

A New Energy Era

ANNUAL REPORT 2009/2010



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2009/2010 in review

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About this report

This report is CS Energy Limited's (CS Energy's) thirteenth Annual Report, and its first combined Annual Report and Sustainability Report. This report outlines the Company's operational, financial, economic, environmental, and social performance for the financial year 1 July 2009 to 30 June 2010.

The 2009/2010 Annual Report provides information about the Company's performance during the year, to meet the needs of stakeholders, including employees, shareholders, customers, community, partners, suppliers, unions, industry peers, special interest groups and the media. A summary of the Company's financial performance and corporate governance has been incorporated in the body of this document (pages 10-15). The full Corporate Governance Report and Financial Report for 2009/2010 are contained on a disc attached to the back cover of this report. These reports, as well as past reports, can be accessed on CS Energy's website at www.csenergy.com.au.

Copies of the report can be requested by contacting (07) 3854 7777.

In 2009, CS Energy undertook its first Corporate Responsibility and Sustainability Review, which outlined the Company's commitment to embedding sustainability as a core component of its business. The alignment between CS Energy's core business and operational functions and the aspiration to be a sustainable and socially responsible organisation is demonstrated in this integrated report.

For more information on CS Energy's stakeholders, see page 44. CS Energy is committed to open and accountable governance and welcomes your feedback or suggestions about the report. Comments or questions can be directed to the Chief Executive, via email at energyinfo@csenergy.com.au or by mail to the Chief Executive, CS Energy Limited, GPO Box 769, Brisbane Queensland 4001.

How CS Energy measures performance

CS Energy is a signatory to the Electricity Supply Association of Australia's (esaa) Sustainable Practice Framework, which is designed to encourage excellence in sustainability practice, performance and reporting. The esaa represents the key sectors of Australia's energy supply industry, including generation, transmission, distribution and retail. Under this framework, CS Energy has committed to the following principles:

1. Maintain good corporate governance;
2. Deliver value to shareholders, customers and the community;
3. Provide a safe, secure and reliable energy supply;
4. Engage key internal and external stakeholders on significant sustainability matters;
5. Maintain and enhance workforce health, safety, wellbeing and development;
6. Develop and implement climate change responses;
7. Improve environmental performance and resource efficiency;
8. Foster and support community programs; and
9. Promote measurement and reporting of sustainability performance.

These principles are considered material by the electricity industry and form the cornerstone of CS Energy's non-financial reporting. The Company's performance against these principles, cross-referenced with the Global Reporting Initiatives Sustainability Reporting Guidelines (GRI G3 Guidelines) is documented in a table at the back of this report. The principle of reporting against these issues is outlined in the AA1000 Accountability Principles Standard (2008) for sustainability and materiality.

CS Energy's 2009/2010 Financial Report has been audited by the Queensland Auditor-General, and his declaration and report can be found on pages 60 and 61. This year the Company expects to conduct an internal audit on its non-financial performance results, by examining the data presented in the 2009/2010 Annual Report. This benchmark will help with the preparation for independent assurance against the GRI G3 Guidelines in the coming years.

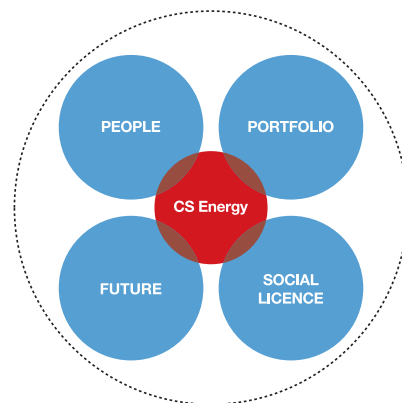
CS Energy submits a Statement of Corporate Intent and Corporate Plan to shareholding Ministers each year. These contracts with our shareholders set a number of financial and non-financial performance criteria which the Company sets out to achieve. A summary of the Statement of Corporate Intent can be found on page 6 and on the disc attached to the back cover of this report. A copy of the Company's Statement of Corporate Intent (with commercially sensitive information deleted), can be found on its website.

What drives CS Energy?

CS Energy's vision is to be a safe, reliable and responsible provider of electricity well into the future. The Company looks to be at the forefront of a significantly changing energy industry and to do business smarter, cleaner and more efficiently. As such, CS Energy reports on the progress of its key goals through this Annual Report in four areas – People, Portfolio, Future and Social Licence.

A set of corporate values define how CS Energy does business, and what is important to the Company. Success will rely on not only what is done, but how it is done, as reflected in the CS Energy values:


- Never compromise on safety;
- Demonstrate integrity;
- Foster innovation;
- Minimise environmental impact;
- Treat each other with respect; and
- Retain a commercial focus.



Highlights 2009/2010

| | 2007/2008 | 2008/2009 | 2009/2010 |
|--|-----------|-----------|-----------|
| Lost time injury frequency rate | 3.30 | 5 | 7.0 |
| Employee numbers (full time equivalent) | 588 | 673 | 644 |
| Staff turnover (%) | 12.8 | 7 | 8.8 |
| Apprentices, trainees and graduates | 52 | 63 | 54 |
| Total energy sent out (GWh) | 14,426 | 16,675 | 17,046 |
| Reliability (%) | 91.8 | 90.8 | 94.6 |
| Greenhouse intensity (kgCO ₂ e/MWhso) | 834.4 | 845.5 | 855.9 |
| Significant environmental incidents | 0 | 1 | 0 |
| Profit after tax (\$000) | 59,007 | 93,816 | (47,636) |
| Return on productive assets (%) | 5.3 | 8.1 | 0.6 |
| Qld average pool price (\$/MWh) | 52.34 | 34.00 | 33.30 |
| Gearing (%) | 47.1 | 44.7 | 45.1 |

*For definitions please see Glossary on page 64.



The safe, reliable and cost-efficient operation of CS Energy's generating portfolio, and the strategic development of large scale low emission and renewable technology, underpins its capability to play a pivotal part in powering Queensland's growth in a new energy era.

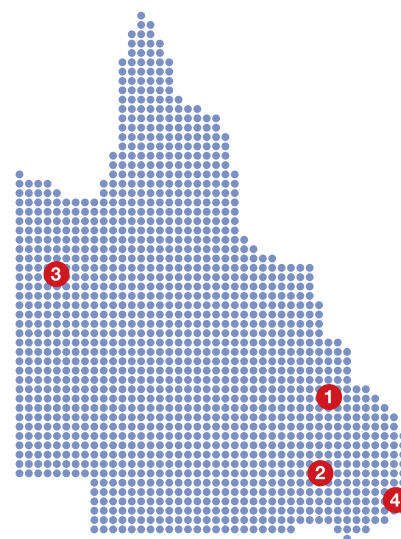
About CS Energy

CS Energy is a Queensland Government-owned electricity generator with more than 640 employees, and a generation capacity of 3,210 megawatts across its four power station sites.

CS Energy supplies approximately 30 per cent of Queensland's electricity requirement, using a fuel mix of natural gas, black coal, coal seam methane and landfill gas. The Company operates a diverse portfolio of operating plant, able to supply base, intermediate and peak load, both on and off the national electricity grid.

The Company's operating sites are:

- 1 Callide Power Station, near Biloela in Central Queensland;
- 2 Kogan Creek Power Station, near Chinchilla in South West Queensland;
- 3 Mica Creek Power Station, near Mount Isa in North West Queensland; and
- 4 Swanbank Power Station, near Ipswich in South East Queensland.



| Plant | Fuel | Total capacity (MW) | CS Energy owned capacity (MW) |
|-----------------------|------------------------------|------------------------|-------------------------------|
| IN OPERATION | | | |
| Callide | Callide A ¹ | Coal-fired | 120 |
| | Callide B | Coal-fired | 700 |
| | Callide C ² | Coal-fired | 900 |
| Kogan Creek | Kogan Creek A | Coal-fired | 750 |
| Mica Creek | Mica Creek A (Units 1,2,3,4) | Gas-fired | 132 |
| | Mica Creek A (Units 5,6,7) | Gas-fired ³ | 103 |
| | Mica Creek B | Gas-fired | 35 |
| | Mica Creek C | Gas-fired ³ | 55 |
| Swanbank | Swanbank B ⁴ | Coal-fired | 480 |
| | Swanbank E | Gas-fired ³ | 385 |
| Total capacity | | | 3,660 |
| | | | 3,210 |

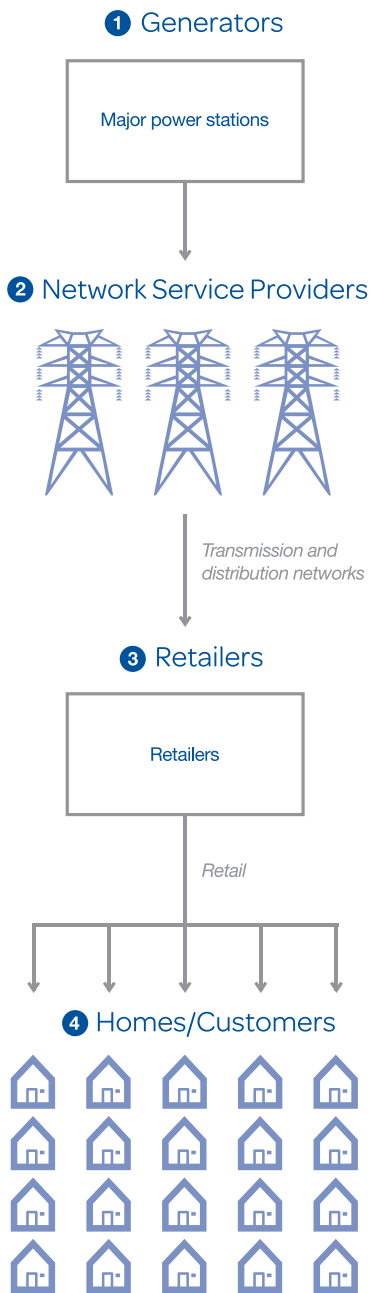
1. Two Callide A Power Station generating units are in storage. Two units are being used for the Callide Oxyfuel Project.

2. Callide C Power Station is owned in a 50 per cent joint venture with InterGen.

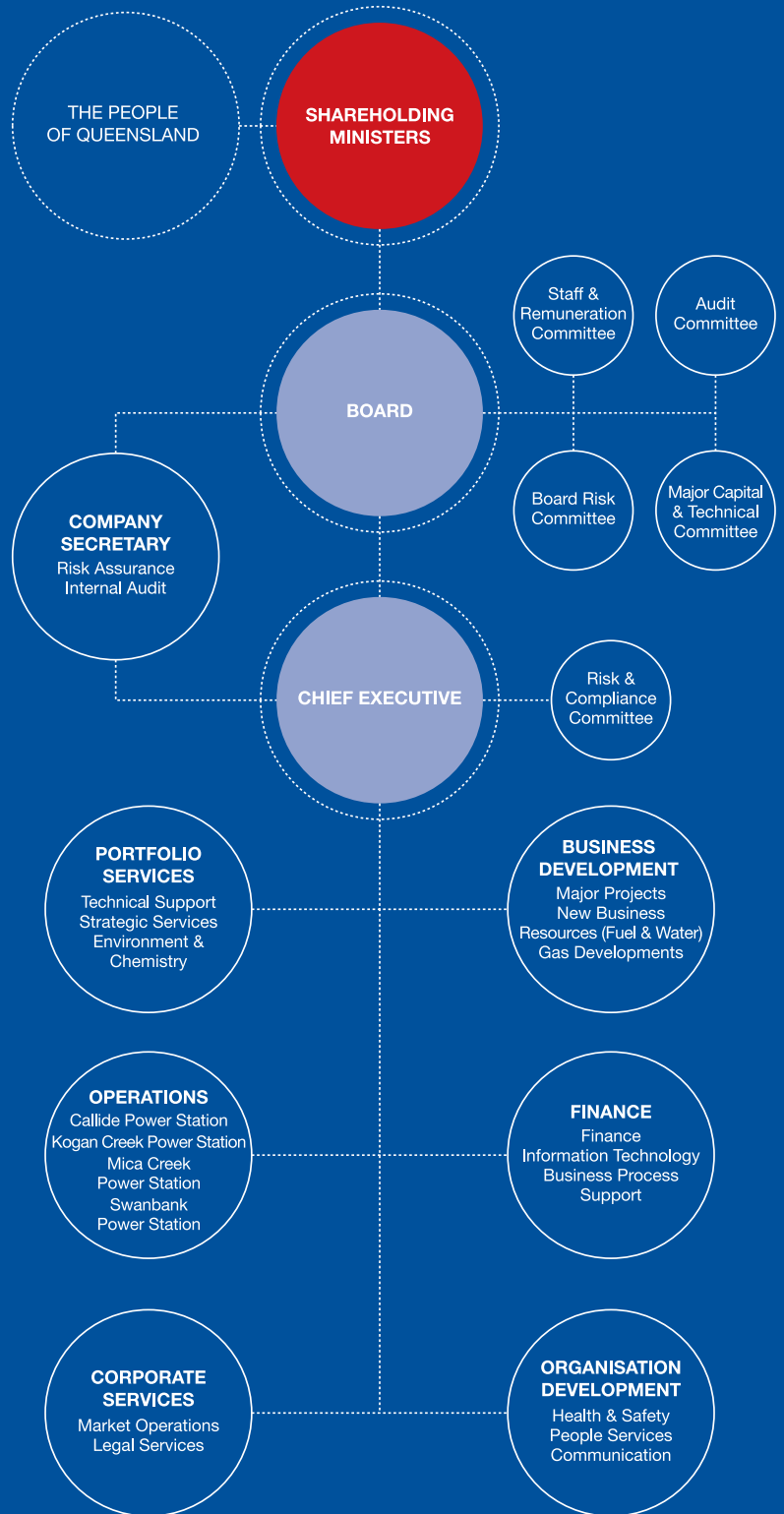
3. Combined-cycle.

4. Two Swanbank B Power Station units were placed into storage in June 2010 bringing operating capacity to 240 megawatts.

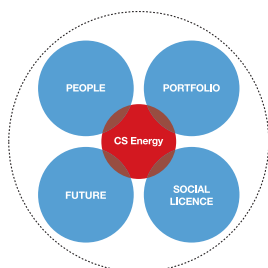
Powering Queensland



CS Energy's structure



Performance against measures



CS Energy's corporate scorecard focuses on four key measurement areas – People, Portfolio, Future and Social Licence.

Against these measures, specific goals and strategies provide a balance between enhancing current business operations and profitability, and implementing the sustainable growth initiatives needed to take the Company into the future.

PEOPLE

| Key objective | Key targets 2009/2010 | Target met? |
|---------------------------------------|---|-------------|
| Safety performance | Zero lost time injuries | ✗ |
| | 20 per cent reduction in Category 3 Incident Frequency Rate | ✗ |
| Employee engagement and effectiveness | >97 per cent employee availability | ✓ |
| | >89.5 per cent employee retention rate | ✓ |
| | 5 per cent improvement in organisational effectiveness survey | ✓ |

Key initiatives 2009/2010

- Extend safety strategy
- Enhance attraction and retention strategies
- Implement revised leadership program
- Extend learning and development activities

PORTFOLIO

| Key objective | Key targets 2009/2010 | Target met? |
|---|---|----------------|
| Top quartile availability and reliability | Individual station targets achieved | ✗ ¹ |
| Competitive and secure fuel source | Secure gas supply for existing and scheduled projects | → |

Key initiatives 2009/2010

- Consistent approach to core operations
- Portfolio approach to service delivery
- Cost effective decision making
- Fully implement asset management and overhaul process
- Develop carbon emission reduction plan for each site
- Develop acquisition strategy for renewable fuel sources
- Competitive portfolio of upstream gas supply services

1. Portfolio reliability target met. Availability target was not met due to higher than budget unplanned maintenance outages and overruns in planned outages

 FUTURE

| Key objective | Key targets 2009/2010 | Target met? |
|--|--|----------------|
| Portfolio installed capacity of 4,000MW by 2020 ¹ | Future of Swanbank B Power Station determined | ✓ |
| | Mica Creek Power Station future strategy agreed (pending customer commitments) | ✓ |
| | Kogan Creek B Power Station feasibility completed | → ² |
| | Combined cycle gas turbine plant feasibility completed | ✓ |
| Renewable generation capacity of 500MW by 2020 ³ | Feasibility assessment of main renewable technology options | ✓ |
| Commercialisation of oxyfuel technology | Key project milestones met in project development | ✓ |
| Access to carbon dioxide transport and storage facilities | Secure suitable geosequestration sites | → |

Key initiatives 2009/2010

- Identify opportunities for growth
- Progress renewable projects
- Lead Callide Oxyfuel Project demonstration
- Investigate access to geosequestration sites

1. During the period, CS Energy revised this goal in response to the current market conditions. See page 38 for further information

2. Project may progress when market conditions warrant

3. The objective was amended due to uncertainty in carbon policy. See page 38 for further information

 SOCIAL LICENCE

| Key objective | Key targets 2009/2010 | Target met? |
|---|---|-------------|
| Funding secured to underpin growth | Complete first phase of Greening Australia biosequestration initiative | → |
| Carbon neutral internal energy usage by 2020 with emissions intensity below 400kgCO ₂ /MWh by 2030 | Carbon intensity less than National Electricity Market average | → |
| Outstanding environmental performance | ISO14001 accreditation at all sites including Kogan Creek A Power Station | ✓ |
| Positive relationships with stakeholders | 100 per cent compliance with government policies and guidelines | ✓ |

Key initiatives 2009/2010

- Implementation of business improvement initiatives
- Revised trading strategy under an emissions trading scheme
- Pursue partnering strategy
- Stakeholder relations and communication strategy



Chairman's review

As an important participant in the Australian energy industry, CS Energy is acutely aware of the many challenges that all fossil fuel electricity generators face.

CS Energy also appreciates the important role that electricity plays in Australia's economy and society, so that the safe, reliable and efficient supply of electricity remains its driving focus, together with the need to adapt to changing environmental requirements.

Financial performance

The 2009/2010 financial year was a disappointing year for CS Energy, delivering a net loss of \$47.6 million from a total asset base of \$2.5 billion. As this Annual Report highlights, the Company's disappointing result does not justly reflect upon the significant efforts made by the Company's management, staff and contractors. However, the reality is that the Company faces a challenging future and it must adapt quickly to operate successfully in this new environment.

Safety

The Board considers that personal safety of employees and their colleagues' is the number one priority every day. In 2009/2010, CS Energy employees and contractors experienced too many work related incidents and injuries. Regrettably, many of these incidents and injuries occurred despite the Company's well defined safety rules and work practices. CS Energy continues to invest considerable resources in this most important area.

Reliability and efficiency

In 2009/2010, the Company did not achieve its performance target for unplanned outages. The most significant incident was the loss of a unit transformer at the Kogan Creek A Power Station during a return to service following planned maintenance. This incident resulted in approximately four months of reduced load output from CS Energy's most efficient plant. Poor coal quality also had a major impact on the performance of the Callide B and Callide C power stations.

Large scale power generators are complex systems, but CS Energy's performance over the 2009/2010 financial year is below industry standards. In a time characterised by difficult market conditions, no generator can afford to incur the dual impact of the lost generation revenues and the incremental cost of remediation, both factors of which are reflected in the Company's financial performance for the year.

