes during the June 2006 Quarter and 1,617,000 tonnes for the 2006 financial year, almost two million tonnes less than planned as a consequence of the severe faulting encountered during the year.

During the longwall changeover, a full compatibility test was successfully undertaken on: the shearer; the new Armoured Face Conveyor (which is almost three times the capacity of its predecessor); main and tailgate drives; and the upgraded electronics associated with a new Beam Stage Loader. In addition, longwall face supports, almost half of which were damaged as the longwall proceeded through the extreme fault zone in the December 2005 Quarter (as noted above), were repaired.

On 12 July, Centennial announced that the Newstan longwall had recommenced production in the new LW23 block, with Newstan Management reporting excellent face conditions as the longwall commenced its ramp-up to full production as it fine-tunes the various new and upgraded components of the longwall.

Following a successful ramp-up, Centennial is confident that the combination of new, upgraded and overhauled equipment will return Newstan to profitability and allow the mine to put the past year behind it.

Development remains on track to ensure longwall continuity for the next block, LW24, at the end of the June 2007 Quarter.

Work continues on a permanent solution to seal the LW21 "goaf" (voids) area. Fly ash is being used to isolate and seal parts of the old goaf in the previous longwall extraction area. When completed, this should allow the current campaign of nitrogen inertisation to be terminated. As a precaution for the future, the Group has acquired its own inertisation plant, reducing its reliance on the more expensive large scale unit being used at present. The plant will be commissioned shortly.

Awaba (100% interest)

Awaba continues to perform strongly with another good quarter helping it to return a record year and make a healthy contribution to Group profitability notwithstanding that its production was diverted from the export market to supplement Newstan s production shortfalls. Awaba produced 200,000 tonnes during the June 2006 Quarter, totaling 771,000 tonnes for the 2006 financial year.

The mine operates utilising continuous miners in a retreat configuration, mining small panels via pillar quartering. This method has consistently delivered a steady production rate above targeted levels with resulting cost savings.

Mannering (100% interest)

Mannering continued its advance through the final stages of the zone of variable geological conditions during the quarter. Ground conditions in the "Super Panel" continue to show encouraging improvements and have contributed to increased productivity, while the "Place Change" panel continues to demonstrate its productive capability with a strong June performance.

Mannering will continue to develop pit-room to afford better flexibility of mining layouts and improve underground logistics to achieve the operational and productivity benefits necessary for the mine to achieve its planned higher levels of production over the next few years.

Southern Region

Tahmoor (86% interest)

Tahmoor delivered its most productive quarter of the 2006 financial year with respect to both production and development activities. The mine produced 710,000 tonnes, marginally below plan as production was affected by slower progress through a localised zone of poor roof conditions during the latter part of the quarter.

Centennial's emphasis on development activities to sustain the higher production levels continues, with another record quarterly development performance. During the June 2006 Quarter, Tahmoor advanced almost four kilometres, even though some equipment problems affected performance. These matters have been successfully resolved, with no ongoing effect.

As a result of the above, Tahmoor produced 1.9 million tonnes for the year, marginally short of its 2.0 million tonnes target, with sales of 1.46 million tonnes. While short of target for the year, Tahmoor has clearly demonstrated its potential.

Management remain confident in Tahmoor's stated growth objective of 3.5 million tonnes per annum raw coal production by the 2009 financial year, a 40% increase to more than 2.7 million tonnes in 2007, with the (previously announced) capital works to upgrade the main drift conveyor and the installation of a new mine fan continuing to plan. In addition, a new 7-day production roster is planned to be introduced later in the year, which will optimise available operating time on the longwall panel and the development headings, providing further comfort that the mine's production growth objective will be achieved.

As the June 2006 Quarter drew to a close, Tahmoor commenced preparations for its longwall changeover to the next block, LW24. The changeover is due to commence shortly, with longwall production expected to recommence at the end of August.

Major Development Project

Anvil Hill (100% interest)

Consultation continues with individual community members, various community-based groups, Muswellbrook Shire Council and regulatory authorities, with feedback from the community consultative process recorded and analysed in a Social Impact Assessment, which forms part of the Environmental Assessment.

Following a review of the geological model during the previous quarter, a review of the coal quality database was completed in June in preparation for the next phase of mine and infrastructure design.

As previously advised, Thiess Pty Limited ("Thiess") have been engaged to assist with certain aspects of the mine design and planning. This has now been completed and the next phase of detailed mine planning is underway.

