

**FORECAST REPORT  
2010/2011**

**Introduction**

CS Energy Ltd (CS Energy)'s performance has been affected by unfavourable electricity markets and plant reliability. Notwithstanding this market environment CS Energy remains committed to being a safe, efficient, cost competitive and reliable electricity generator. The increased emergence of vertically integrated retailers, with access to gas, has resulted in both a significant contraction of the electricity contract market and lower National Electricity Market (NEM) pool prices in the 2009/2010 financial year. In order to improve its current market performance in the NEM, CS Energy is pursuing key strategies of revenue enhancement and security, and a safe, reliable, low cost operation.

	<b>Forecast for 2010/2011*</b>	<b>Explanation</b>
NPAT (net profit after tax)	<b>\$5M approx</b>	Primarily reflects deterioration in pool price, contracting and gas electricity certificate outcomes reflecting market conditions.
GWh sent out (energy sent out)	<b>16,915 GWh</b>	Mica Creek Power Station not included.

**Strategic Priorities for 2010/2011**

CS Energy has taken immediate measures to improve the performance in its core areas of its business in:

- Safety;
- Operational management;
- Cost management;
- Overhaul management; and
- Asset management.

Projects in these key areas are underway and will continue throughout the 2010-2011 financial year. The projects are anticipated to deliver sustainable improvements in CS Energy's safety performance, cost base, and ultimately, the availability and reliability of the Company's assets.

**Major Projects for 2010/2011**

Construction will be completed on the Callide Oxyfuel Demonstration Project during 2010/2011. CS Energy will progress a feasibility study and business case for the Solar Boost Project at Kogan Creek A, as well as focus on developing potential renewable projects. CS Energy will seek to extend the contracted gas supplies for Swanbank E and Mica Creek, whilst recognising the current gas supply challenge in the Queensland market due to expanding Queensland LNG markets. Discussions will also continue with potential providers of biosequestration products in preparation for the introduction of a Carbon Pollution Reduction Scheme. CS Energy will progress the gradual closure of the Swanbank B Power Station.

**Market Environment in 2010/2011**

The immediate outlook for market prices for 2010/2011 is soft. It is expected that vertical integration and the associated impact of downward price pressure and low contract demand will continue to feature over the next three to five years. There is significant uncertainty in relation to the recently announced delay to the introduction of the proposed Carbon Pollution Reduction Scheme. CS Energy will respond to these challenges through fuel diversification and optimising revenue on a portfolio basis.

This report has been prepared based on information available as at 30 May 2010 and has been prepared for general information purposes. Representations made in this report are forecasts only, are subject to change and should not be relied upon.

\*The financial information provided in this document is unaudited.