CS Energy is a supplier of a key commodity, electricity, into the competitive National Electricity Market (NEM) and, to remain viable, the Company must generate electricity at the lowest industry long

term cost. This position will only be achieved through leading asset management practices. A key focus for the Company in 2010/2011 is the delivery of a reliable portfolio of operating plant, and effective asset maintenance and cost management processes, to improve its performance in these areas. Management has initiated a number of specific projects that are designed to improve the Company's performance in this key area and the Board anticipates a more favourable outcome in the 2010/2011 financial year.

Market

The collapse of the forward contract market, due to the dominance of two major vertically integrated retailers, was the major single contributor to a poor financial result for the year and was always going to pose a challenge for CS Energy in the 2009/2010 year. The Company has managed this challenge in a satisfactory manner, given that management had to address the additional challenges posed through a number of unplanned plant outages, particularly the impact of the loss of the unit transformer at Kogan Creek A Power Station.

During the year, the Board also made the difficult decision to progressively close the four units that comprise the coal-fired Swanbank B Power Station by 2012. Throughout this decision making process, the Company's employees were its first priority. It is also of note that the Company's earlier plan to develop a new gas-fired generator at the site, the Swanbank F Power Station, was not able to be progressed during 2009/2010, as plans to progress this development can only be considered when an economical gas supply can be secured and market conditions warrant.

As part of the customer-driven, competitive process to determine the future energy supply for the region, CS Energy is also in advanced negotiations with its customers and suppliers in the North West Minerals Province around Mount Isa, to develop a feasible platform upon which to upgrade Mica Creek Power Station, replacing the ageing Units A1 to A4 with a new highly efficient combined-cycle gas turbine plant. This competitive process has seen the emergence of a proposal to develop a transmission link, to connect Mount Isa to the national electricity grid, which presents a significant challenge with respect to the timing and scope of the Company's proposed upgrade to Mica Creek Power Station. CS Energy considers that it has developed a feasible, low risk solution for its customers in the North West Minerals Province and the citizens of Mount Isa and is pressing forward with its proposal. However, if this alternative transmission line proposal progresses, CS Energy will need to carefully evaluate the future options for Mica Creek Power Station.

The environment, renewable energy and the carbon challenge

The Company continues to focus on improving its environmental performance. The ageing Swanbank Power Station and Callide Power Station ash dams are key projects requiring particular attention in the years to come in terms of environmental management.

Significant effort and resources were also invested into the development and implementation of CS Energy's renewable and carbon strategies in 2009/2010. Two particular projects stand out in 2009/2010:

- The continued successful development of its flagship Callide Oxyfuel Project at the Callide A Power Station, being carried out in conjunction with the Company's Australian, Japanese and European joint venture partners.
- The potential development of the Kogan Creek Solar Boost project, which may see solar technology applied to Kogan Creek A Power Station, to pre-heat the water going into the power station's boiler, thus improving the thermal efficiency of the plant.

The Company also continues to pursue a range of other renewable energy projects, and remains committed to achieving its target of 300 megawatts of renewable generation by 2020. CS Energy will continue to monitor policy developments in the key area of carbon policy as part of its continuing focus on sustainability.

Looking forward

National Electricity Market

Queensland's merchant generators, including CS Energy, face a difficult market outlook, characterised by a current over supply in total supply capacity and the abundance of large gas-fuelled peaking plant owned by the market's two vertically integrated major retailers. These factors will present a major challenge to CS Energy's achievement of an operating profit in 2010/2011.

Queensland Government Generator Review

It is anticipated that the Queensland Government will release outcomes of this review in the near future, which may impact on the future operations of the consolidated group. The Company looks forward to the finalisation of this review and working with its shareholding Ministers in the implementation of the review.

Acknowledgements

In reviewing the year, I would like to acknowledge:

- The considerable personal energy injected by CS Energy's people across all of the Company's operations. Whilst the Company's performance this year was not satisfactory, the Board acknowledges that it is not through lack of commitment or effort on the behalf of CS Energy's management and employees.



- The Company's suppliers and contractors, all of whom are part of CS Energy's world and share its many challenges.
- Finally, but by no means least, the commitment, effort and support of my colleagues on the Board, all of whom are fully engaged in working with CS Energy's shareholding Ministers and management to identify, assess and address existing and emerging challenges.

I would also like to particularly acknowledge the ongoing support of the Company's shareholding Ministers, both of whom have major portfolio responsibilities, but who both provide the Board and management with clear direction regarding issues of importance to the Queensland Government and the Company, particularly in these challenging times.

Stephen Lonie

B Com, MBA, CA, F Fin, FIMCA, FAICD
Chairman

Chief Executive's review

The foundation of CS Energy's business is to generate electricity safely, reliably and efficiently.

The 2009/2010 financial year has been challenging, both in terms of the Company's operating performance and the performance of the electricity market. Whilst there has been sound progress across the business, this improvement has largely been negated by some specific but significant areas of poor performance.

Safety

Safety performance was very disappointing, with 15 lost time injuries, up from 9 the previous year. CS Energy is committed to a goal of zero lost time injuries and a safe workplace for its staff and contractors.

Early in 2010, a Health and Safety Taskforce was established to deliver improvements in safety. This Taskforce, which comprises a multi-disciplined team drawn from across CS Energy's sites, is working to deliver an improved safety outcome. The Taskforce is ensuring that everyone across the business is engaged in the process, to make Health and Safety first and foremost in everyone's mind.

Safety leadership across the whole organisation is also vitally important. Each member of the Executive Management Team has an individual Safety Leadership Plan.

The impact of these initiatives is clearly observable across the Company, and I am pleased to see that the last quarter of the financial year achieved zero lost time injuries.

Reliability

In 2009/2010, CS Energy's power stations recorded a reliability of 94.6 per cent and sent out 17,046 gigawatt hours of electricity.

An unplanned outage factor of 12 per cent exceeds the Company's target of 7.8 per cent. This result was primarily driven by two factors:

- The loss of a Kogan Creek A Power Station unit transformer, caused by an operational incident when the unit was being returned to service after a planned maintenance outage, resulted in the power station being offline from 13 September 2009 to 5 October 2009 and then operating at reduced capacity between 6 October 2009 and early January 2010; and
- Reduced generation output from Callide B and Callide C power stations, due to poor coal quality.

These two issues accounted for over 7 per cent of the 12 per cent unplanned outage factor recorded. Without these impacts, the Company would have achieved an unplanned outage factor below 5 per cent, consistent with reaching the target unplanned outage



factor of below 4 per cent in the medium term and 2 per cent in the long term.

To achieve these targets, CS Energy has initiated Company-wide asset management, overhaul management and cost management projects. These projects are delivering tangible benefits to the Company and will result in steady improvements in availability and reliability, as well as reduced unit production costs.

In the first year of the asset management project, Company-wide engineering and maintenance standards have been implemented and specific targeted plant area strategies have commenced.

The overhaul management project has implemented the "In Full On Time to A1 Specification" overhaul process, to deliver tangible improvements in overhaul management through improved overhaul scoping, planning and scheduling, project governance and the on-site management of work. In 2009/2010, \$2.5 million in overhaul cost savings were realised, as well as reductions in safety incidents.

Financial performance

In 2009/2010, the cost management project delivered \$7.3 million in cost savings. However, additional costs due to the Kogan Creek A Power Station unit transformer incident and additional maintenance due to coal quality issues at Callide Power Station offset part of these savings.

The overall financial performance of the Company was heavily influenced by the reduction of revenue due to adverse market conditions, the impact of the reduced output from Kogan Creek A Power Station due to the unit transformer incident and from Callide Power Station, due to poor coal quality.

One-off items of significance, including provisions for onerous contracts and the closure of Swanbank B Power Station, also affected performance.

Operating profit was below budget by approximately \$100 million, with approximately 66 per cent due to adverse market conditions reducing electricity revenue. Lower generation due to plant outages represented the remainder of the below budget operating profit. These factors, together with adjustments for one-off items of significance, resulted in a loss of \$47.6 million for the 2009/2010 financial year.

The adverse market conditions are expected to continue for the next three to five years. During this time, CS Energy will increase its focus on improving operating performance.

To achieve this outcome and emerge from these challenges as a stronger Company requires the continued dedication, commitment and innovation of CS Energy's people. The continued focus of our people on meeting the challenges of the current operating environment, and the drive to provide the solutions to meet the challenges of the future, will ensure CS Energy generates electricity safely, reliably and efficiently in the future.

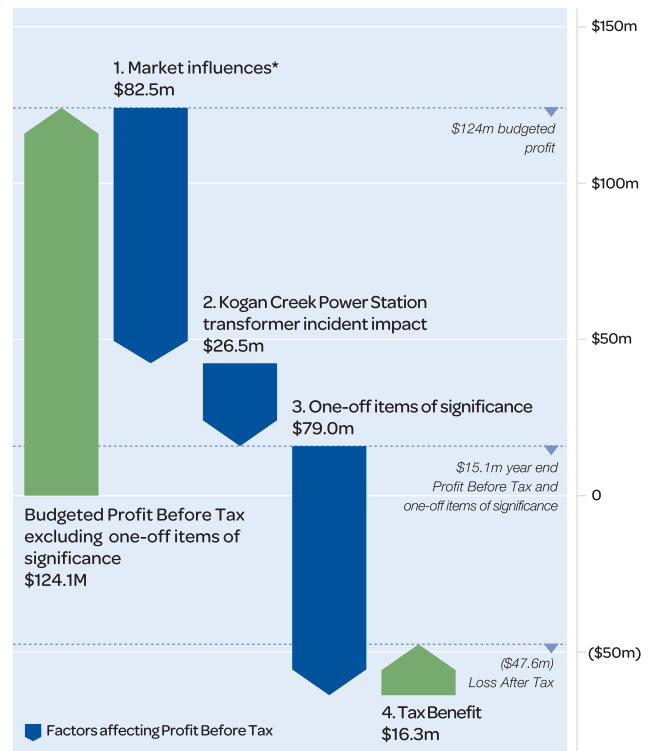
I would like to personally thank all CS Energy staff and contractors for their continued efforts and dedication during what has been a very challenging time.

I would also like to thank my senior executive team for their efforts through a challenging year and also acknowledge the excellent working relationship that the Company enjoys with its shareholding Ministers and their respective Departments.



David Brown
C.Eng BSc (Hons)
Chief Executive

CS Energy 2009/2010 profit position

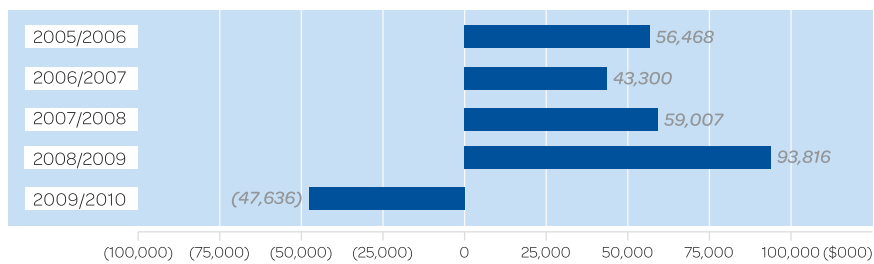


*Includes reduced revenue from adverse GEC/contract market, lower generation from market over supply and Callide Power Station coal, and lower pool price.

Performance summary

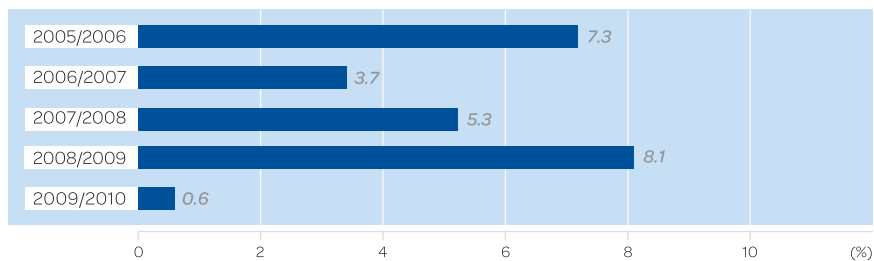
Financial performance

Profit after tax (\$'000)



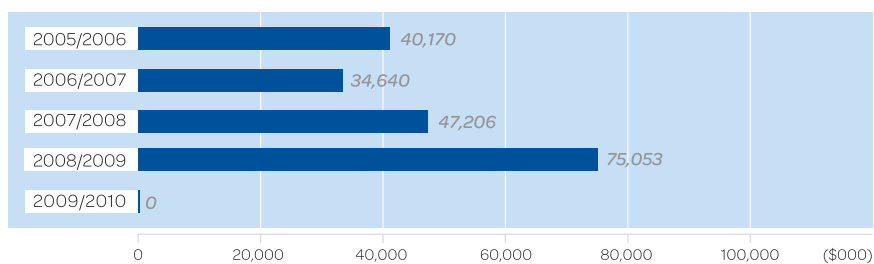
Difficult trading conditions, particularly in the electricity contract market, combined with lower than expected plant capacity factors, costs associated with the decision to progressively close the Swanbank B Power Station and provisions associated with re-measurement of certain onerous contracts impacted CS Energy's profit.

Return on productive assets (ROPA) (%)



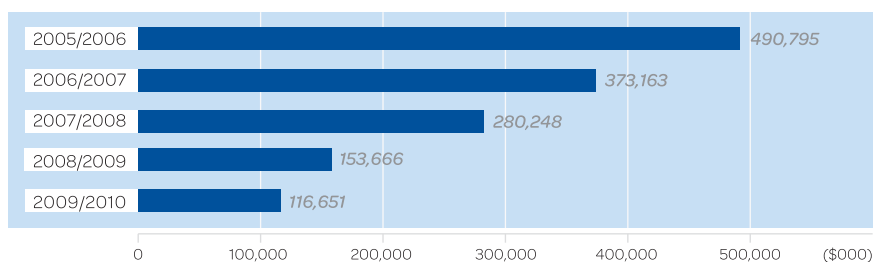
Return on productive assets represents the return the consolidated group has made from the productive assets under its control. It is measured by dividing earnings before finance costs and tax by the average value of productive assets. Productive assets are measured as total assets less work-in-progress. The same factors which impacted the consolidated group's profit after tax, affected the group's return on productive assets for the 2009/2010 financial year.

Dividends payable (\$'000)



During 2009/2010 CS Energy paid a dividend to its shareholders on the Company's 2008/2009 performance, which was directly a result of the profit after tax. In the coming year, the Company will not be paying a dividend due to a loss as a result of the challenging market, and certain one-off factors.

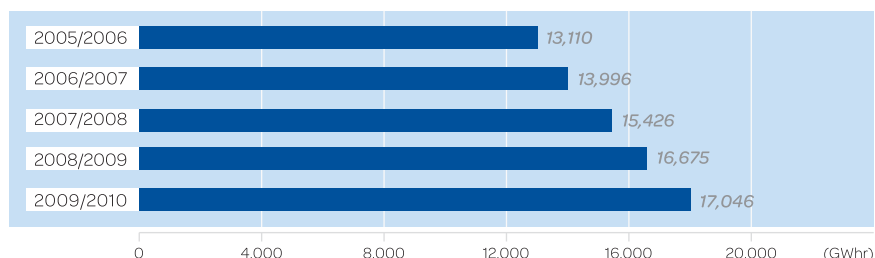
Capital investment in power stations (\$'000)



Decreased revenue and lower than expected cash flows have impacted CS Energy's capital investment in power stations.

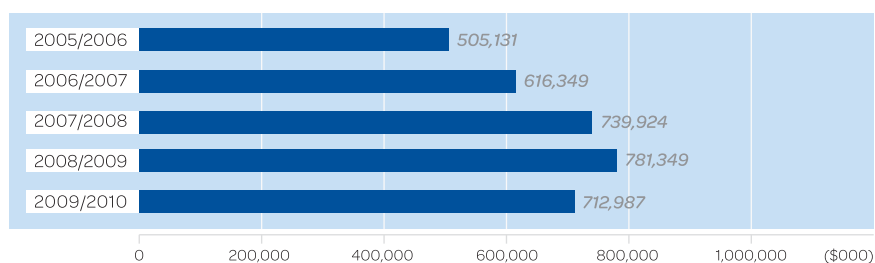
Operating performance

Energy sent out (GWh)



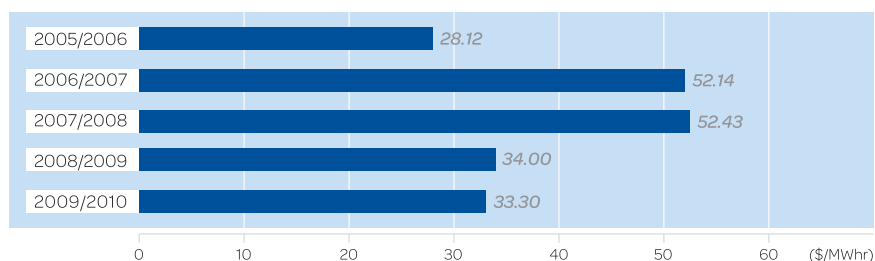
The partial closure of Swanbank B Power Station, the Kogan Creek A Power Station transformer incident and unplanned outages at Swanbank E, Mica Creek and Callide power stations have resulted in a lower amount of energy sent out from the CS Energy portfolio than forecast. These lower generation levels, coupled with lower pool prices have impacted revenue.

Sales revenue (\$000)



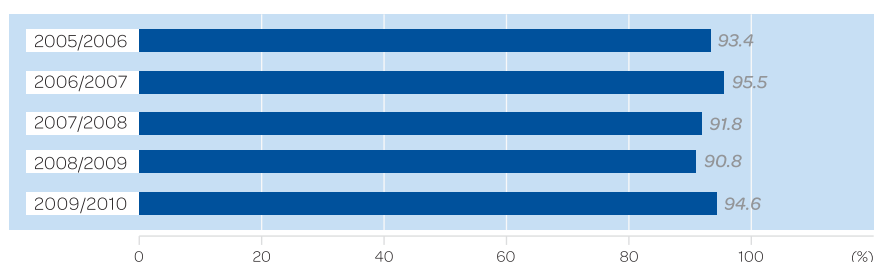
A significant contraction in the market for forward electricity contracts impacted CS Energy's revenue base. The contraction is predominantly due to new gas-fired generation projects across Queensland. The surplus electricity capacity has reduced demand for forward electricity contracts.

Time-weighted average pool price (\$/MWh)



The Queensland electricity market has experienced a downward trend in pool prices for the last two years, primarily due to additional volumes of new electricity generation connecting to the grid. These factors have decreased CS Energy's earning capacity.

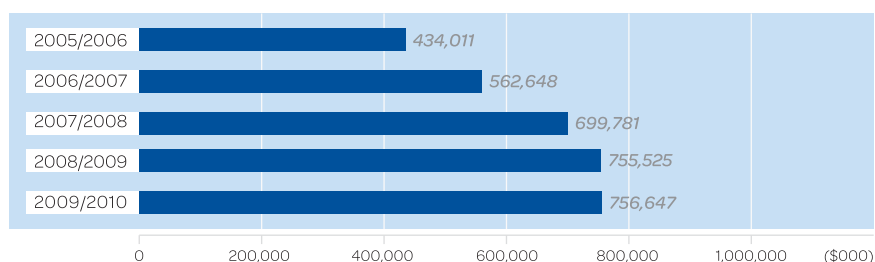
Reliability (%)*



Reliability across the portfolio increased in 2009/2010, but was still affected by coal quality issues at Callide Power Station, unplanned outages at Mica Creek and Swanbank E power stations and ageing plant at Swanbank B Power Station. The reliability of CS Energy's portfolio influences the Company's overall operation and maintenance costs, as well as its ability to generate and sell electricity, which directly impacts revenue. The Company expects to see further improvements in reliability resulting from full implementation of the asset management and overhaul management projects.