Following the completion of Thiess' initial engagement, commercial negotiations are underway with Thiess regarding a long-term contract for provision of open-cut mining services for the project, conditional upon approvals being gained for the Project's development.

During the quarter, Centennial appointed Mr Joe Clayton as General Manager – Anvil Hill. Mr Clayton brings to Centennial management experience in large scale open-cut mining. He will be responsible for leading the Project team through the final stages of mine development and for the ongoing day-to-day operation of the new mine.

Sales and Marketing

Following the resurgence in export thermal prices experienced earlier in the year, prices continued to consolidate during the June 2006 Quarter. Japanese contract price negotiations have now been largely concluded with a "benchmark" level established at US$52.50, marginally below that of last year. Prices into Korea, on a quality-adjusted basis, are anticipated to reflect recent Japanese settlements.

An increasingly interesting aspect of the current export thermal coal market is that the two to three year forward sale prices into Europe, for both physical and derivative transactions, are at similar prices to those prevailing at the present time. This may well indicate that European energy market participants believe that prospective fuel prices are unlikely to suffer a serious decline in the near future.

Coking prices for Tahmoor have now been settled, with the mine averaging approximately US$104 per tonne across its various product blends, substantially above last year's sub-US$90 per tonne "carry over" tonnage.

With its superior quality advantage over the average Newcastle semi-soft coal, Newstan's semi-soft is, as expected, proving very popular, with recent sales achieved above US$60 per tonne. This is despite some market commentary suggesting the semi-soft sector is the weakest of the three coal types. This coal's popularity supports Centennial's view that it should be re-rated as a soft coking coal, with an appropriate premium over Newcastle semi-soft coals.

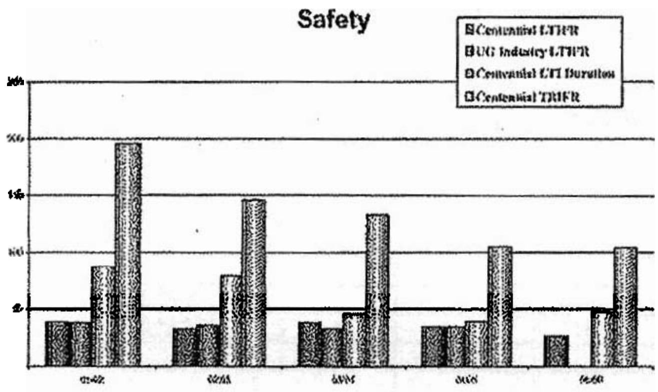
Centennial continues to develop new markets, with a new five-year contract to supply Tahmoor coking coal into Germany achieved, further diversifying the Group's customer base.

This achievement follows on from another recent contract win to supply Clarence coal to a new nickel smelter, currently under construction and due to commence operations in early 2007. As the smelter is being built to operate within strict environmental controls, Clarence is strongly positioned to convert this start-up contract into a longer-term agreement as few coals can meet the necessary coal quality specifications.

Domestically, both the power generation and industrial markets remain strong.

Health, Safety and Environment

Occupational Health & Safety Risk Management



During the June 2006 Quarter, Centennial again maintained its quarterly Lost Time Injury Frequency Rate ("LTIFR") below the NSW underground industry average for the previous financial year. With the 2006 financial year completed, Centennial's annual LTIFR is at 26 or approximately 25% better than that of the previous financial year.

The Total Recordable Injury Frequency Rate fell slightly for the quarter and at 104 it is slightly below the figure of 105 reported for the 2005 financial year.

The Duration Rate for Lost Time Injuries and the Duration Rate for Total Recordable Injuries both remained flat for the quarter. Both of these measures showed some increase over the previous financial year's figures.

Centennial remains committed to continual improvement in its Occupational Health and Safety ("OH&S") performance. To this end, innovations from the Centennial Group-wide OH&S Innovation Conference were submitted to the NSW Minerals Council OH&S Conference during June. It is pleasing to report that two of the Group's innovations received recognition amongst eleven finalists from across NSW. In particular, Mannering received a "highly commended" award for their shuttle car door pinch point protection device.

As part of Centennial's ongoing commitment to improving safety culture within the Group, the Angus Place Colliery mines rescue team, a recent winner of the Australian inter-district competition, is set to take part in the 5th International Mine Rescue Contest in China in September. This is a great opportunity for Centennial to measure itself against the world's best.

