

**FORECAST REPORT
2011/2012**

Introduction

CS Energy Limited's (CS Energy's) business includes the generation and sale of electricity, including participation in electricity trading arrangements in the National Electricity Market (NEM) under the *Electricity Act 1994*.

CS Energy's performance has been affected by unfavourable electricity markets and plant reliability and the announcement of a carbon price. Notwithstanding this market environment CS Energy remains committed to being a safe, efficient, cost competitive and reliable electricity generator.

On 1 July 2011, CS Energy transitioned to a new portfolio as part of the Queensland Government's restructure of the government-owned generating corporations to address challenges in the electricity market and the financial impact of the Commonwealth Government policy to introduce a price on carbon.

	Forecast for 2011/2012*	Explanation
NPAT (net profit after tax)	\$(15.3)M approx	Primarily reflects deterioration in pool price and contracting outcomes reflecting market conditions and poor plant reliability.
GWh sent out (energy sent out)	18,442 GWh	Gladstone Power Station output is included.

Strategic Priorities for 2011/2012

CS Energy's goals are to:

- Operate safely, reliably and with a commercial focus;
- Forge strong ties with shareholders, customers and business partners, and support the communities in which it operates;
- Provide customers with effective energy solutions;
- Be a nimble, performance driven and future focused business; and
- Deliver a sustainable and commercially viable future for the Company, for the benefit of shareholders, employees and the people of Queensland.

Projects in these key areas are underway and will continue throughout the 2011/2012 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 2011/2012

Commissioning is scheduled to be completed on the Callide Oxyfuel Project by 30 June 2012.

CS Energy will progress construction of the Kogan Creek Solar Boost Project at Kogan Creek Power Station.

CS Energy will continue with its overhaul program to maintain and enhance the performance of our plant.

Market Environment in 2011/2012

The immediate outlook for market prices for 2011/2012 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. CS Energy will respond to these challenges through optimising revenue on a portfolio basis.

This report has been prepared based on information available as at 11 November 2011 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.