*For definition see page 64.

Costs (excluding finance costs) (\$000)



The successful implementation of cost management initiatives, offset by higher amortisation costs impacted the overall cost of operations (including cost of sales, distribution and administration costs) this financial year. Increased overhaul costs for major plant and, in particular, the costs associated with replacement of hot gas path items for Swanbank E Power Station's gas turbine resulted in higher amortisation costs.

Financial performance

CS Energy produced a consolidated loss of \$47.6 million for the year compared with a profit of \$93.8 million for the previous year, due to difficult trading conditions, particularly in the electricity contract market, combined with lower than expected plant capacity factors, costs associated with the decision to progressively close the Swanbank B Power Station and provisions associated with re-measurement of certain onerous contracts.

This loss, the first loss in CS Energy's history, comes at a time when the Company has been seeking to consolidate the balance sheet after a long period of unprecedented growth and development. The Company's cash flow from operating activities was \$181 million, below expectations for the year, and resulted in a cash surplus of \$26.3 million after allowance for ongoing capital requirements at existing sites and payment of a \$75.1 million dividend to CS Energy's shareholders for the prior year.

Revenue from operations of \$748.3 million was down \$78.9 million on the previous year, reflecting a significant contraction in the market for forward electricity contracts, as new gas-fired generation projects across the state delivered a surplus capacity and a reduced demand for these contracts.

The overall decrease in consolidated revenues also reflected a contraction in the market price for Gas Energy Certificates issued under the Queensland Gas Scheme. Increased production from gas-fired generation created an over supply of certificates, driving prices lower and reducing the value of currently held, unsold certificates.

The non-National Electricity Market (NEM) operations at Mica Creek Power Station made a sound contribution to consolidated results, due to stable revenues under the long term Power Purchase Arrangements and well managed operating costs, despite the age of some of the plant.

The overall cost of operations (including cost of sales, distribution and administration costs) rose marginally over the previous year. The implementation of improved cost management practices in 2009/2010 is expected to realise greater benefits in the future years. The higher amortisation costs were largely attributed to increased overhaul costs for major plant.

Long term borrowings through the Queensland Treasury Corporation (QTC) remained steady at \$826.1 million, with gearing (debt to debt plus equity) of approximately 45 per cent. CS Energy maintained significant unused borrowing facilities with QTC. These funds remain available for the Company's future development, subject to shareholding Ministers' approval on a project by project basis.

Challenging market conditions are expected to continue in the short term. These conditions will restrict CS Energy's future cash flows from operations, which are likely to be fully utilised to meet ongoing capital requirements for existing sites.

CS Energy continues to maintain a AA- credit rating from the independent ratings agency Fitch.

Key asset and cost management improvement initiatives were implemented in 2009/2010, to improve CS Energy's performance in the core areas of its business and respond to the challenges of the current market and policy environment in which the Company operates. These initiatives are expected to realise greater benefits in the 2010/2011 financial year.

For further information, please see the full audited Financial Report contained on the disc at the back of the report.

Market performance

Performance in the NEM

CS Energy sells electricity into the National Electricity Market (NEM), where prices are calculated every five minutes and settled half hourly. The Company also trades in the contract markets where it enters into financial contracts which lock in a fixed price for an agreed contract volume, over a specified period of time.

Pool price

Although the NEM is a national market, it is configured in regions and CS Energy's revenue reflects price outcomes in the Queensland region.

The 2009/2010 financial year has seen additional electricity generation come into the market. This new generation resulted in an increasingly competitive market which resulted in a low Queensland Regional Reference Price (RRP). The time-weighted average RRP for Queensland in 2009/2010 was \$33.30 per megawatt hour, which continues the downward price trend seen in 2008/2009.

Contracts market

The proposed introduction of the Carbon Pollution Reduction Scheme (CPRS) continued to have a significant impact on the contract market, with participants in the market reluctant to contract beyond the date scheduled for the introduction of the CPRS. The ongoing uncertainty regarding the shape and form of the scheme makes it difficult to accurately predict the impact on future prices. The announcement earlier this year to delay the start of the CPRS until after 2013 has further reduced market confidence.

The CS Energy market operations team continues to work to ensure that the organisation is prepared for the auction, trading and acquittal of carbon permits under an emissions trading scheme. Significant progress had been made in establishing supporting data systems and procedures to accommodate the required trading and acquittal of the carbon permits.

Green products

CS Energy participates in a range of greenhouse intensity reduction schemes.

Gas-fired generation from Swanbank E Power Station is eligible for the Queensland Government's Gas Electricity Certificates under the Queensland Gas Scheme and the New South Wales Gas Abatement Certificate Scheme (NGACS).

While generation cannot be allocated certificates from both the Queensland and New South Wales schemes, the output deemed to be delivered to New South Wales is certifiable under NGACS.

NGACS encourages generation that reduces the average greenhouse intensity of the electricity market. All plant that generates at or below the New South Wales portfolio average of 954 kilograms of carbon dioxide per megawatt hour sent out (or kgCO₂/MWhso) is eligible.

In addition, the ReOrganic project, which co-fires landfill gas with coal in the Swanbank B Power Station is eligible for carbon offset certificates under the NGACS program. For information about the ReOrganic project please see page 42.

The New South Wales regulator independently audited Kogan Creek A Power Station's average greenhouse gas intensity for 2009/2010 at 923 kilograms of carbon dioxide per megawatt hour sent out, also making Kogan Creek A Power Station eligible to generate NGACS certificates.

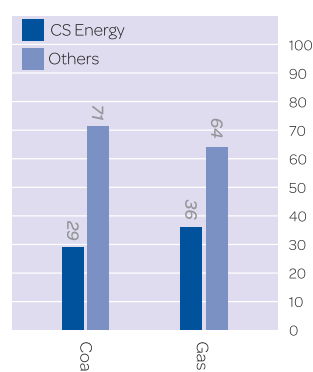
Off-grid activities

CS Energy owns and operates the Mica Creek Power Station in Mount Isa, which is not connected to the NEM. Mica Creek Power Station is the primary provider of electricity in this region and supports the communities of Mount Isa and Cloncurry, as well as local mining and industrial operations.

Mica Creek Power Station recorded system reliability of 97.5 per cent for 2009/2010. For further information on the performance of the Mica Creek Power Station, see page 35.

Mica Creek Power Station comprises 10 small-scale units, two of which are 50 years old and two which are over 40 years old and nearing the end of their economic life. CS Energy has plans in place to progressively retire the ageing units, and install new generation plant. The proposed upgrade is contingent on firm contracts being secured with customers in the region. For more information on Mica Creek Power Station upgrade plans see page 42 of this report.

Queensland generation (%)



Corporate Governance review

The full Corporate Governance Report is contained on the disc enclosed with the Annual Report. This extract provides key highlights from the Corporate Governance Report.

CS Energy was established in 1997 under the *Government Owned Corporations Act 1993* (GOC Act) and is incorporated under the *Corporations Act 2001* (Cth). Shares in CS Energy are held by two Queensland Government Ministers on behalf of the people of Queensland. At 30 June 2010, CS Energy's shareholding Ministers were:

- Queensland Treasurer and Minister for Employment and Economic Development, Hon Andrew Fraser MP; and
- Minister for Natural Resources, Mines and Energy and Minister for Trade, Hon Stephen Robertson MP.

Corporate Governance framework

CS Energy's corporate governance framework comprises a series of policies, procedures and guidelines to ensure the highest level of ethics, efficiency, and financial and risk management are maintained. This framework provides the transparency and accountability required by the Company's stakeholders.

The Corporate Governance Policy is the cornerstone of this framework, which reflects the objectives outlined by the ASX Corporate Governance Council's principles of Good Corporate Governance and Best Practice Recommendations.

The Corporate Governance Policy can be found on CS Energy's website. The responsibility for ensuring good corporate governance practice rests with the CS Energy Board.

The Board

CS Energy's Board comprises seven independent, non-executive Directors appointed by the Governor in Council under the GOC Act. The Board is responsible for setting strategic direction, reviewing and approving plans by the Executive Management Team, monitoring corporate performance, managing risk

and upholding CS Energy's Code of Conduct. Biographies and photographs of the CS Energy Directors can be found on pages 16 and 17 of this report. The Code of Conduct and further details on the Board can be found on CS Energy's website.

Martine Pop joined the CS Energy Board as a Director after the retirement of one of CS Energy's long serving Directors, Julie Leaver in 2009.

The Board has four committees to assist in the management of particular business areas and provide a forum for Directors and the Executive Management Team to discuss more complex business issues. All four committees report to the Board and are as follows:

- Audit Committee;
- Board Risk Committee;
- Staff and Remuneration Committee; and
- Major Capital and Technical Committee.

In June 2009, Warren Packer was appointed Company Secretary for CS Energy. Mr Packer has 24 years experience in audit and risk management in the energy industry and is a member of the Australian Institute of Company Directors, the Australian Institute of Company Secretaries and a Fellow of CPA Australia.

Board Meeting and Board Committee meeting attendances for 2009/2010

| Name | Board meetings (11) | Audit Committee meetings (4) | Board Risk Committee meetings (4) | Staff and Remuneration Committee meetings (4) | Major Capital and Technical Committee meetings (12) |
|---------------------------|---------------------|------------------------------|-----------------------------------|---|---|
| Stephen Lonie | 11 | 4 | 4 | 4 | 12 |
| Mark Bucknall | 11 | n/a | 4 | 4 | n/a |
| Tracy Dare | 10 | 4 | 3 | n/a | n/a |
| Bob Henricks | 9 | n/a | 3 | 4 | 10 |
| Sarah Israel | 10 | n/a | 4 | n/a | n/a |
| Russell Kempnich | 10 | n/a | 3 | n/a | 10 |
| Julie Leaver ¹ | 2 | 1 | 0 | n/a | n/a |
| Martine Pop ² | 6 | 1 | 2 | n/a | n/a |

1. Term expired 30/09/2009 and did not seek reappointment

2. Term commenced 01/10/2009

Reporting

The Board appoints CS Energy's Chief Executive and other members of the Executive Management Team after receiving written approval from its shareholding Ministers. The Chief Executive is accountable to the Board, and is responsible for managing the performance of CS Energy's business and its Executive Management Team.

The Board regularly reports to its shareholding Ministers to ensure they are informed about CS Energy's operations, performance and financial position. The Company produces five types of documents to report on its performance:

- A Corporate Plan;
- A Statement of Corporate Intent;
- Quarterly Reports;
- An Interim Report; and
- An Annual Report.

Performance and responsibilities

The performance of the Board is periodically evaluated at a formal workshop facilitated by an independent corporate governance specialist. The Board has ultimate responsibility for managing risks and ensuring compliance with relevant laws, regulations and policies.

CS Energy is committed to conducting all business activities with integrity, honesty and in compliance with relevant laws and standards. Staff and the Board act in accordance with the CS Energy Code of Conduct, which outlines the principles for conducting business in an ethical and responsible manner. The Board has also adopted the Directors' Code of Conduct from the Articles of Association of the Australian Institute of Company Directors.

CS Energy strives to be open and accountable, while still protecting information that is commercial in confidence. CS Energy complies with the *Right to Information Act 2009* and the *Information Privacy Act 2009*, except where the Company is exempted from releasing commercially sensitive information which could jeopardise its competitive position in the National Electricity Market.

During 2009/2010, the Company established a carbon management plan to address climate change obligations. The Company is required, under the *National Greenhouse and Energy Reporting Act (Cth) 2007* (NGER Act), to extend greenhouse and energy reporting obligations and provide details of climate change risks and responsibilities. During the year, procedures and processes for reporting this information were put in place, and the first public report was lodged in October 2009.

Statement of Corporate Intent

Under the GOC Act, CS Energy is required to prepare a Statement of Corporate Intent (SCI) each financial year. The SCI is the performance agreement between CS Energy and its shareholding Ministers, and complements the five year Corporate Plan.

The full SCI, which includes details of the objectives, activities, capital structure and dividend policies, is tabled in the Queensland Legislative Assembly in accordance with Section 121 of the GOC Act.

In summary, the 2009/2010 SCI outlines the following key business objectives:

- People – Recognised as having people with the commitment and skills to safely deliver business outcomes.
- Portfolio – Acknowledged as a safe and efficient operator of commercial scale, reliable generation plant and control a secure and diverse mix of competitive fuel and water resources.
- Growth – Leading the development of low emission technology.
- Social Licence – Acknowledged as a financially viable, environmentally sound and corporately responsible company.

| Corporate hospitality | | | |
|---|------------|----------|---------------|
| Event | Date | Cost | Cost per head |
| Christmas function – Callide Power Station | 5/12/2009 | \$12,650 | \$50 |
| Christmas function – Swanbank Power Station | 12/12/2009 | \$7,000 | \$50 |
| Christmas function – Brisbane Office | 18/12/2009 | \$5,682 | \$50 |
| Swanbank Service Recognition dinner | 20/02/2010 | \$5,793 | \$89 |
| 25 year Service Recognition function | 27/02/2010 | \$6,604 | \$130 |

Board of Directors profiles



Stephen Lonie Chair

B Com, MBA, CA, F Fin, FIMCA, FAICD
Director since 1999

Stephen Lonie is a Chartered Accountant, and currently practices as an independent management consultant.

Mr Lonie is also the Chairman of the Rock Building Society Limited, and Jellinbah Resources Pty Limited.

Mr Lonie chairs CS Energy's Major Capital and Technical Committee and is a member of the CS Energy Audit Committee and Staff and Remuneration Committee.

Mark Bucknall Director

BA, LLB
Director since 2005

Mark Bucknall is the managing partner of his own legal practice. He came to CS Energy from the ENERGEX Retail Board, where he chaired the Audit Committee and the joint ENERGEX Remuneration Committee. He also served as inaugural chair of the South East Queensland Regional Electricity Council.

Awarded a Commonwealth sports achievement award for services to Australian Football, he is an active community member and contributes professional support to community legal centres and sporting organisations.

Mr Bucknall is chair of the CS Energy Staff and Remuneration Committee.

Tracy Dare Director

B.Bus (Acct); Grad.Dip.Adv.Acc; AICAA;
FAIM, GAICD

Director since 2008

Tracy Dare has extensive experience in commercial and business restructuring, managing large-scale, complex and diverse assignments and in a wide variety of industries.

Ms Dare is currently the Executive Manager Business Development of RSL Care. She previously served as National Manager of Suncorp Metway's Corporate Banking business and prior to this was a partner of KPMG.

Ms Dare is an experienced company director with former appointments to the Queensland Gaming Commission, the Brisbane City Council – City Businesses/City Fleet, as well as to a number of not for profit entities. She is currently a director of the AIM Graduate Studies Institute.

Ms Dare chairs the CS Energy Audit Committee.



Bob Henricks
Director

Queensland Certificate of Competency as Electrical Mechanic (Electrician)
Director since 1999

Bob Henricks brings more than 40 years of experience in the electricity industry to the CS Energy Board. Mr Henricks has served on the board of AUSTA Electric and chairs the Electricity Supply Industry Superannuation Fund, and two other superannuation funds. He is also a director of CS Energy Oxyfuel Pty Ltd.

Mr Henricks is a director of Queensland Private Capital Group Pty Ltd. He is a past State Secretary and National President of the Electrical Trades Union and is also currently a member of the (Australian Government) Central Trades Committee. Mr Henricks, who took his apprenticeship at 15, is still a licensed electrician. He is a member of the CS Energy Major Capital and Technical Committee and Staff and Remuneration Committee.



Sarah Israel
Director

B Bus, FCPA, FAICD
Director since 2005

Sarah Israel has extensive experience in project finance, investment banking and regional development and currently has consulting roles in finance projects in Australia and internationally. Her experience also includes time in the mining and minerals processing and oil and gas industries.

Ms Israel is a Director of ESI Superannuation (Qld) Ltd. She was previously a director of the Queensland Electricity Transmission Corporation (Powerlink Queensland). Ms Israel chairs the CS Energy Board Risk Committee.



Russell Kempnich
Director

BEng (Mech)
Director since 2008

Russell Kempnich has more than 30 years experience in coal resource evaluation, process plant design, construction and commissioning gained both in Australia and internationally. A founding partner and non-executive Chairman of Sedgman Limited, Mr Kempnich led the organisation's growth from a consulting and engineering firm to a market leader in coal preparation, design and construction. He was also responsible for the expansion of the company operations internationally.

Mr Kempnich commenced his career in 1977 as an engineer with the Australian Coal Industry Research Laboratories where he was responsible for the coal preparation pilot plant facilities at Maitland, NSW.

Mr Kempnich is a member of the CS Energy Major Capital and Technical Committee.



Martine Pop
Director

PhD, EEC Commercial Law, FAICD
Director since 2009

Martine Pop has more than 12 years of banking, credit, risk management, audit and control management experience with Macquarie Bank and Challenge Bank in senior and executive positions. For the past 14 years Ms Pop has worked as a consultant providing risk management and corporate management/governance advisory services to the private and public sectors, including six years as an Executive Consultant with Ernst & Young.

Ms Pop is currently a Director of Wheat Exports Australia. Former directorships include Verve Energy, Gold Corporation, SBS, The Grain Pool of WA, Australian Rail Track Corporation and Chairperson of the WA Meat Industry Authority. She was a member of the 2004 review of Australian Wheat Export arrangements commissioned by the Australian Government. Ms Pop is a member of CS Energy's Audit Committee.

Executive Management Team profiles



David Brown
Chief Executive

C.Eng BSc (Hons)

David Brown is a chartered engineer with more than 30 years experience in the energy industry in the United Kingdom (UK) and Australia. Mr Brown graduated with first class honours in a Bachelor of Science degree in natural gas engineering from the University of Salford in the UK. He started his career with British Gas plc before joining Southern Electric plc at a time of significant change in the UK power industry.

In Australia, Mr Brown has worked as a consultant to the power industry and later as General Manager of Bell Bay Power Pty Ltd, a Hydro Tasmania subsidiary company. He was appointed as Chief Executive of CS Energy in December 2007, after joining the Company as General Manager Operations.

Richard Boys
Chief Financial Officer

BCom, MBA, FCIS

Mr Boys has more than 30 years experience in business management and administration in the resources and energy sectors.

As Chief Financial Officer, Mr Boys is responsible for finance, information technology and business systems. He is also a director of various CS Energy subsidiary companies associated with Mica Creek Power Station, Callide Power Project, Kogan Creek Power Project and Swanbank E Power Project.

Gary Campbell
General Manager
Operations

BE (Elect)

Mr Campbell has more than 30 years in the energy sector in Australia and New Zealand.

He has held the position of Station Manager with New Plymouth and Huntly Power Stations and was Chief Executive of Waitaki Power in New Zealand. He was General Manager Operations of Tarong Energy from 1999 until 2002.