Environment

Centennial is committed to actively managing its operations to minimise environmental impacts, meet its legislative obligations and to maintain effective community relations. During the June 2006 Quarter, there were no major environmental incidents, although a number of minor incidents occurred and some complaints were received. All incidents and complaints have been responded to and appropriate actions implemented.

During the quarter, Project Approval was received, under Part 3A of the Environmental Planning and Assessment Act, for the expansion of operations at the Lamberts Gully open-cut mine, adjacent to Springvale, in the Western District Coalfield.

In addition, Centennial has continued its involvement with several positive environmental and social initiatives, including a catchment improvement initiative at Long Swamp, near Angus Place, a local creek improvement programme at Mandalong and the now operational water transfer scheme supplying water from Springvale to Delta Electricity's western power stations.

Centennial in the Community

During the June 2006 Quarter, as part of the Group's commitment to the community, Centennial continued to make a contribution to various worthy causes associated with the local communities in which Group companies operate.

Importantly, Centennial was a major sponsor of the NSW Minerals Council's annual Occupational Health and Safety Conference, an annual event to showcase safety innovation and share knowledge and experience across the NSW coal industry to aid the continuing development of the Group's safety culture.

In addition, Centennial has been an active participant in the "Try a Trade" Skills to School Roadshow, a programme designed to encourage school leavers to take up opportunities to work within the coal industry.

Finance and Hedging

Debt

At 30 June 2006, the Group's gearing (as measured by Net Debt to Net Debt plus Equity) was 43%. This compares with 42% at 30 June 2005 and 40% at 31 December 2005.

Foreign Exchange Hedging Disclosure – 30 June 2006

		2006/07	2007/08	2008/09	Total
Forwards					
Principal	*US$M*	20.3	36.0	18.0	**74.3**
Rate	*A$/US$*	0.7264	0.7200	0.7150	**0.7205**
Bought A$ Call Options					
Principal	*US$M*	204.0			**204.0**
Strike Price	*A$/US$*	0.7310			**0.7310**
Sold A$ Put Options (1)					
Principal	*US$M*	204.0			**204.0**
Strike Price	*A$/US$*	0.6970		–	**0.6970**
Total Hedged					
Principal	*US$M*	224.3	36.0	18.0	**278.3**
Rate	*A$/US$*	0.7306	0.7200	0.7150	**0.7282**
Total Committed					
Principal	*US$M*	224.3	36.0	18.0	**278.3**
Rate	*A$/US$*	0.6996	0.7200	0.7150	**0.7031**

Notes accompanying foreign exchange hedging disclosure:

(1) *Sold A$ Put Options allow Centennial to participate in a depreciation of the A$, if that was to occur, to the average levels specified.*

(2) *The mark to market valuation of the foreign exchange hedge book at 30 June 2006 was an unrealised profit of $9.1 million (at an exchange rate of A$1=US$0.7433).*

Thermal Coal Hedging Disclosure – 30 June 2006

		2006/07	2007/08	2008/09	Total
Coal Swaps					
Quantity	*Metric Tonnes ("mt")*	330,000	690,000	405,000	**1,425,000**
Fixed Price	*US$/mt*	47.00	47.12	47.54	**47.21**

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) *The mark to market valuation of the coal hedge book at 30 June 2006 was an unrealised loss of $4.2 million (at an average forward coal price of US$50/mt and an exchange rate of A$1=US$0.7433).*

Update on Internal Strategic Review

On 12 July, Centennial provided an update with regard to the progress of the strategic review referred to in the Group's Half-Year Results announcement on 20 February 2006. This review was evaluating whether some of the Company's mines may have greater strategic value in the hands of an owner other than Centennial. As part of this process, Centennial invited indicative bids following approaches from a number of interested parties.

Following an assessment of the indicative bids received, the Directors have formally approved a short-list of parties who have been invited to conduct formal due diligence and submit final offers for the mines in question. These parties have commenced mine site visits as part of their due diligence.

Final bids are expected during the September 2006 Quarter, with a decision regarding the future of these assets, including consideration of alternative management strategies, anticipated shortly thereafter.

Outlook

As noted in the commentary above, a combination of slower progress through a localised zone of poor roof conditions at Tahmoor together with a slightly longer than anticipated longwall changeover at Newstan have negatively impacted previous guidance of $20 to $26 million.

Consequently, net profit after tax (and minorities) for the 2006 financial year is now expected to be between $16 to $17.5 million, inclusive of an unaudited pre-tax loss at Newstan of approximately $48 million.

Looking forward to the 2007 financial year and beyond, Newstan has successfully commissioned LW23 and is ramping up to full production. Each of the remaining four longwall mines is enjoying record production and good development rates, essential for longwall continuity.

Centennial believes that it is well positioned to recover from a year overshadowed by the problems at Newstan and Centennial remains confident that its major mines will make a significant contribution to future profits. This confidence is supported by:

- improving performances from the Group's major mines;
- a continuing strong demand outlook, both in export and domestic terms, underpinning coal prices at or near record levels;
- the planned stepped expansion of Tahmoor's production combined with the benefit of significantly increased coking coal prices for the 2007 financial year (when compared with the low contract prices completed in FY2006) for its high quality product;
- the completion in FY2007 of the final elements of the Group's capital refurbishment programme; and
- the expansion of Mandalong, supported by increasing production rates.

Importantly, the 2006 year is not illustrative of the ongoing level of the Group's profitability, with the Company's earnings outlook remaining strong. With the first half of FY2007 scheduled to have only two longwall changeovers, one each at Tahmoor and Mandalong, Centennial anticipates a good start to FY2007. It is with this confidence in mind that your Directors anticipate maintaining the final dividend at 7 cents per share (unfranked).

Other Corporate

Share Capital Movements

Exercise of Options

No options were exercised by senior executives during the June 2006 Quarter.

Dividends

On 21 April 2006, the Company paid an interim dividend of 6 cents per share (unfranked) to those Shareholders who were recorded on the share register on 7 April 2006, the "record-date". The cash component of the dividend totalled $12.5 million.

Dividend Reinvestment Plan ("DRP")

On 21 April 2006, the Company allotted 1,370,866 shares to those Shareholders who chose to take their dividend in the form of shares, representing 29% of the total dividend payable. The shares were allocated at $3.7332 per share, being a 2.5% discount to the 5-day weighted averaged price of the Company's shares between 3 April to 7 April 2006.

Change in Directors

Appointment and *Retirement of Non-Executive Directors*

During the June 2006 Quarter (and as previously announced), Dr Peter Dodd was appointed as a Director of the Company and Mr John Roth retired from the Board.

Dr Dodd will stand for re-election at the Company's next Annual General Meeting (scheduled for November 2006), having filled a casual vacancy.

September 2006 Quarterly Activities Report

The Company's next Quarterly Activities Report is indicatively scheduled for release on 30 October 2006

June 2006 Full-Year Financial Report

The Company intends to report its June 2006 Full-Year Result on 17 August 2006.

Corporate Information

Directors

Kenneth Moss	Chairman
Robert Cameron	Managing Director
Catherine Brenner	Non-Executive Director
Peter Dodd	Non-Executive Director (appointed 19 April 2006)
Robert Duffin	Non-Executive Director
Paul Moy	Non-Executive Director

Senior Group Management

Robert Cameron	Managing Director
Louise Baldwin	General Counsel
Malcolm Clyde	GM Strategy & Development
Robert Dougall	Chief Financial Officer
Roger Knight	GM Marketing
Tony Macko	GM Corporate Affairs
David Moult	Chief Operating Officer
Peter Parry	GM Financial Control

Company Secretary

Tony Macko

Issued Capital

At 30 June 2006, the issued capital of the Company was 295,134,280 fully paid ordinary shares.

Substantial Shareholders (as advised *)

M&G Investment Management Limited	-	10.01%
Noble Group Limited	-	6.77%
Promina Group Limited	-	7.38%
Perennial Value Management Limited	-	5.94%
M&G Investment Funds (Note 2)	-	5.08%

*** Notes:**
1. Does not necessarily take account of recent changes in the Company's share capital.
2. M&G Investment Funds is a subset of M&G Investment Management Limited having reached the 5% disclosure threshold within its own right and hence its separate disclosure statement.

Options Over Ordinary Shares

During the period, since the last Quarterly Activities Report, no options have been exercised.

At 30 June 2006, Centennial had 6,485,332 options outstanding under the Company's Senior Executive and Director Share Option Scheme, representing 2.20% of the Company's currently listed ordinary shares.

Full Company Name & Registered Office

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Stock Exchange Listing

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

Shareholder Enquiries

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