Mr Campbell joined CS Energy in 2002 as Site Manager at Callide Power Station and was appointed to the General Manager Operations role in April 2008. In his role he is accountable for the overall performance of CS Energy's generation assets at Callide, Kogan Creek, Mica Creek and Swanbank power stations.



John James
General Manager
Portfolio Services

BE, Grad Dip (Automatic Control), Grad Dip (Management), GAICD

John James has 30 years experience in the power generation sector. He has worked at power plants in Australia and overseas, including Gladstone Power Station in Australia, Killingholme Power Station in the United Kingdom and most recently, CS Energy's Swanbank Power Station, where he held the position of Site Manager for five years.

As General Manager of the Portfolio Services team, Mr James is responsible for asset management, overhauls, projects and high level technical support to CS Energy's portfolio of plant, as well as the procurement, environment and chemistry functions.



Terry Killen
General Manager
Corporate Services

B.Ed, MBA, Grad Dip. Mgt, Dip Fin, Dip Prod. Mgt, Dip Tech Analysis, GAICD

Mr Killen has worked in the energy industry since 1986. During this time he has held a number of management roles in information technology, strategic and business planning, HR, procurement and market operations. Prior to joining CS Energy, he held trading management roles for Loy Yang Power and Edison Mission Energy in Victoria.

Prior to his appointment as CS Energy's General Manager Corporate Services in May 2009, Mr Killen was Head of Market Operations. As General Manager Corporate Services, he is responsible for CS Energy's National Electricity Market operations, legal department and corporate projects.

An AFMA accredited trader, Mr Killen is also CS Energy Director on the board of Callide Power Trading.



Chris Turnbull
General Manager
Business Development

B Bus MAICD

Mr Turnbull has worked in the energy industry in the areas of business management and administration for more than 20 years. He is Chair of the Electricity Credit Union and a member of that Board's Audit, Risk, and Staff and Remuneration committees.

Mr Turnbull has also filled the roles of Company Secretary for the CS Energy group of companies and General Manager Corporate Services. He was appointed as General Manager Business Development in 2009 and, in the role, he is responsible for the development of major projects, such as the Kogan Creek Solar Boost Project and Callide Oxyfuel Project, new business activities, and the acquisition and management of fuel and water.



Michael Turner
General Manager
Organisation
Development

HNC Engineering (Mechanical & Production), HNC Electrical Engineering (Power bias), PGrad Dip Mgt (Manchester University)

Mr Turner has more than 30 years experience in the energy industry in both Australia and the United Kingdom as a qualified electrical and mechanical engineer. Mr Turner has held various senior management roles over the past 15 years, including six years at PricewaterhouseCoopers' Energy Utilities division, and most recently five years at ENERGEX in senior strategic and network asset management roles.

As General Manager Organisation Development, Mr Turner is responsible for human resources, industrial relations, learning and development, health and safety, corporate communications and strategy implementation. Mr Turner was appointed in July 2009.

CS Energy's people

PROGRESS 2009/2010

- Negotiated a new Enterprise Bargaining Agreement for the Corporate Office in August 2009.
- Completed the *Generating Insight* employee cultural survey.
- Delivered the *Teamworks* leadership program to all sites.
- Commenced a review of the performance management framework.

LOOKING FORWARD 2010/2011

- Make *Teamworks* introduction available online for new starters and as a refresher for CS Energy leaders.
- Conduct third *Generating Insight* cultural survey.
- Implement Company-wide learning and development programs for all business units.
- Implement revised performance management framework.
- Negotiate new Enterprise Bargaining Agreements for Kogan Creek A Power Station by October 2010, and Callide Power Station by June 2011.

There is a clear link between skilled, loyal and motivated employees and well-performing, sustainable companies. CS Energy continues to put in place strategies and programs to maintain a positive employment climate, and attract, develop and retain people with the skills and capabilities to meet the required business outcomes.

As Queensland's largest electricity generator, CS Energy employs more than 640 people across five sites. The majority of staff are employed under Enterprise Bargaining Agreements.

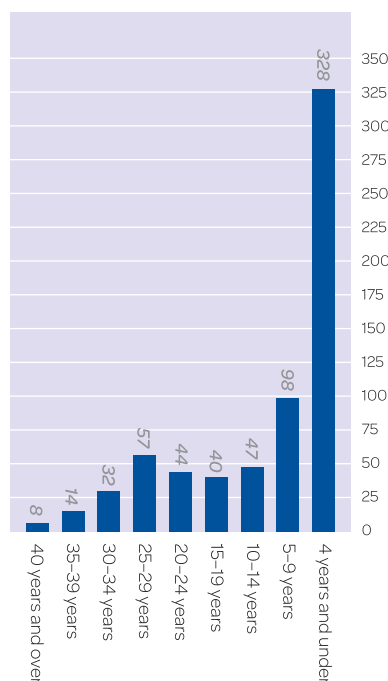
CS Energy is continuously working to enhance its human resource policies, procedures and processes to sustain a supportive and positive workplace culture.

This year, the Company implemented key initiatives identified from the 2008/2009 *Generating Insights* staff survey which focused on enhancing role clarity and goal alignment, employee development, and team work.

Links between CS Energy's business plan, individual outcomes and team priorities were strengthened during 2009/2010 through a review and update of role purpose statements. This was complemented by an examination of the Company's performance review process. These enhancements to the performance review process will be implemented in 2010/2011.

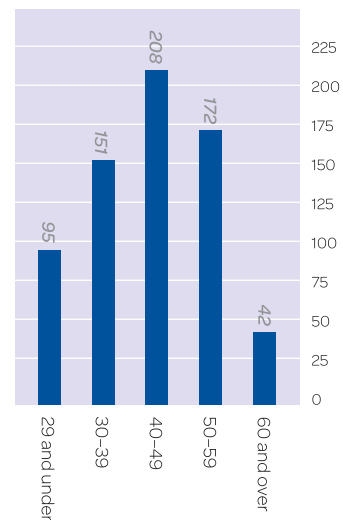
Employee length of service (years)

Figures based on actual employees, not full time equivalent figures.



Age profile of the Company's workforce

Figures based on actual employees, not full time equivalent figures.





The Learning and Development Centre at Swanbank is home to a specialist team that ensures CS Energy has the skills pool to support its operations

Workforce profile

At 30 June 2010, CS Energy employed 668 people across its five sites, which equates to 644.1 full time equivalent employees. The Company offers a variety of vocations, including engineering and sciences, technical and trades, contract administration, project management, legal, workplace health and safety, finance, information technology, procurement and human resources.

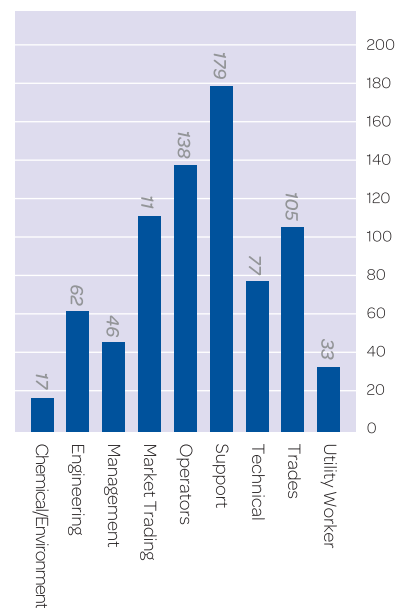
During the year, 47 permanent employees joined the CS Energy team and 55 resignations were accepted. Total staff turnover for the year was 8.8 per cent, a slight increase from 7 per cent last year.

CS Energy also measures employee availability as a key performance indicator, targeting more than 97 per cent availability. In 2009/2010, the Company recorded an employee availability rate of 97 per cent.

The Company continued its strong commitment to workforce planning. With 32 per cent of the workforce over 50 years of age, effective workforce planning is essential to managing long term business success. More details of CS Energy's workforce planning can be found on page 23 of this report.

Occupational profile of the Company's workforce

Figures based on actual employees, not full time equivalent figures.



CS Energy's people (continued)

Valuing diversity

CS Energy strives for a workplace free from unlawful discrimination and harassment. It expects that all people are treated with respect and managers value the diversity within their teams. The Company's Equal Employment Opportunity (EEO) policy is available on the website.

In 2009/2010, CS Energy continued the implementation of its five year EEO Plan. A key initiative of the plan was compulsory online refresher training in EEO fundamentals for all employees. As at 30 June 2010, 90 per cent of employees had completed this training, and the Company will work towards full completion in 2010/2011.

A diverse group of men and women of varying ages are employed at CS Energy, including a number of people from non-English speaking backgrounds, Aboriginal or Torres Strait Islanders and people with disabilities. Almost 15 per cent of the workforce is female, with the number of women in technical and trade roles remaining relatively stable from year to year.

Attraction and retention

Employee attraction and retention strategies aim to build on CS Energy's already skilled workforce, particularly in the remote and regional areas that make up more than 50 per cent of the Company's employee base. Competition for skilled employees remains strong as activity in Queensland's gas industry continues to grow, particularly around Chinchilla and Gladstone. CS Energy will continue to compete against major mining and industrial operations for skilled staff as more projects commence across the state.

The Company's attraction and retention strategy centres on a range of incentives to support staff in remote areas, including holiday travel support and study assistance for the dependants of employees.

In 2009/2010, the Company introduced a corporate target of achieving an employee retention rate greater than 89.5 per cent. The Company's turnover rate of 8.8 per cent for the financial period equates to a retention rate of 91.2 per cent. While this exceeds the targeted rate, CS Energy will continue to focus on the retention of skilled, motivated leaders by continuously improving in areas such as work life balance, providing a positive work culture and supportive leadership. In the coming year, the Company will produce a long term and short term skills demand profile,

together with an employee development attraction and retention strategy which will include talent identification and management.

Industrial relations

The majority of CS Energy's staff are employed under Enterprise Bargaining Agreements (EBAs), with the remainder employed under Alternative Individual Agreements or other contracts. Each site has a separate EBA, and this year the Company reached agreement with the relevant unions on the terms for a new agreement for the Corporate Office. New EBAs are being negotiated for Kogan Creek A Power Station (which will expire in October 2010) and Callide Power Station (which will expire in June 2011).

Recognising the importance of strong relationships and processes and their contribution to the management of risk, site consultative committees and a peak consultative committee have met regularly throughout 2009/2010. These forums – which involve union representatives and CS Energy site management; and union officials and CS Energy corporate management respectively – provide a mechanism for enhancing communication on issues and potential issues. The committees also help to ensure there is regular feedback on site and corporate performance across a range of indicators,

2009/2010 Diversity profile by profession

| EEO GROUPS* | Managers & Admin | Professionals | Associated professionals | Tradespersons | Clerical | Labourers | Total |
|--|------------------|---------------|--------------------------|---------------|-----------|-----------|------------|
| Females | 29 | 34 | 17 | 3 | 15 | 1 | 99 |
| Non-English-speaking background | 2 | 9 | 4 | 6 | 1 | 1 | 23 |
| People with a disability | 0 | 2 | 3 | 9 | 2 | 0 | 16 |
| Aboriginal and Torres Strait Islander (ATSI) | 1 | 2 | 2 | 3 | 1 | 1 | 10 |
| Total | 32 | 47 | 26 | 21 | 19 | 3 | 148 |

*Some people chose not to respond to the EEO survey questions: non-English-speaking background.

from workplace health and safety through to generation output, plant availability and electricity market trends.

The Swanbank Futures Group was established to play an active role in employee-related matters associated with the progressive closure of Swanbank B Power Station and, in particular, future employment opportunities for Swanbank B Power Station employees.

The Swanbank Futures Group helped determine the structure of the workforce required to operate Swanbank E Power Station and will continue to work with staff during the transition process.

CS Energy participated in an electricity industry working party to provide input to the Australian Industrial Relations Commission (AIRC) on the Award Modernisation process. Following an AIRC full bench hearing in June 2009, a modern award for the electricity distribution and supply industry was developed and approved. The new *Electrical Power Industry Award 2010* became effective on 1 January 2010.

Employee engagement

CS Energy's employee engagement process is called *Generating Insight*, a four-stage process of continual improvement which begins with an employee survey. The process then guides teams to develop improvement plans, implement the plans within a supportive framework, and review the success of the actions undertaken.

In July 2009, the second *Generating Insight* survey was conducted, with a response rate of 79.5 per cent, an improvement of 5.6 per cent on the previous survey. The results showed the cultural climate at CS Energy has

improved significantly over the past twelve months, and is now just marginally below the national average. The results also showed variances in leadership capability across the Company. Coaching leaders and team members has been identified as one approach to foster change in this area.

The survey identified gains can be made to CS Energy's team effectiveness by:

- Building greater clarity around people's roles;
- Strengthening accountability for performance; and
- Managing work demands more effectively.

Developing a teamwork culture

The *Teamworks* program continues to enhance team development and build the capability of CS Energy's leaders. *Teamworks* provides practical tools and resources to foster supportive leadership, role clarity and effective teamwork in the organisation.

Two day workshops for leaders and one day workshops for new starters were held across all sites in 2009/2010. An online introduction to *Teamworks*, developed during the year, will be made available in 2010/2011 as a refresher tool for leaders and as an introductory tool for new starters prior to their participation in a *Teamworks* workshop.

Improving induction processes

The Employee Onboarding Project was initiated in March 2009 to review CS Energy's induction processes. The project aims to connect prospective employees with the Company early in the recruitment process, and facilitate an

effective transition into their role, their team and the organisation. In 2010/2011, the Employee Onboarding Project will result in the implementation of CS Energy's *StartUp* program, which will provide people joining the Company with immediate access to the relevant tools on their first day.

Planning for the future

CS Energy recognises the importance of planning for the future, and providing staff with the skills necessary to progress through their career. The workforce planning process provides support to managers, encouraging them to consider a range of broader business impacts, including workforce statistics and succession planning requirements, when making staffing decisions.

During 2009/2010, CS Energy built on its two key human resources systems – the Manager-one-Removed (MoR) and the Critical Position/Functional Succession Planning systems. The MoR system is now entrenched within CS Energy and provides staff an opportunity to discuss their career paths and aspirations with their supervisor's manager on an annual basis. Critical Position/Functional Succession Planning provides a framework for leaders to identify positions, and associated skills, which are critical to CS Energy. This process is currently being reviewed to identify improvements to the existing process.

In 2010/2011, CS Energy will work even more closely with industry training advisory bodies such as Energy Skills Queensland to ensure the Company is well prepared for its future skills requirements and explore options to support employees in achieving nationally accredited qualifications.

Learning and development

Industry demand for talented, skilled employees remains high. CS Energy aims to meet the challenge presented by the skills shortage by creating opportunities for its people to develop their capabilities through an integrated learning and development strategy.

CS Energy's Learning and Development team is implementing various strategic initiatives to combat imminent skills shortage issues in the generation industry. During 2009/2010, the Company implemented a consistent approach to learning and development administration processes, and coordinated the management of all learning and development initiatives, including various company-specific online courses.

Professional development

During 2009/2010, CS Energy's Supervisor Development Program accepted its fourth intake of candidates for the program. The program provides graduates with a Certificate IV in Business (Frontline Management) based on CS Energy-specific content and is delivered by an external registered training organisation. CS Energy senior managers conduct presentations at the workshops about their core business area, to build the Supervisors' understanding of all areas of the Company's business.

As a result of the high demand for the Supervisor Development Program, an Emerging Supervisor Program was developed in October 2008 to support employees who step up to Supervisor roles from time to time. Approximately 35 employees have been nominated to participate in the next round of the program, which will commence in late 2010. Graduates of the Emerging Supervisor Program attain two units of competency from the Certificate IV in Business (Frontline Management).

The Power Generation Skills Development Program, launched in early 2007, provides an industry-specific postgraduate university program for engineers and para-professionals to help address the skills shortage in the industry. The program is also supported by Tarong Energy, Stanwell Corporation, and three Queensland universities – University of Queensland, Queensland University of Technology and Central Queensland University. Now in its fourth year, 18 CS Energy employees have participated in the program.

Developing the next generation

This year, eight graduates participated in CS Energy's Graduate Professional Development program. This program is designed to give graduates a forum for networking and peer support as they transition into the business environment. Workshops are held annually for graduates to share their experiences, and a graduate website encourages the participants, who are spread across the Company's sites, to connect.

CS Energy engages most of its apprentices and trainees through group training organisations. At 30 June 2010, the Company had up to 42 group training apprentices and trainees, and a further 10 employees were completing in-house apprenticeships or traineeships as part of their individual development plans.

CS Energy is also an industry sponsor of the Australian Power Institute (API) which provides bursaries to students undertaking degree-level studies in areas of engineering relevant to the power industry. During the year, an API bursary recipient from Central Queensland University completed vacation placement at CS Energy.

Health and safety

PROGRESS 2009/2010

- Established the Health and Safety New Direction Taskforce.
- Undertook crisis management training at Callide, Kogan Creek and Mica Creek power stations and the Corporate Office.
- Joined Workplace Health and Safety Queensland's Zero Harm Leadership Forum to further promote a strong and healthy workplace.

LOOKING FORWARD 2010/2011

- Implement longer term safety goals through the Health and Safety New Direction Taskforce.
- Carry out crisis management training at Swanbank Power Station.

Safety is a key priority for CS Energy. The Company is committed to continually improving the safety of its people, targeting zero lost time injuries, and focusing on behavioural change to support a culture in which CS Energy employees regard safety to be everyone's responsibility.

Safety at CS Energy is managed under the Company's Occupational Health and Safety Management System (OHSMS). The OHSMS details corporate policies, procedures, audits and health and safety manuals and is driving the Company's adoption of a uniform approach to safety at all sites. The OHSMS can be found on the CS Energy website, along with company and industry-specific safety policies and procedures.

A key element of the OHSMS is the Permit to Work (PTW) system, which is used to coordinate and control the isolation of live electrical plant at all CS Energy power stations. In 2009, CS Energy reviewed the PTW system, and this year implemented improvements to the system, including the provision of training on specific PTW tasks, improved plant familiarisation for new staff and contractors, and updates to drawings and plant numbering. CS Energy's PTW procedures can also be found on the website.

Safety performance

In the 2009/2010 financial year, the Company recorded 15 lost time injuries. Disappointingly, this result is an increase from nine in the previous year, and six in the year before. This result translates into a lost time injury frequency rate of seven in 2009/2010, compared to five in the previous year, and 3.3 in the year prior. These figures include both staff and contractors across CS Energy's five sites.

In response to this increasing trend in lost time injuries, and injury frequency rates, CS Energy prioritised a wide-ranging and in-depth review of procedures and team structures. Initiatives were developed to facilitate a more robust, continuous improvement process across the organisation in this critical performance area. The initiatives aim to exceed legislative requirements, and reflect industry best practice with proven systems, processes and procedures developed for, and by, the energy, mining and resources industries. Importantly, the entire process – from review to implementation – involves ongoing consultation with CS Energy people and unions.

CS Energy remains committed to a goal of zero lost time injuries and providing a safe workplace for its staff and contractors. The Company has signed up to Workplace Health and Safety Queensland's Zero Harm Leadership Forum. The forum comprises around 90 peak industry bodies and unions and aims to create strong and healthy workplaces by bringing together industry leaders. The forum aspires to promote leadership, assist improvement, promote knowledge-sharing, and provide materials and tools to promote zero harm.

The Company commenced the second phase of its *Stay on top of your game* campaign this year, which aims to change behaviour by bringing safety back to basics: working as a team, taking responsibility, and not letting your mates down.

Reporting procedures were updated this year to allow for analysis and identification of trends in near miss situations. This assists in determining the root cause of potential incidents and strengthening controls and systems.

Health and safety (continued)

Health and Safety Taskforce

During 2009/2010, CS Energy's Health and Safety New Direction Taskforce (the Taskforce) was established to implement change across the Company, achieve an increased focus on behavioural factors, improve safety culture and maintain a safe working environment.

The Taskforce comprises 16 members with representation from all sites to achieve a balance of technical expertise and experience.

As at 30 June 2010, the Taskforce had addressed immediate goals which included:

- A revised Health and Safety Policy and Health and Safety Manual;
- Benchmarking the Company against industry leading practice of a safety management system as detailed in AS4801 – Occupational Health and Safety Management Systems;
- Developing a five year Health and Safety Strategic Plan incorporating a scorecard outlining key performance measures based on lead and lag indicators;

- Establishing minimum standards for critical tasks and a one page summary of health and safety non-negotiables; and
- Creating a 'Fair and Just Culture' Procedure and Decision Chart defining a clear and consistent process for managing safe and unsafe behaviours.

In 2010/2011, CS Energy will implement longer term initiatives, which focus on driving a safety culture and achieving leading practice performance, including:

- Scoping a safety culture and behaviours program;
- Developing personal safety leadership plans for the Executive Management Team, Site Managers and superintendents;
- Conducting a safe behaviour survey across all sites; and
- Coaching and mentoring for management and employees.

The annual Generations Ahead Award for the most outstanding safety initiative was awarded to Callide Power Station for a safety initiative which involved changing processes for working in the confined space of a heater. Further information on the winning entry can be found on page 29.

Fit for Duty

CS Energy's *Fit for Duty* policy ensures everyone in the workplace can perform their duties without posing unacceptable risks to the health and safety of themselves or others. A copy of the Company's *Fit for Duty* policy is on the website.

A major initiative under the *Fit for Duty* policy is the Alcohol and Other Drugs Management program, which includes alcohol and drug testing at all CS Energy sites. The testing systems were fully operational by September 2009, and since testing commenced 1,572 tests have been performed. Of these tests, two recorded a positive result. In each case, actions were taken in line with the Company's procedures. During the testing process, CS Energy ensures the privacy and confidentiality of employees and contractors, and provides support and assistance for employees as required.

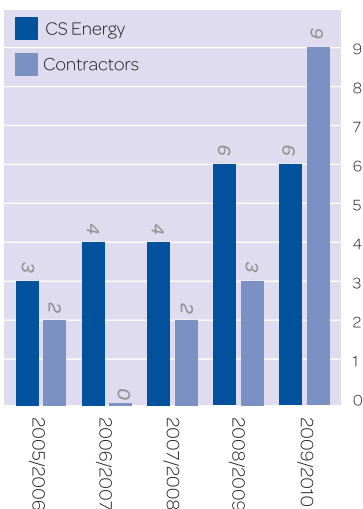
During 2009/2010, a consultative workshop was also held with representatives from each site to assess and review the Alcohol and Other Drugs Management program. As a result, CS Energy made minor changes to the procedure to ensure there is a sustained understanding of the consequences associated with being impaired by drugs, alcohol or fatigue at work.

Chairman's Safe Move Awards

The CS Energy Chairman's Safe Move Awards aim to recognise employee contributions to the development of innovative and effective solutions for health and safety issues. During the year, 11 high standard entries were received for the Company's quarterly Safe Move Awards and the annual Generations Ahead Award. The winning entries for the quarterly Safe Move Awards included a design for safely disconnecting and handling hydrogen cylinders with a forklift, and using mesh barricades to stop objects falling from elevated work areas.

The continued interest in these awards clearly demonstrates CS Energy's employees' commitment to improved health and safety on-site, and represents tangible and measurable outcomes for the business in terms of improved results, risk control, innovation, compliance transferability and employee acceptance.

Number of lost time injuries



Emergency planning

CS Energy has a suite of well planned, understood and rehearsed crisis management plans. Incidents during 2009/2010 enabled site and corporate teams to implement their training in both crisis management and business continuity. The plans were put into practice during a transformer incident at Kogan Creek A Power Station. See page 34 for more information on the Kogan Creek A Power Station transformer incident.

Crisis and emergency management team members at Callide, Kogan Creek and Mica Creek power stations and the Corporate Office also undertook desktop exercises to test the Company's crisis management procedures, and identify opportunities for improvement. All sites successfully conducted site emergency evacuations and have implemented improvements to evacuation procedures. During 2010/2011, Swanbank Power Station will complete its training requirements.

In 2009, in response to elevated pandemic levels for the H1N109 Swine Flu, the Company established and implemented proactive plans and response scenarios. The Corporate Crisis Team and site managers met weekly to monitor and communicate updates to staff. Regular communication bulletins were sent to all staff and site-specific actions and monitoring processes were put in place for the management of personnel who were confirmed as having Swine Flu or identified as being in close personal contact with confirmed Swine Flu cases. In 2010, all CS Energy employees were again encouraged to obtain flu vaccinations, and a free combined seasonal flu and H1N1 vaccination was made available for all employees.

| Alcohol and drug testing | | | |
|--------------------------|------------------------|------------------|-------------|
| Site | No. of tests performed | Positive results | |
| | | Alcohol | Other drugs |
| Callide | 590 | 1 | 0 |
| Swanbank | 200 | 0 | 0 |
| Mica Creek | 349 | 0 | 0 |
| Kogan Creek | 272 | 0 | 1 |
| Brisbane | 161 | 0 | 0 |
| Total | 1,572 | 1 | 1 |

Infrastructure security

On 11 July 2008, Greenpeace activists staged a protest against coal-fired power generation at Swanbank Power Station. The Crisis Management Team worked with emergency services personnel, who controlled the site during the incident. During the protest, there was no risk to staff on-site, and generation at the power station was reduced temporarily as a precaution.

Since then, CS Energy has been instrumental in the development of the Queensland Police Service's Issue Motivated Infrastructure Disruption (IMID) group for the electricity generation and transmission sectors. CS Energy provided a breakdown of the protest incident at Swanbank B Power Station, and the arrangements put into place to respond to disruptive or peaceful protest incidents. The IMID group has developed a number of projects and processes to manage a variety of scenarios and operations, including early notification, on-site incident response arrangements, and improving the management of threats.

CS Energy's incident notification systems and preparations in relation to protest and disruption events have been amended to incorporate IMID procedures.

High voltage switching workshop and arc flash training

In 2009/2010, an independent review was conducted into CS Energy's site operations, procedures and processes associated with high voltage switching. The review identified improvement opportunities and an action plan was developed. Two workshops were held with electrical representatives from each site to develop and implement changes in the processes used across all sites, including:

- Delivery of an electrical arc flash safety course delivered at all sites;
- Improvements to CS Energy's electrical safety procedures, Permit to Work Manual, and training for high voltage work; and
- Changes to increase the safety and consistency of high voltage switching and isolations processes.

Health and safety (continued)

Safety training

As part of CS Energy's focus on safety performance, a number of training courses were provided during 2009/2010, in line with the safety business plan:

- Hazard identification and risk assessment training;
- Incident cause analysis method investigation training;
- Fire safety officer courses; and
- Breathing apparatus and air monitoring for confined spaces training.

Height rescue training was also provided for work groups using safety harnesses and working at heights. Internal training was provided on the SAP Incident Management Database to provide a consistent reporting format and to track action on incident investigation.

CS Energy Board members participated in a full day risk workshop which was facilitated by external specialists and focused on safety improvement strategies. The Executive and Operations Management team members also attended a training course in Legislative Health and Safety Obligations.

Health and wellbeing

CS Energy promotes the health and wellbeing of employees. In November 2009, CS Energy launched a health initiative based on the *10,000 Steps* program. The program promotes physical activity and is linked to CS Energy's *Safe Cycling* initiative which is in its third year. CS Energy supplies pedometers so employees can measure their steps, and provides rewards to encourage participants to achieve key milestones.

By 30 June 2010, eight months into the program, more than 350 pedometers were issued, and CS Energy employees had recorded in excess of 53 million steps.

In 2009/2010, CS Energy also supported employee participation in sporting activities. Activities included an indoor cricket team at the Swanbank Power Station, and the entry of five teams in the 2010 BRW Corporate Triathlon at the Gold Coast, which saw four of the five teams finishing in the top half of the field.

Medical specialists provided a skin cancer screening program at Callide and Swanbank power stations with 60 per cent of employees at these sites accessing the service.

CS Energy continued its Employee Assistance Program which offers employees and their families access to free, independent counselling on work or personal issues. During 2009/2010, its employees sought assistance 843 times through the program, compared with 1,230 in the previous year.

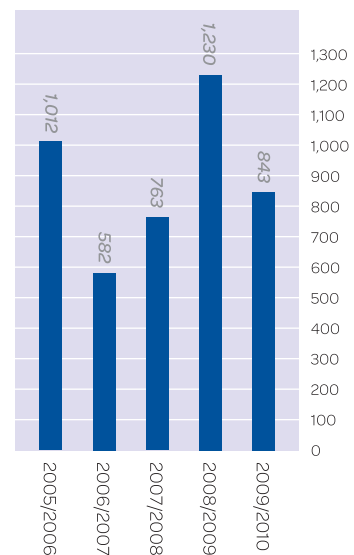
Audits and reviews

During 2009/2010 a number of audits and reviews were undertaken of safety procedures and processes.

Large Dangerous Goods and hazardous areas audits

– An independent audit of the procedures, systems and plant involved in the handling, storage and operation of dangerous goods and hazardous substances. Audit reports were provided for each of the sites and action plans put into place. Inspectors from the Hazardous Industries and Chemicals Branch of Workplace Health and Safety Queensland conducted a two day audit of Callide Power Station. Improvement opportunities were identified and actioned relating to emergency response, risk assessment and training.

Number of times staff used Employee Assistance Program





Turning down the heat

Incident investigation review – An independent review of serious near miss and lost time injury incidents across all sites was conducted and recommendations were presented to the Executive Management Team in December 2009. As a result, CS Energy issued a safety bulletin to highlight improvements to ensure a robust and consistent approach to its safety investigation processes. Incident investigation presentations are made to management by site teams during quarterly site visits.

Fuel and flammable goods deliveries reviews – A desktop audit was conducted into management system processes for on-site refuelling facilities and procedures. A number of minor recommendations were implemented by Caltex, the Company's major fuel and oil supplier, to be compliant with CS Energy's requirements.

Internal audits – Internal audits were completed by risk and assurance on the Permit to Work system at Kogan Creek A Power Station, Health and Safety and Emergency Management Review at Callide Power Station, and the JSEA procedure implementation at Swanbank Power Station. Improvement opportunities were identified and have been actioned by site teams.



Shane McGovern and Dan van Haeran, Emergency Response Team members, test the new process in the mock-up heater

Staff at the Callide Power Station won this year's annual Generations Ahead Award in the Chairman's Safety Awards for an initiative that changed the process the site undertook to carry out repairs on a heater.

Chris Williams, a member of the Unit C4 Callide Power Station HP Heater 5 Repair Team, said the idea was born out of the team's experience of having to weld in a heater, which requires a confined-space Permit to Work.

"Welding the plugs into defective tubes in the heater poses a number of safety issues including risks of heat stress, being in a small confined space, and fumes contaminating the atmosphere," Mr Williams said.

"The team pulled together to come up with the idea of using new plugging technology to repair the heater tubes. We can now repair a heater more safely and in less time."

In a first for the Callide Power Station, a mock-up of the confined space was used to plan and practice the exercise, as well as ensuring a rescue was possible undertaking the repair work on the plant.

The heater repair team took the opportunity to undertake a trial rescue in the heater to refresh their skills on evacuating a member from a confined space.

Mr Williams said the evacuation went off without a hitch and focused on the safety of the rescuers as well as the person being rescued.

The Chairman's Safety Awards recognise employee contributions such as these that develop innovative and effective health and safety solutions. During the year, 11 high standard entries were received for the award, which demonstrates the Company's employees' commitment to improved safety.

Portfolio performance

PROGRESS 2009/2010

- Closed two Swanbank B Power Station generation units at the end of their economic life following detailed economic analysis.
- Progressed plans for the Mica Creek Power Station upgrade with load forecasts received from customers and gas supply and generation plant tenders issued.
- Completed refurbishment of Unit B2 and overhaul of Unit C3 at Callide Power Station.
- Successfully completed a minor overhaul and chemical clean at Kogan Creek A Power Station.

LOOKING FORWARD 2010/2011

- Continue the progressive closure of Swanbank B Power Station and transition to a new site structure.
- Complete overhauls at Callide Power Station and Mica Creek Power Station.
- Continue the implementation of asset and overhaul management projects.

CS Energy has a diverse portfolio, across four locations, using natural gas, black coal, coal seam methane and landfill gas to generate power. The Company has 10 generating units which supply electricity to the National Electricity Market, and a further 10 generating units supplying energy to the North West Minerals Province, which is not connected to the national electricity grid.

In 2009/2010 CS Energy power stations recorded a reliability of 94.6 per cent, compared to 90.8 per cent in 2008/2009, and sent out 17,046 gigawatts of electricity from its portfolio.

In response to the challenging market conditions due to increased competition in the market, CS Energy concentrated its focus on four core performance-driven projects across its portfolio – safety, cost management, asset management and overhaul management. Further information on safety and cost management can be found on pages 25 and 12 respectively.

The Company's business strategy and planning targeted the following key improvements:

- An unplanned outage factor below four per cent in the medium term and two per cent in the longer term;
- A 20 per cent reduction in the time and cost of overhauls; and
- A reduction in the unit cost of production.

The asset management and overhaul management programs lead the Company towards these targets.



Inspection of the Mica Creek Power Station Unit A6 turbine during this year's planned overhaul

Portfolio performance snapshot

| Plant | Fuel source | Unit design capacity (MW) | Energy sent out (GWh) | Reliability (%) |
|-------------------------|-------------|---------------------------|-----------------------|-----------------|
| Callide A ¹ | Coal-fired | 120 | - | - |
| Callide B | Coal-fired | 700 | 4,374 | 96.8 |
| Callide C ² | Coal-fired | 900 | 2,738 | 93.1 |
| Kogan Creek | Coal-fired | 750 | 4,324 | 96.0 |
| Mica Creek | Gas-fired | 325 | 1,553 | 97.5 |
| Swanbank B ³ | Coal-fired | 480 | 1,689 | 90.3 |
| Swanbank E | Gas-fired | 385 | 2,011 | 95.5 |

1. Two Callide A Power Station generating units are in storage for future use, and two generating units are in use for the Callide Oxyfuel Project.
2. Callide C Power Station is owned in a 50 per cent joint venture with InterGen.
3. Two Swanbank B Power Station units were placed into storage in June 2009/2010 bringing operating capacity to 240MW.

Portfolio performance (continued)

Asset management

Building on the Company's existing maintenance program, the three year asset management project aims to improve the availability and reliability of CS Energy's portfolio and reduce maintenance costs. In 2009/2010, the first year of the project, the Company worked on the foundations for best practice asset management, including Company-wide engineering and maintenance standards, improvements in data integrity and risk control and reduction. Key outcomes of this project centre on:

- Whole-of-life Asset Plans;
- Optimised preventative maintenance routines;
- Specific plant area and equipment strategies;
- Leading practice engineering and maintenance standards; and
- Up-skilled plant maintenance capability.

This year, CS Energy developed enhanced maintenance system master data standards, an asset management policy, drawing management standards, strategy development procedures, and lubrication standards. The Company also assigned equipment criticality, performed master data mapping and cleansing, and entered statutory and overhaul routines in its maintenance system.

Cost savings were not targeted in the first year of the project's implementation. However, the Company has a target of \$11.2 million in cost savings and a five per cent increase in portfolio reliability by 2012/2013.

Overhaul management

The In Full on Time to A1 (IFOT-A1) specification process is the cornerstone of the overhaul management project.

CS Energy's adoption of the process draws on the experience of the petrochemical industry, to improve overhaul scoping, costs and duration, and reduce safety and environmental incidents. This process has been adapted to CS Energy's business processes to deliver tangible outcomes in overhaul management.

In 2009/2010, the Company applied an accelerated version of IFOT-A1 to overhauls planned for delivery within the next two years. A full IFOT-A1 process will be rolled out at the completion of this initial phase.

CS Energy expects to save \$5.5 million and there is a potential of an extra \$0.5 million of income each year through the overhaul management project from January 2011.

Callide Power Station

Callide Power Station comprises three power stations – Callide A, B and C (Callide Power Plant). The 700 megawatt Callide B Power Station was commissioned in 1988 and the 900 megawatt Callide C Power Station is owned in a 50 per cent joint venture with InterGen. Black coal for Callide Power Station is conveyed from the adjacent Callide Coalfields, owned by Anglo Coal.

Callide B Power Station and Callide C Power Station both recorded significantly improved reliability in 2009/2010. Callide B Power Station sent out 4,374 gigawatt hours of electricity and recorded 96.8 per cent reliability for 2009/2010. Callide C Power Station recorded a reliability of 93.1 per cent, sending out 2,738 gigawatt hours of electricity (CS Energy's share of power generated under the joint venture).

The Callide A Power Station is the site of a world leading clean coal project, the Callide Oxyfuel Project, which progressed to the construction stage in 2009/2010.

Construction commenced in March 2010 on the retrofitting of oxyfuel technology to the Callide A Power Station. When commissioned, the station will demonstrate near-zero emission electricity generation from coal using oxyfuel combustion and geosequestration. CS Energy is providing the operations and maintenance support for the \$200 million Callide Oxyfuel Project through the Callide Power Station. More information about the project can be found on page 40.

In 2009/2010, the \$160 million mid-life refit of Callide B Power Station continued. The five year upgrade program commenced in October 2007, and key components of the program were completed in June 2009. Planning is well underway on the final works associated with the project which are due to commence in April 2011 and will include a significant overhaul of the Unit B1 turbine, generator and economiser, as well as upgrades to the control systems.

A major overhaul of Unit C3 of the Callide C Power Station was carried out in September 2009, and included refurbishment of the furnace. During the overhaul, work was also performed on the turbines, generator and pressure parts. The unit came back online in November 2009 after a very thorough and extensive service.

The dense phase ash system at Callide B Power Station won the Environmental Project of the Year at the Australian Bulk Handling Awards in late 2009. Callide B Power Station previously used a lean phase system, where ash was transported in a watery mix to the ash dam. The commissioning of Callide C Power Station in 2001 doubled the site's ash production rate and prompted the decision in 2004 to convert Callide B Power Station to a dense phase system that could make more efficient use of available dam space.

In March 2010, the Company identified dust management and potential seepage from the ash dam. Immediate action was taken to manage the issues and a long term remediation plan is in place. For more information on dust release and seepage from the ash dam, see page 49.

Water continued to be an issue in the Central Queensland region until significant rainfall in February 2010. Prior to this, the Callide Dam level was reliant on pumping water from Awoonga Dam in Gladstone. The Callide Dam was at 22 per cent capacity on 30 June 2010. In April 2010, approximately 8,000 megalitres was released into the aquifer system to replenish ground water stocks. Callide Power Station continues to work on strategies for minimising water use and liaises regularly with local government on water management issues. For more information on water use, see page 49.



LOOKING FORWARD 2010/2011

- Undertake major work on Unit B1 to complete the five year mid-life refit program.
- Complete construction on the Callide Oxyfuel Project by December 2010.
- Commence a five year review of the Operations and Maintenance Agreement with Callide Power Management for the operation of Callide Power Plant (Callide C Station).

Kogan Creek Power Station



LOOKING FORWARD 2010/2011

- Prepare for first major overhaul towards the end of 2010/2011.
- Negotiate a new Enterprise Bargaining Agreement by October 2010.
- Complete coal plant modifications by February 2011 to improve coal handling.

Commissioned in 2007, the base load, coal-fired Kogan Creek A Power Station generates up to 750 megawatts from a single boiler, turbine and generator. It is the largest single-unit generating plant in Australia and sets the Australian benchmark for environmental performance and design innovation. The station is dry-cooled, which means it uses one-tenth of the water of a similar wet-cooled power station.

The Kogan Creek A Power Station sent out 4,324 gigawatt hours of electricity and recorded 96 per cent reliability for 2009/2010. In July 2009, work started on a major project to construct a new ash cell at the Kogan Creek Mine, and a pipeline to take ash from the power station to the mine. The ash storage cell is designed to receive ash for the next six years for permanent storage. CS Energy will line the ash cell and start storing ash in the coming year.

The Kogan Creek A Power Station was taken offline for planned maintenance from 29 August to 13 September 2009, deferring the first major overhaul of the station to mid 2011. The planned maintenance was for warranty work, pressure parts statutory tests, and a chemical clean of the boiler. On the power station's return to service, there was an operational incident which resulted in the loss of a Kogan Creek A Power Station unit transformer.

The station was offline until 5 October 2009, and operating at a reduced capacity of 500 megawatts between October 2009 and January 2010 when the damaged transformer was replaced and the power station was returned to its full operating capacity.

Kogan Creek A Power Station's coal is supplied via an overland conveyor from the adjacent Kogan Creek Mine, which is operated by Golding Contractors on behalf of CS Energy and employs 60 people. In 2009/2010, the mine supplied 2.3 million tonnes of high quality, low-sulphur black coal to the power station. The amount of coal delivered to the power station was lower than last year due to scheduled maintenance and the unplanned outage at the power station. Enhancements to coal mining and the blending process were undertaken during the year, and resulted in improvements in station performance due to reduced variability in coal quality.

An Emergency Response Team was formed in 2010 to enhance the station's response to emergency situations and proactively promote safety at the site.

Mica Creek Power Station

Mica Creek Power Station has been providing power to North West Queensland for 50 years. The region's resource-rich landscape has seen Mount Isa's economy grow with industry expansion doubling the region's power demand over the past decade. Mica Creek Power Station is fuelled by gas from Santos' South West Queensland fields, via the Carpentaria Pipeline.

The Mica Creek Power Station sent out 1,553 gigawatt hours of electricity to meet customer demands in the North West Minerals Province. In 2009/2010, the Mica Creek Power Station recorded a reliability of 97.5 per cent, slightly down from previous years largely due to Unit A3 being offline. In the 10 months prior to the unit being removed from service at the end of April, the power station had recorded a reliability of 99.1 per cent.

CS Energy is well advanced in its investigations for an upgrade of Mica Creek Power Station, which would extend the life of the station and increase its operational efficiency. For further information on the upgrade of Mica Creek Power Station, see page 42.

During the year, the power station underwent three major overhauls. The Unit A6 overhaul was completed one week ahead of schedule at the end of July 2009 and the Unit A7 overhaul was completed in mid May 2010. Work on Unit B1 was completed in the middle of October 2009 to ensure quick-start and peaking capacity was available for the summer season.

Other significant capital projects completed included the replacement of the 20 year old cement pipeline which transports wastewater to Xstrata for reuse. The new, buried poly line pipeline allows the station to provide up to one million litres of water each day for Xstrata to reuse for its on-site operations.

Additionally, the 50-year-old gantry crane was replaced at Mica Creek A Power Station. The project to install the new 60 tonne crane was completed in May 2010.

Unit A3 was removed from service on 28 April 2010 after the unit tripped as a result of a generator earth fault. The estimated repair timeframe was 34 weeks. As an expedient option, CS Energy has elected to reinforce Mica Creek Power Station's plant by investing approximately \$30 million in new relocatable generation plant. Three new relocatable gas turbine units have been purchased to replace the capacity of Unit A3. Two 5.7 megawatt relocatable units will be in place by October 2010. A further 15 megawatt unit is expected to be in place by June 2011, together with a new 220 kilovolt transformer.

Mica Creek Power Station employees responded rapidly and professionally to three system unplanned outages during 2009/2010. On 23 November 2009, protection systems operated as designed to isolate four of the power station's units from the grid following a fault on the distribution network. On 29 November 2009, a fault caused by a combination of events on the power system supplying the Mount Isa region resulted in an interruption to electricity supply. An interruption to the gas supplied to the power station via the Carpentaria Gas Pipeline on 12 March 2010 also resulted in a partial loss of supply to the region. On each occasion, Mica Creek Power Station employees responded to restore the power supply as quickly and safely as possible.



LOOKING FORWARD 2010/2011

- Progress planning and investigations into an upgrade to Mica Creek Power Station, and present an offer to customers in September 2010 for future power supply to the North West Minerals Province.
- Install new relocatable generation plant to reinforce generating capacity to meet local demand over the peak summer season, and investigate its potential as an option for the future connection of new load, including remote mines.
- Conduct major overhauls on Units A2, A5, A6, C1 and C2.

Swanbank Power Station



LOOKING FORWARD 2010/2011

- Close the third Swanbank B Power Station Unit in April 2011.
- Progress the transition to a new Swanbank E Power Station workforce structure and the successful redeployment of Swanbank B Power Station employees.
- Continue to monitor market conditions and evaluate CS Energy's long term plans to build another gas-fired power station, Swanbank F Power Station, at the site.

Swanbank B Power Station has been generating electricity since 1971 and comprises four 120 megawatt units. Fuel is supplied to the power station by a combination of truck and rail from the New Hope Corporation Limited's Acland open cut mine on the Darling Downs. Swanbank B Power Station sent out 1,689 gigawatt hours of electricity and recorded 90.3 per cent reliability for 2009/2010.

The 385 megawatt Swanbank E Power Station, commissioned in 2002, is one of Australia's most efficient gas-fired power stations, and produces 50 per cent fewer greenhouse emissions than the average coal-fired plant. Gas for Swanbank E Power Station is sourced from Santos' Scotia coal seam methane (CSM) field, Queensland Gas Company's Berwyndale South CSM field, Mosaic's conventional gas field near Wallumbilla, and the CS Energy/Arrow Energy CSM joint venture at Kogan North.

The Swanbank E Power Station produced 2,011 gigawatt hours of electricity and recorded 95.5 per cent reliability for 2009/2010.

A major overhaul of Swanbank E Power Station was completed in July 2009 ahead of schedule and budget.

In March 2010, following an extensive review, CS Energy announced the progressive closure of the Swanbank B Power Station, between 2010 and 2012. The Company concluded that the power station had reached the end of its operational life, and it was not economically viable to extend the plant's life. Units B4 and B2 were placed in storage in June 2010. Unit B1 is scheduled to close in April 2011 and Unit B3 in April 2012. Queensland has sufficient generating capacity beyond 2012, and therefore the closure of Swanbank B Power Station will not impact Queensland's electricity supply.

The Company has been working in consultation with employees and the unions that represent them to facilitate the transition process for Swanbank B Power Station employees. In line with the site's Enterprise Bargaining Agreement, CS Energy is committed to no forced redundancies and to retaining all employees who wish to remain with the Company. Voluntary redundancies are being considered on request and independent advice and support has been, and will continue to be, provided to employees to review their employment options and to ensure the best possible outcomes for each person.

Asset Management gets off to a slick start



An Open Day was held at the site with neighbouring business, Thiess Services, in August 2009. The day gave local residents an insight into 'ReOrganic Energy', a process that involves capturing methane gas from decomposing household waste and using it to create electricity. More than 300 people enjoyed a behind the scenes look at how electricity is generated and rubbish is converted into green energy. For more information on ReOrganic, see page 42.

The Company has long term plans to build another gas-fired power station at the site, the Swanbank F Power Station Project. The project has received development approval from the Ipswich City Council and CS Energy will work to secure economic gas supplies when market conditions warrant additional generation. For more information on the Company's gas activities, please see page 42 of this report. Further information about the Swanbank F Power Project is on page 43.



Ross Morrish, Utility Worker, taking oil samples for testing under the lubrication standards

CS Energy has developed a leading practice lubrication standard as part of its asset management project. Lubrication is essential to the operation of mechanical equipment in a power station. It ensures the parts move as they are meant to with less wear and tear.

Commencing in August 2009, the asset management program aims to improve the reliability of CS Energy's portfolio and reduce costs.

Project Manager, Richard Ravell, said lubrication was only one element of the asset management project, but it is an element that is crucial to the health of our stations.

"The first step was to develop a lubrication standard that was industry best practice. We then performed a gap analysis against this standard at each of our sites," Mr Ravell said.

"Excellence in lubrication is one of the essentials of maintenance to prevent defects in equipment, which in turn will extend the life of our equipment.

"This leads directly to improved reliability and reduced costs

associated with corrective maintenance," he said.

The standard covers all elements of lubrication management. Receiving and storing of lubrication is set out as well as dispensing, application, hardware requirements, metrics, competencies and waste disposal.

The actions identified in the gap analysis at each of our sites are in the process of being implemented.

"We have had some wins already which can be directly attributed to the lubrication program," said Mr Ravell.

"These include the installation of a clean environment oil dispensing and waste oil facility at Kogan Creek A Power Station.

A lubrication champion has been established at each CS Energy site.

"The site champions communicate different facets of the standard and ensure all agreed recommendations are implemented. They also help manage the lubrication program and ensure continuous improvement," Mr Ravell said.

CS Energy's future

PROGRESS 2009/2010

- Commenced construction on the Callide Oxyfuel Project.
- Progressed the Kogan Creek Solar Boost to feasibility stage.

LOOKING FORWARD 2010/2011

- Commission the Callide Oxyfuel Project.
- Complete the Front End Engineering Design for the Kogan Creek Solar Boost Project and obtain project approval for construction.
- Secure an economical fuel source for Mica Creek Power Station and Swanbank E Power Station.

The Australian energy industry is undergoing major change with the development of a national carbon strategy, and the Enhanced Renewable Energy Target of 20 per cent renewable energy by 2020. The generation sector in Queensland is also undergoing rapid change, with the emergence of vertically integrated companies with interests in the retail and generation markets.

Last year, CS Energy published its 2009-2014 Strategic Plan, a five year blueprint for the business that was designed to adapt with the commercial climate, lay a foundation for long term business success, and see CS Energy through to 2030 and beyond. In light of the challenges the industry is facing, CS Energy has tailored its strategies as part of the 2010/2011 Business Plan to develop a portfolio which:

By 2020:

- Has 300 megawatts of renewable generation;
- Is carbon neutral in its internal energy consumption; and

By 2030

- Achieves a generation portfolio greenhouse emission intensity of less than 400 kilograms of carbon dioxide per megawatt hour sent out.

The Company is playing a leading role in the development of renewable and low emission technology, however its targets for renewable generation and installed capacity have been revised in response to market conditions and the deferral of a carbon and emissions trading scheme. The Company's renewable generation target has been revised from 500 megawatts to 300 megawatts due to uncertainty concerning a national carbon policy.

Emerging technologies for future generations

The global focus on carbon emissions commands the Australian energy industry to shift its reliance on traditional generation methods, and drive the development of low emission and renewable generation. This will power economic growth and meet the community's demand for a secure, reliable and cost-effective electricity supply.

CS Energy has the most diversified portfolio of generation plant in the National Electricity Market. The Company has extensive experience and expertise in generation using fossil fuels, and has been instrumental in the Queensland energy industry's move to low emission gas-fired generation. This experience and expertise positions CS Energy to be a leader in the commercialisation of large scale cleaner, low emission and renewable generation technology.

CS Energy recognises that the commercialisation of new energy solutions requires significant and timely investment in the research, development and testing of new technologies.



CS Energy's Kogan Creek Solar Boost project will use compact linear fresnel reflector technology at Liddell Power Station (Photo courtesy of AREVA Solar)

An important component of CS Energy's strategic plan is its carbon plan, which draws together activities to ensure compliance with the *National Generation and Energy Reporting Act 2007* (NGER), support and sponsorship for low emission and renewable technology development, and support its work on carbon offsets and achieving carbon neutral workplaces.

Innovative projects under development in partnership with government and industry include:

- Using carbon capture and storage in the Callide Oxyfuel Project;
- Using solar energy to boost the efficiency of coal-fired plant;
- Combining gas-fired generation with a solar array in a hybrid power station;
- Building an understanding of how effectively native forest revegetation can offset carbon emissions;
- Using algae to capture and biosequester carbon from coal-fired generation;
- Developing a stand-alone carbon capture and storage power station using oxyfuel technology; and
- Retrofitting a hybrid cooling system at Kogan Creek A Power Station to decrease its carbon intensity.

Emerging technologies for future generations

Commercialising low emission coal

Callide Oxyfuel Project

The \$200 million Callide Oxyfuel Project involves retrofitting a Callide A Power Station unit with oxyfuel technology, to enable carbon dioxide to be captured and stored underground and prove it can produce electricity from coal with almost no emissions. The project is a flagship project of the Asia-Pacific Partnership on Clean Development and Climate, and is an important step towards demonstrating practical and adaptable technology to help tackle climate change.

The Callide Oxyfuel Project is a joint venture between CS Energy, the Australian Coal Association, Xstrata Coal, Schlumberger, and Japanese participants: JPower; Mitsui; and IHI Corporation. The project has also received financial support from the Australian, Queensland and Japanese governments.

During 2009/2010, the Callide Oxyfuel Project moved into the detailed design and construction phase, making it one of the first clean coal technology projects in the world to move beyond the concept phase into construction. Major achievements have included the completion of the civil foundation work for the oxygen and carbon dioxide capture plants, erection of the main columns and most of the large equipment items on the two oxygen plants, and commencement of the oxyfuel retrofit work to the boiler. Two major construction crews of up to 30 workers have been on-site since March 2010.

The joint venture has maintained active involvement with its key stakeholders including the Queensland Government, the Commonwealth Government and the

Japanese Ministry for the Environment, Trade and Industry (METI), and has hosted a number of delegations from overseas institutions and researchers.

A key activity in 2009/2010 was staff participation in the first International Oxyfuel Conference held in Cottbus in Germany in September 2009. The conference showcased the recently commissioned thermal oxyfuel demonstration project based at Schwarze Pumpe near Cottbus and provided an opportunity for the Callide Oxyfuel Project team to make a number of presentations on the project and plant design.

For further information on the Callide Oxyfuel Project including project schedules and technical details please visit the project's website at www.callideoxyfuel.com.

Kogan Creek B Power Station carbon capture and storage project

CS Energy has completed initial design work to expand the Kogan Creek Power Station to include a second generating unit on the site. Design concepts for the proposed Kogan Creek B Power Station include a supercritical, high efficiency steam cycle unit, dry-cooling and carbon capture readiness.

Once the Callide Oxyfuel Project successfully proves oxyfuel technology as a carbon capture option, there will be a need to identify a site to apply the technology at commercial scale. The Kogan Creek site is particularly attractive in that it sits in the centre of an area identified by the Commonwealth Government as one of Australia's most prospective areas for geosequestration. The Queensland Government has recently implemented a legislative framework, releasing areas in the Surat Basin for exploration of opportunities for geosequestration of carbon dioxide.

Investigating integrated renewables

Kogan Creek Solar Boost Project

This year has been an exciting and eventful year for the Kogan Creek Solar Boost Project, with the Commonwealth Government pledging \$32 million towards the project from the Renewable Energy Demonstration Program. The Queensland Government also invested \$35.4 million in the Company's Carbon Reduction Program, allowing CS Energy to direct funds to the Kogan Creek Solar Boost Project.

The project is now in the Front End Engineering Design phase which defines the construction and operational phases of the project. With an output of 44 megawatts during peak solar conditions, the project will provide up to 40,000 megawatt hours of additional electricity per year. This is enough electricity to power 5,000 homes.

The project will augment the Kogan Creek A Power Station's steam supply to increase the station's electrical output and fuel efficiency. It will use compact linear fresnel reflector technology to provide solar-produced steam, supplementing the conventional coal-fired steam process. This solar addition will enable the Kogan Creek A Power Station to produce more electricity with the same amount of coal and reduce the power station's greenhouse intensity. Each megawatt hour of electricity generated using the Kogan Creek Solar Boost Project will avoid carbon dioxide being emitted. At an estimated output of 40,000 megawatt hours, this is equivalent to taking 11,000 cars off the road every year.

Kogan Creek Solar Thermal Power Station

CS Energy also partnered with two consortia in bids for Commonwealth Solar Flagships funding. The two bids, submitted by the Solar Flair Alliance and Wind Prospect CWP, have been shortlisted and are undergoing feasibility studies.

The Solar Flair Alliance proposal uses solar thermal parabolic trough technology for a 150 megawatt station, while the Wind Prospect CWP proposal comprises a 250 megawatt plant powered by compact linear fresnel reflector technology. Both proposals will be located in the vicinity of CS Energy's existing Kogan Creek A Power Station.

Exploring offsets

Carbon offset project with Greening Australia

In late 2008, CS Energy partnered with Greening Australia to tackle carbon emissions through the planting of native forests and assess the long term carbon offsets from biodiverse native forests.

Australia is uniquely placed to take advantage of reforestation to manage a proportion of its carbon reduction target. The project's long term focus is returning marginal farmland, of which Australia has a large supply, to native forest, while also providing a large scale emission offset.

Under the partnership, CS Energy has funded a carbon yield research and development program. The aim of this research is to determine carbon yields from native, biodiverse forests and therefore determine a cost per tonne of carbon offset.

During 2009/2010, the first stage of the project continued and, if successful, CS Energy will investigate a trial planting program in conjunction with Greening Australia.

Researching new technologies

In addition to more mainstream carbon dioxide capture and storage solutions, CS Energy is also exploring alternative processes which have some natural synergies with electricity production.

Mineralisation of carbon dioxide

One technique involves the absorption and mineralisation of carbon dioxide from a power station flue gas stream using fly ash and waste water. CS Energy has been working with the Calera Corporation for almost 12 months on this technology application for its coal-fired power stations at Callide and Kogan Creek and earlier this year, dispatched three tonnes of coal and flay ash to the Calera pilot facility in California for assessment. The process can yield a carbon negative building product that can be used as a replacement for aggregate materials in cement and other building materials.

Using algae to capture carbon

Another innovative, low emission technology that CS Energy is investigating is the use of algae to remove and biosequester carbon dioxide from the emissions of coal-fired generation. This technology uses the carbon dioxide in a power station's exhaust gases to feed and grow algae. The algae absorb the carbon dioxide and release oxygen.

Improving existing plant

Kogan Creek hybrid cooling system

Currently, the Kogan Creek A Power Station is dry-cooled and uses just one-tenth of the water used by a similarly sized wet-cooled station. This design is appropriate in drought-affected South West Queensland and has meant that the station minimises its impact on local water supplies.

However, this saving is offset by the energy needs of a dry-cooling system because the system uses large fans which increase the power station's internal electricity consumption, affecting its overall efficiency.

Over the last couple of years, the region has seen a rapid increase in the levels of coal seam methane (CSM) exploration and production. A by-product of CSM production is large volumes of water, usually with a high salt content and which is disposed of in evaporation ponds. The expansion of the CSM industry in the Surat Basin region may present a unique opportunity to partner with the CSM operators to recycle their unwanted water through the Kogan Creek Power Station, creating a hybrid cooling system which would improve the power station's efficiency and lower its greenhouse intensity.

In the coming year, CS Energy will progress this initial concept and commence testing of various water qualities to supplement the dry-cooling system at Kogan Creek A Power Station.

Gas activities

ReOrganic Energy

During 2009/2010, CS Energy celebrated eight years of operation of the Swanbank ReOrganic Energy project, which uses landfill gas from the adjacent Thiess Services landfill to co-fire with coal at Swanbank B Power Station. Still one of Australia's largest waste-to-energy projects, ReOrganic Energy is a joint project between CS Energy, Thiess Services, Landfill Management Services and New Hope Energy. The gas produces five megawatts of electricity continuously and has reduced greenhouse gas emissions by more than three million tonnes of carbon dioxide since its inception. This is equivalent to taking over 100,000 cars off the road.

CS Energy recognises the importance of this leading edge project. The Company will continue to work in 2010/2011 to find alternative opportunities to use the gas to generate electricity following the closure of Swanbank B Power Station.

Stratheden Joint Venture

CS Energy entered into the Stratheden Joint Venture with energy company, Metgasco Limited, in December 2006 to develop CSM fields near Casino in northern New South Wales. This project was undertaken in parallel with the development of CS Energy's Swanbank F Power Project near Ipswich, and was intended to provide a low cost fuel for this proposed high efficiency, combined-cycle gas-fired power station.

A review of the performance of CS Energy's interest concluded that the gas supply was unlikely to be available within a timeframe to suit the Swanbank F Power Project. As a consequence, CS Energy sold its 15 per cent interest in these blocks back to Metgasco Limited.

Kogan North Gas

CS Energy has been participating in the Kogan North Joint Venture Project with Australian CBM Pty Ltd, a 100 per cent owned subsidiary of Arrow Energy N.L. (in which Shell has since acquired an interest). CS Energy holds a 50 per cent interest in the joint venture. The joint venture was established in October 2004 to develop a CSM field capable of producing four petajoules (PJ) per annum of gas over a 15 year term. The gas is delivered into the Roma to Brisbane Pipeline for use at Swanbank E Power Station.

During 2009/2010, gas production in the Kogan North field increased to just short of the contractual level of four petajoules per annum due to drilling undertaken in the Taroom coal seam in the last quarter of 2009.

In 2010/2011, the joint venture will investigate ways to improve the economic viability of the field.

Scotia Gas

More than 10 years ago, CS Energy entered into a gas sales agreement with Santos for the supply of natural gas from the Scotia field in West Queensland. This is one of the fuel sources for Swanbank E Power Station.

Queensland Gas Company

CS Energy and Queensland Gas Company (QGC) signed a gas sales agreement in 2006 and, since then, QGC's CSM gas has been supplying the Swanbank E Power Station. During 2009/2010, QGC has been working towards a final decision to invest in a liquefied natural gas (LNG) plant in Gladstone.

Mosaic Gas

In March 2008, CS Energy signed a Buyer-Funded Operations Agreement with Mosaic Oil to fund four initial wells at its Waggamba field development in South West Queensland. This field is being developed to supply Swanbank E Power Station until 2013.

The first well (Waggamba 4H) was drilled in April 2008 and has been successfully producing gas since that time. The second well (Waggamba 5H) was drilled in June 2008, but has experienced difficulties establishing a flow from the reservoir. In 2010/2011, CS Energy will consider drilling two further wells within the Waggamba field.

Mica Creek Power Station upgrade project

The gas-fired Mica Creek Power Station is the main power provider for the Mount Isa and Cloncurry regions. Planned expansion of mining output in the North West Minerals Province requires additional power supply to the region. The current generation capacity of Mica Creek Power Station is fully contracted, and while the power station can meet current customer demand, an upgrade of the power station is required to meet future customer demand and replace four units at the power station which are nearing the end of their economic life.

The Queensland Government and the Queensland Resources Council jointly commissioned the Sims Report in 2008 to develop a solution for the best delivery model for future energy supply in the region. The Sims Report, which was released in May 2009, identified an upgrade of Mica Creek Power Station as one of the main options to meet the North West Minerals Province's future electricity needs. However, the report concluded that there were too many market variables to recommend one solution and recommended a customer-driven process in which proponents of energy supply solutions would compete for customer commitments.

Callide Oxyfuel Project puts local companies on a world stage



CS Energy is part of the competitive process to determine the preferred energy supply solution for the region. CS Energy is well advanced in its investigations for an upgrade of Mica Creek Power Station, which would extend the life of the station and increase its operational efficiency. Existing and potential energy users in the region provided their forecast electricity requirements beyond 2013 to CS Energy in January 2010. In May and June 2010, CS Energy issued new plant and gas supply tenders to enable it to develop its offer to existing and potential customers.

The proposed upgrade of Mica Creek Power Station involves retiring the power station's older units (A1-A4) and replacing them with 120 megawatts of combined-cycle generating capacity, consisting of two 40 megawatt gas turbines feeding exhaust heat into a 40 megawatt heat recovery steam generator, at an estimated cost of between \$150 million and \$200 million.

Swanbank F Power Project

During 2009/2010, CS Energy received development approval from the Ipswich City Council for a second combined-cycle gas turbine plant at the Swanbank Power Station site, referred to as Swanbank F Power Station.

The Company has been working to secure a competitive gas supply for this project. When a long term economic gas supply has been secured for the project and market conditions warrant it, CS Energy will progress the construction of this new generation plant.



Dwain McDonald, Apprentice Electrician, at Callide Oxyfuel Project working for his older brother's company, Star Precision Electrical

CS Energy's investment in the innovative Callide Oxyfuel Project is generating additional economic benefits for the Biloela community with local companies engaged in the construction of the project.

In a major win for the local community, the Callide Oxyfuel Project has resulted in the birth of Star Precision Electrical. Childhood friends, Michael McDonald and Stewart Horchner, realised their 25 year dream of working together by forming a commercial and domestic electrical services company.

"The Callide Oxyfuel Project is our major client and is providing us with a great opportunity to grow our new business," Mr McDonald said.

"We are on-call 24 hours a day, which is something a local company can provide that bigger non-local companies could struggle with. It is good to be involved in such a large scale project that is also good for the environment."

Local firm, Austins Maintenance, also has a strong presence on-site as

the contractor for maintenance and some fabrication services.

Craig Austin, proprietor of Austins Maintenance, said that depending on the workload, there could be anywhere between two and 20 people on-site at any given time.

"We send people out depending on our workload, which at the moment is focused on helping set up the plant on-site. We are looking forward to the Callide Oxyfuel Project getting up and running so we can learn new things from the technology," Mr Austin said.

Austins Maintenance has a fabrication and machine shop in Biloela and also service the local mining industry, abattoirs and nitrate plant.

These are just two examples of how local businesses are supporting the Callide Oxyfuel Project. Local businesses which may also benefit from the project include accommodation providers, catering, electricians, plumbers, trades services, and cleaners.



Corporate responsibility

PROGRESS 2009/2010

- Provide initial report of emissions, energy consumption and energy production in accordance with the *National Greenhouse and Energy Reporting Act 2007*.
- Certified Kogan Creek A Power Station Environmental Management System to International Standard ISO14001.
- Introduced a program to offset all carbon emissions associated with corporate air and motor vehicle travel.
- Joined with local community groups to restore and revitalise the Bremer River in South East Queensland.

LOOKING FORWARD 2010/2011

- Finalise a review of stakeholder engagement processes.
- Commence the second year of CS Energy's five year carbon management plan and project map to underpin strategic decision making.
- Implement a revised procurement policy to embed the principles of sustainability into purchasing activities.

CS Energy understands a social licence cannot be bought. It is earned through many years of consistently delivering on commitments, and through establishing trust and confidence of stakeholders with an interest in the Company's operations by building a reputation for responsible management.

The energy industry is under increasing pressure from governments, society and the media to play its part in moving to a more sustainable future. This challenges CS Energy to build a robust and sustainable company by responsibly managing existing operations, fostering industry innovation, listening to its stakeholders, and investing in the transition to a low carbon future.

Stakeholder engagement

CS Energy's social licence is built on the trust and confidence of its stakeholders, which includes all groups and individuals with an interest in, or affected by, the Company's business.

Broadly, these stakeholders fall into the following groups:

- Current and future employees;
- Local communities which host its operations;
- Shareholding Ministers and their departments;
- Contractors;
- Customers;
- Unions;
- Suppliers;
- Special interest groups;
- Relevant authorities;
- The media; and
- Current and prospective business partners.

It is vital for CS Energy to construct meaningful relationships with its stakeholders. Their contribution will help shape the business, identify risks and opportunities and enable the Company to achieve truly sustainable growth.

During 2009/2010, CS Energy undertook a review of its stakeholder relations process. The review focused on refining the process of identifying key stakeholders and their interest in CS Energy, which commenced with the Company's shareholders and their representatives, the Queensland Government. The review provided CS Energy with a more thorough understanding of key expectations of its shareholders and allowed the Company to streamline its engagement with government representatives.

Engaging with stakeholders on a state, national and international level ensures CS Energy remains abreast of the changing arena of energy regulation. This involves a large number of stakeholder groups with a diverse and complex set of objectives and interests. In the coming year the Company will focus on streamlining its stakeholder engagement on a state and national level.

In the coming year, CS Energy will extend this process to mapping its stakeholders in the regional communities of Biloela, Chinchilla, Mount Isa and Ipswich, with the aim of increasing understanding of CS Energy's operations, and allowing the Company to support local community partnership opportunities.



CS Energy's research and development program aims to reduce the Company's carbon footprint

Sustainable purchasing

A centralised procurement division manages CS Energy's purchasing, material supplies and contracts for its four power stations and the Corporate Office in line with the Queensland Government procurement guidelines. A key initiative for the procurement team in 2009/2010 was to embed the principles of sustainability into purchasing activities.

During 2009/2010, the Company revised and updated its Procurement Policy, to achieve better value for money, enhance opportunities for local business, and

ensure ongoing probity and accountability for purchasing outcomes. The policy requires the application of the following principles to any spending or investment decisions:

- Promote open and effective competition;
- Consider value for money over the whole-of-life of the goods and services, rather than just initial cost;
- Avoid unnecessary consumption and manage demand;
- Minimise environmental impact over the whole-of-life of the goods and services;
- Support local businesses and suppliers;
- Adhere to the CS Energy Code of Conduct and fair dealing; and
- Consider socially responsible practices, including health and safety and compliance with legislative obligations to employees.

Climate change response

Climate change is a major challenge facing the energy industry. CS Energy is reducing its carbon footprint by supporting research and development of new technologies, and providing investment for low emission and renewable plant.

CS Energy's greenhouse impact is measured in terms of intensity, which is greenhouse gas emissions per unit of energy sent out. The greenhouse intensity of the business must decrease for the Company to remain competitive over the long term. CS Energy has a good track record of improving its performance, with greenhouse intensity decreasing from 933 kilograms of carbon dioxide per megawatt hour sent out in 1997, to 856 kilograms of carbon dioxide per megawatt hour sent out in 2010. Whilst CS Energy is proud of this effort, 10 and 20 year targets have been set to ensure it has a more sustainable position in the future energy market.

The Company aims to add 300 megawatts of renewable generation to its portfolio, and be carbon neutral in its internal consumption of energy by 2020. By 2030, CS Energy's target is to lower greenhouse intensity to below 400 kilograms of carbon dioxide for every megawatt hour of energy sent to the transmission system. This will be below the projected National Electricity Market average.

The 2009-2014 Strategic Plan and Carbon Management Plan 2009 document a range of carbon strategies, designed as a roadmap toward long term targets. The strategies address the development of renewable generation plant and carbon capture and storage technology, plant thermal efficiency, preparation for

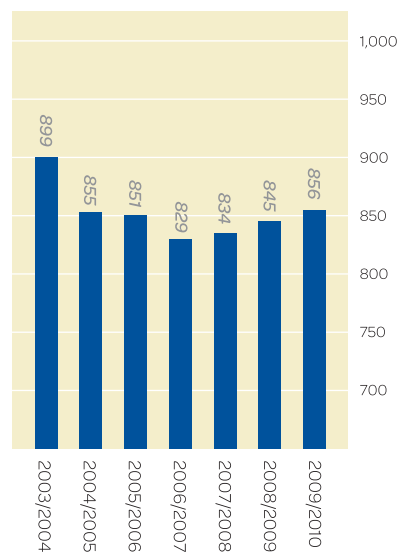
emissions trading, and the development of carbon offsets. Key examples of CS Energy's focus during 2009/2010 include the announcement of the Kogan Creek Solar Boost Project (see page 40) and the start of construction of the Callide Oxyfuel Project (see page 40). These, and similar projects (see page 40 to 41) are vital parts of CS Energy's effort to achieve the long term target of cutting emissions intensity by more than 50 per cent over the next 20 years.

During 2009/2010, the Commonwealth Government deferred an emissions trading scheme until after 2013. During the last three years, CS Energy has gained valuable insight through preparing for emissions trading and investigating the development of a carbon offset portfolio. This work, in conjunction with relationships formed with partners such as Greening Australia, is very important to CS Energy, helping the Company to quickly respond to future shifts in public policy. The progress of these strategies is contingent on the development of supporting regulations.

On 31 October 2009, CS Energy joined other Australian businesses to publicly report emissions, energy consumption and energy production in accordance with the *National Greenhouse and Energy Reporting Act 2007* (NGER). To comply with the reporting requirements, the Company modified and expanded its existing data collection systems to enable more comprehensive reporting under the NGER system. These processes will be fine-tuned for the second year of reporting, with the next submission due at the end of October 2010.

CS Energy introduced a new carbon offset program in January 2009. The program targeted all domestic and international air travel, and motor vehicle transport used by CS Energy employees during the course of their business activities. The program was progressively implemented throughout 2009/2010. The table on page 48 shows the total emissions and resultant offset expenditure made by the Company for the 2009 calendar year. The emission figures are inclusive of the Ecofund 'Risk Buffer Premium'.

Greenhouse gas intensity per energy sent out (kgCO₂/MWh)



*The introduction of the coal-fired Kogan Creek Power Station has slightly increased greenhouse gas intensity.

Environmental performance

Environmental Management System

CS Energy operates its four power station sites and Corporate Office within an Environmental Management System (EMS). This provides a formal process for sound environmental management, and further strengthens the link between governance, environmental performance and sustainability.

During 2009/2010, the Kogan Creek A Power Station EMS was certified to the international standard ISO14001. This brings the power station's systems into line with the Company's other four sites, which are all certified under the same international standard. A Company-wide Environment Policy, which can be found on the website, also helps monitor operations, report performance and continually improve how the Company operates and manages its impact on the environment.

Annual audits of the EMS were conducted at Callide, Mica Creek and Swanbank power stations and at the Corporate Office. Two minor non-conformances with ISO14001 were found at Swanbank Power Station which involved the scope of the station's internal auditing schedule, and documentation of the connection between the site EMS and the corporate EMS. Site Environmental Management Manuals are being revised to reference current processes and procedures to reflect these findings.

| Reportable environmental incidents* | | | | | |
|-------------------------------------|-----------|-----------|-----------|-----------|-----------|
| Year | 2005/2006 | 2006/2007 | 2007/2008 | 2008/2009 | 2009/2010 |
| Category 3 incidents | 8 | 1 | 0 | 8 | 5 |
| Category 4 incidents | 0 | 0 | 0 | 0 | 0 |

*Incidents classed as category 3 or 4 are reportable to the Department of Environment and Resource Management

2009/2010 performance results

Environmental incidents are classed as Internal (Category 1 and 2) and External (Category 3 and 4). Internal incidents are minor with no off-site impact, and external incidents are ones which are reported to the Department of Environment and Resource Management (DERM), and may have resulted in off-site impact.

CS Energy continues to target zero environmental incidents as a key performance target. Each matter outlined below was addressed in accordance with relevant procedures. During 2009/2010, CS Energy reported five environmental incidents to DERM. Mica Creek Power Station had two leaks from its effluent pipeline which was subsequently replaced. Callide B Power Station had an oil spill which was contained on-site, Callide C Power Station exceeded its particulate emission limit, and a review at Kogan Creek A Power Station found there was uncertainty regarding the accuracy of data provided by the continuous particulate emissions monitoring system.

Seven complaints were received by CS Energy either directly or through DERM during the year:

- Four complaints relating to wind-blown ash or dust at Callide Power Station;
- One complaint relating to noise from Callide Power Station operations;
- One complaint relating to water pooling near a pipeline at Kogan Creek A Power Station; and
- One complaint about dust from ash removal activities at Swanbank Power Station.

Swanbank Power Station has limits applying to a number of parameters in its water discharge licence conditions. During the year, elevated levels of pH, suspended solids, iron and boron were reported to DERM. Algae in the settling pond at the discharge location was responsible for the higher pH value. Monitoring data showed the pH values were reduced to satisfactory levels within a short distance downstream. The suspended solids and iron levels related to catchment run-off from heavy rainfall, and changes were made to plant operating practices to reduce the likelihood of elevated boron levels.

CS Energy has established Transitional Environmental Programs (TEPs) to improve areas where environmental issues have been identified. During 2009/2010, ash from Swanbank B Power Station was placed into a new low-height internal bund, and a dry reclaim stockpile, which were built in accordance with a TEP approved by DERM. This stockpile is now completed, and is being rehabilitated and revegetated.

Work was undertaken to upgrade the pipeline from the Mica Creek Power Station to the Xstrata tailings dam following some leaks from the line. The replacement of sections of the effluent line was completed during the year and inspected and approved by DERM in December 2009.

Environmental incidents by site 2009/2010

| Site | Internal (Category 1, 2) | External (Category 3, 4) |
|-------------|--------------------------|--------------------------|
| Callide* | 59 | 2 |
| Kogan Creek | 26 | 1 |
| Mica Creek | 3 | 2 |
| Swanbank | 6 | 0 |

*Callide continues to report a high level of internal incidents (72 in 2007/2008, 57 in 2008/2009). These are mostly minor ash and oil leaks on-site.

Environmental performance (continued)

| Inputs and outputs | | | |
|---|-----------|-----------|----------|
| Inputs and outputs | 2008/2009 | 2009/2010 | % change |
| Total energy sent out (GWhso) | 16,675 | 17,046 | 2.2 |
| Coal used (tonnes) | 6,796,117 | 6,951,786 | 2.3 |
| Gas and renewable fuel used (TJ) | 35,129 | 32,758 | (6.7) |
| Gas and renewable electricity generation (% of portfolio) | 22.1 | 20.6 | (6.8) |
| Renewable generation (GWh) | 28.9 | 31.2 | 8.0 |
| Greenhouse gas equivalent produced (MtCO ₂ -e) | 14.0 | 14.3 | 2.1 |
| Greenhouse gas intensity (kgCO ₂ /MWhso) | 845.6 | 855.9 | 1.2 |
| Water consumption (ML) | 24,201 | 25,949 | 7.2 |
| Ash produced (tonnes) | 1,581,248 | 1,612,888 | 2.0 |
| Ash sold (tonnes) | 128,487 | 103,689 | (19.3) |

| Total emissions and carbon offset costs for air travel 2009 | | |
|---|--|----------------|
| | Total Emissions tonnes CO ₂ -e | Cost to Offset |
| March 2009 quarter | 85.1 | \$1,249.85 |
| June 2009 quarter | 108.2 | \$1,163.25 |
| September 2009 quarter | 95.6 | \$1,027.73 |
| December 2009 quarter | 137.5 | \$975.98 |

Emissions, effluents and wastes

In addition to carbon dioxide, CS Energy power stations emit oxides of nitrogen and sulphur, and water vapour as a result of using fossil fuels. Data on emissions are available to the public through the National Pollutant Inventory (NPI) website at www.npi.gov.au. This year, the Company extended its reporting through the NPI to include data relating to on-site transfer of reportable substances.

Callide, Kogan Creek A and Swanbank B power stations produce ash as a by-product of combusting coal. More than 99.9 per cent of this ash is collected before it is released, and stored in ash dams or recycled. In 2009/2010, CS Energy recycled 104,000 tonnes of ash from Callide Power Station and Swanbank Power Station.

Fly ash is most commonly recycled and used as a cement replacement in concrete, which helps to reduce the greenhouse gas emissions associated with concrete production. Recycled ash can also be used as a soil improver, in reclaiming mining voids, as an adsorbent for oil waste removal, or as fill in large civil engineering projects such as highway embankments.

In 2009/2010, more than 30,000 tonnes of Swanbank Power Station ash were used in the \$2.5 billion Ipswich Motorway Upgrade Project. The ash was mixed with crusher dust and cement to make a solid fill underneath the eight kilometre Dinmore to Goodna stretch of the project.

CS Energy also supplies ash to Cement Australia, Renewed Resources and Maunsells from the Callide and Swanbank power stations, and continues to be an active member of the Ash Development Association of Australia, which promotes the beneficial use and recycling of power station fly ash.

At Kogan Creek A Power Station, as the mine is developed and space becomes available, the ash will be piped back to fill mine voids, which will be covered and revegetated. CS Energy is currently installing a new ash pipeline system which will pump the ash from the power station to the coal mine. Recycled water from the power station is used in production of the high density slurry for pumping to the mine.

Monitoring of ground water quality in the area adjacent to the Callide Power Station ash dam indicated marginally increased sulphate levels. A review of the ash dam undertaken by an independent specialist review found that the levels detected could be the result of the ongoing drought in the Callide Dam catchment and lack of aquifer recharge, or off-site seepage. CS Energy notified DERM, and has been consulting with neighbours and key stakeholders to discuss the monitoring results.

In April 2010, Sunwater released 8,000 megalitres of water from the Callide Dam to recharge the Callide Creek aquifer. This significantly improved the quality of water in the creek. A project manager was employed to develop short and long term action plans to improve the management of ash, and other wastes, at the power station. CS Energy will continue to closely monitor the situation, talk to its neighbours and key stakeholders, and consult with DERM to actively manage this issue. CS Energy will also carry out an environmental investigation of the ash dam to determine mitigation actions to minimise potential off-site seepage and submit a report to DERM in 2011.

Water use

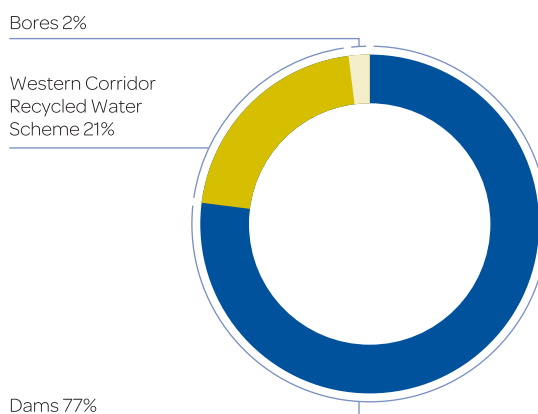
CS Energy is conscious of the energy industry's reliance on water and it uses a combination of recycled water, raw water and town water across its sites. To emphasise the importance of water, each site has a water management strategy in place which highlights sustainable and efficient use of this precious resource. These successful management plans have resulted in a significant decrease in the Company's water intensity.

Total consumption and water use intensity are measures used to track CS Energy's water consumption. Water use intensity shows how many megalitres of water are used per gigawatt hour of energy sent out.

This year, the Company's total water consumption was 25,949 megalitres with a water intensity of 1.6 megalitres of water per gigawatt hour of energy sent out, a slight increase from 1.5 megalitres of water per gigawatt hour of energy sent out in 2008/2009. This increase was due to Kogan Creek A Power Station, the most water efficient station in the portfolio, being offline for a period of time and operating at reduced capacity over a four month period.

The majority of water used at Callide Power Station comes from the Gladstone Area Water Board's Awoonga Dam and is piped to the Callide Dam, which minimises evaporation. CS Energy has an additional minor allocation from the Callide Dam and a supply of potable water from the Banana Regional Council area. During 2009/2010, the Awoonga Dam catchment benefited from heavy rainfall, which lifted the capacity of the dam from around 50 per cent to a record 90 per cent capacity.

Water supply sources 2009/2010



Environmental performance (continued)

Swanbank Power Station continues to source the majority of its water from the Western Corridor Recycled Water Scheme at Bundamba. In periods of heavy rain, CS Energy may also pump small quantities of water from the Bremer River at Berrys Lagoon. Water from the Wivenhoe system is no longer needed, releasing some 20,000 megalitres a year back into South East Queensland's water supply.

Kogan Creek A Power Station uses an innovative dry-cooling system which was designed to consume only 1,500 megalitres of water per year at full load. This equates to approximately one-tenth the consumption of a similarly sized conventionally cooled plant. The power station's water is supplied from local bores, however operational improvements have reduced consumption to 70 per cent of design.

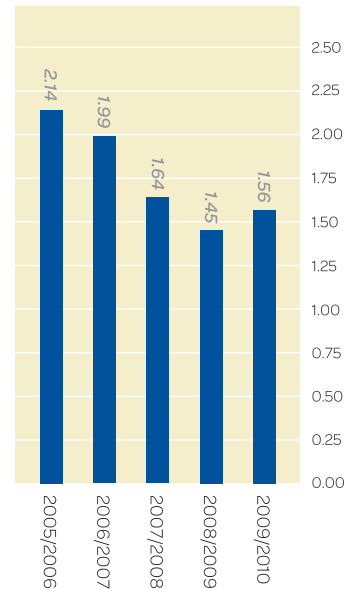
Water for Mica Creek Power Station is provided by the Leichhardt supply system and Rifle Creek Dam. The station cycles its cooling water up to 12 times through the power station and provides its effluent water for reuse by Xstrata mining operations. This year, 380.1 megalitres of water were released to the mine, up on last year's figure of 310.2 megalitres.

Conserving biodiversity in the Bremer catchment

CS Energy's Swanbank Power Station is located in the Bremer River catchment. The health and vitality of this major river is one of the fundamental building blocks to the region's future sustainability, and necessary to ensure the Bremer River catchment and City of Ipswich continue to prosper into the future.

In April 2010, CS Energy joined with International Riverfoundation, Ipswich City Council, industry and community representatives to help restore and revitalise the Bremer River. The Company participated in the Bremer River Forum, which involved 180 committed individuals from state and local governments, local business and industry, catchment associations and environmental organisations, landholders and residents. CS Energy also contributed to the Bremer River Fund, and the Swanbank Power Station site manager was appointed to the steering committee which will oversee the development of a management plan to protect and restore aquatic ecosystems and adjacent lands, improving vegetation on the riverbank and improving environmental flows.

Water consumption intensity (ML/GWhso)



Community

PROGRESS 2009/2010

- Provided more than \$90,000 in funding to charities through Workplace Giving.
- Commenced a review of stakeholder relations.
- Hosted a community open day at Swanbank Power Station.
- Established the Swanbank Power Station Community Grants Program.

LOOKING FORWARD 2010/2011

- Continue review of stakeholder relations, including an exercise to map local community stakeholders.
- Award funding to community projects in the seventh round of the Chinchilla Community Benefits Trust.
- Revise sponsorship and community partnerships frameworks to complement site stakeholder engagement plans.

Stakeholder engagement

CS Energy strives to be a responsible corporate citizen. The Company is committed to building trust and partnerships with the communities in which it operates by supporting initiatives that deliver tangible results for the community and CS Energy.

The majority of CS Energy employees and contractors live and work in the regions that host its operations, and are the primary champions of the business in these regions. Internal communication processes are prioritised to ensure staff are informed of the Company's strategic direction and key business decisions.

Quarterly on-site briefings by the Chief Executive and members of the Executive Management Team, provide all employees with the opportunity to hear updates from, and ask questions of, key decision makers in the organisation. A regular staff newsletter, *Energy Matters*, is produced and distributed to all staff.

Community Relations Committees are in place at each site to facilitate CS Energy's active participation and support for community activities and enhance community awareness and understanding of the operation of the business.

In 2009/2010, CS Energy's power stations in Biloela, Chinchilla, Mount Isa and Ipswich engaged in a range of community activities.

In August 2009, more than 300 community members, including the Ipswich Mayor, attended the joint CS Energy-Thiess Services Open Day. This event gave people the opportunity to tour the power station and adjacent waste management facility.

The Swanbank Community Reference Group (SCRG), run jointly with site neighbour and ReOrganic project partner, Thiess Services, has provided a channel for ongoing consultation with the Ipswich community since 2001. This year, with the progressive closure of the Swanbank B Power Station,

the decision was made to disband the SCRG. CS Energy thanks the Chairman, David Moy, the Ipswich City Council, residents and businesses for contributing to the outstanding success of the SCRG over the ten year period in which it operated.

The decommissioning of Swanbank B Power Station has provided the opportunity for CS Energy to plan an open forum to keep the community informed about site operations. CS Energy has initiated a new grants program to support local community groups, in the spirit of community support and involvement fostered by the SCRG. Details on the new Swanbank Power Station Community Grants Program are available on the CS Energy website.

At Callide Power Station, the Company liaised with the community on several occasions to provide updates on site operations, including ash dam management, and the construction phase of the Callide Oxyfuel Project. For more information about the Callide ash dam, see page 49. The Callide Oxyfuel Project site received numerous visitors, including delegations from Japan, comprising university lecturers, government officials and dignitaries. A newsletter was distributed to the local community in June 2010 to provide an update on the project. See page 40 for more information on the Callide Oxyfuel Project.

The Mica Creek Power Station continues to be an integral part of Mount Isa and the surrounding community, through its active involvement in key industry and commerce and community groups, including the Mount Isa Townsville Economic Zone (MITEZ) group.

Community (continued)

Workplace Giving

In 2009/2010, CS Energy's Workplace Giving program, *Generosity*, entered its third year. CS Energy and its employees donated more than \$90,000 in the financial year, taking the total amount donated since the program's inception in 2008 to more than \$211,000. Donations from staff are matched dollar-for-dollar by the Company, and are distributed to a panel of charities: Angel Flight, Blue Care, Cancer Council Queensland, Greening Australia, Hannah's House and the Hear and Say Centre.

In June 2010, the Company extended its partnership with Hannah's House, which provides crisis accommodation for young women aged 13 to 17 years who are at-risk or homeless, enabling the community organisation to establish a long term accommodation facility in a CS Energy-owned house at Ripley near Ipswich. This additional support for Hannah's House emphasised CS Energy's commitment to this worthwhile cause and the Ipswich region.

In 2010/2011, CS Energy plans to further broaden its philanthropic activities by investigating the introduction of a staff volunteering program.

Community partnerships and investments

CS Energy is committed to making positive and ongoing contributions to the communities that host its operations. In 2009/2010, more than \$214,000 was invested in sponsorships and donations to community groups in the Biloela, Chinchilla, Mount Isa and Ipswich regions.

Energise Electrovale school competition

In July 2009, CS Energy piloted a schools program that challenged grade six and seven students in the Western Downs Regional Council area, where Kogan Creek A Power Station is located, to find a way to power the fictional town of Electrovale. The competition ran throughout the third term of the school year.

Through the *Energise Electrovale* program, local students were transformed into power investigators and filmmakers, putting renewable and non-renewable fuel sources under the microscope and presenting an energy solution for Electrovale through a short film and report.

To kick off the program, Kogan Creek A Power Station hosted an energy forum at site, giving 100 local students the chance to see first-hand how a coal-fired power station works and watch renewable energy demonstrations.

CS Energy partnered with members from the University of Queensland's engineering faculty to judge the entries. The program attracted 13 entries, each with a unique way of powering Electrovale, including geothermal, tidal and solar power, hydrogen fuel cells and even a rodent-powered proposal. The winning teams were from Brigalow State School and Dalby South State School. The schools' proposals can be viewed on the CS Energy website.

Moving Opera!

This year marked the eighth year of CS Energy's partnership with Opera Queensland to bring the *Moving Opera!* program to regional communities. The partnership sees Opera Queensland performers work with local students, introducing them to opera and musical theatre skills over a five day workshop. The workshop culminates in a public performance, raising funds for the local school's music department. This year, support from CS Energy enabled music students in Mount Isa and Ipswich to participate, free of charge, in *Moving Opera!*.

Chinchilla Community Benefits Trust

The Chinchilla Community Benefits Trust (the Trust) was established to provide community support during the construction of the Kogan Creek A Power Station. The construction of the power station was completed in 2008/2009 and round six of the funding was awarded in that year. This was the last \$100,000 round of funding as outlined in the Trust Deed.

CS Energy is committed to the Trust and this program continues to be a key focus of the site's community relations. The Trust Deed has a provision for ten more rounds worth \$25,000 per round. CS Energy and Western Downs Regional Council, as trustees, recognise that the Trust has been very successful in assisting many worthwhile projects to progress.



CS Energy provides a home for Ipswich's homeless young women

In 2009/2010 the Trust agreed to combine the next two rounds of funding of \$25,000 to create a larger funding pool of \$50,000 to allow substantial community infrastructure projects to apply. The Trust will advertise round seven of grant applications during 2010/2011.

Since the trust was established in 2005, more than \$800,000 has been invested in social infrastructure and community service projects in the region.

Biloela Rockfest

The Callide Power Station has been associated with the Biloela Rockfest for several years. In 2009, CS Energy demonstrated its commitment to youth and regional development opportunities by sponsoring a music master class and the compilation of a Rockfest CD for Rockfest musicians. Queensland's music industry development association, Q Music, ran the workshop and produced the CD.

The CD was launched at the March 2010 Rockfest event, with proceeds from the sales contributing to future Rockfest events.

Q150 and Queensland Theatre Company

CS Energy sponsored the Queensland Theatre Company's *The School of Arts* production, which toured Biloela and Chinchilla in August 2009, as part of the Queensland celebration of 150 years of independence, Q150.

Business and industry events

CS Energy continued to support the Chamber of Commerce Business Awards in Chinchilla, Ipswich and Mount Isa. The awards provide an opportunity for the regional business communities to come together and celebrate their achievements.



Swanbank Power Station Site Manager, Alistair Brown, with Hannah's House Coordinator, Marie Dixon, and House Parent, Maggie Vaele.

Access to long term accommodation for young homeless women has been improved through a partnership between local community organisation, Hannah's House, and CS Energy's Swanbank Power Station.

The Hannah's House Long Term Facility will increase Hannah's House's capacity to help abused, troubled, and marginalised young women and will be set up in a CS Energy-owned house at Ripley in Ipswich.

Hannah's House coordinator, Marie Dixon, said Hannah's House had been providing short term accommodation and support services to teenage girls for close to three decades.

"With CS Energy's assistance, we will now be able to provide up to three homeless young women at a time with a home for a 12-18 month period," Ms Dixon said.

"When girls have come to us, we have usually only been able to take them in for about three months.

During the three months, we care for the girls, help them access counselling and support services, and do the best we can in a short timeframe to help them learn how to look after themselves.

"After that, the heartbreaking reality is that many of these girls end up back on the streets.

"This long term facility will give a few girls at a time the opportunity to have a stable and secure home environment – so they can go back to school or start a job, but most importantly, so they can have a chance to develop the skills they need to be independent.

The house will be run by full-time House Parents and builds on the support CS Energy staff have already been providing to Hannah's House through the Company's *Generosity* program.

EXTRACT FROM FINANCIAL REPORT

CS Energy Limited (and controlled entities) Directors' Report

for the year ended 30 June 2010

The Directors present their report on the consolidated group, consisting of CS Energy Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

Directors

The following persons were Directors of CS Energy Limited during the whole of the financial year and up to the date of this report, unless otherwise noted:

Mr SE Lonie (Chairman);

Mr M Bucknall;

Ms T Dare;

Mr RJ Henricks;

Ms S Israel;

Mr R Kempnich;

Ms JA Leaver (term expired 30 September 2009); and

Ms M Pop (appointed 1 October 2009).

Details about Directors, and the Company Secretary, are included in the Annual Report, as follows:

- Qualifications, experience and special responsibilities – pages 16 to 17 (Company Secretary page 14); and
- Meetings held and Director attendance – page 14.

These sections of the Annual Report form part of this report.

Principal activities

During the year, the principal activity of CS Energy Limited was the generation of electricity from the ownership, operation and development of power stations.

| | Consolidated results | |
|--|----------------------|----------------|
| | 2010 \$'000 | 2009 \$'000 |
| Profit from continuing operations after income tax | (47,636) | 93,816 |

Dividends – CS Energy Limited

Details of dividends paid or declared in respect of the current and prior year:

| | \$'000 |
|---|--------|
| Dividend declared during the year ended 30 June 2009 and paid on 31 December 2009 | 75,053 |
| Dividend declared during the year ended 30 June 2010 | - |

Results of operations

The consolidated group's result for the year was a loss after tax of \$47.6 million (2009: profit after tax \$93.8 million). This result included:

- Finance costs of \$77.4 million (2009: \$87.8 million); and
- Income tax benefit of \$16.3 million (2009: expense of \$33.2 million).

Earnings before finance costs and income tax expense was \$13.5 million, representing a decrease of \$201.3 million, or 93.7% on the prior year result of \$214.8 million.

This decrease was due to a reduction in revenue from the sale of electricity, as well as a decrease in other revenue and other income. The results of the consolidated group were also impacted by a number of significant one-off adjustments, the details of which are set out in the following section.

The results of the consolidated group continue to be substantially impacted by the volatility that arises from the requirement to annually re-measure the onerous Power Purchase Agreement ("PPA") for the Collinsville Power Station. In August 2007, the PPA was transferred from Enertrade to CS Energy, under a non-reciprocal arrangement, pursuant to regulation *QPTC Restructure – Stage 1* under the *Government Owned Corporations Act 1993* (refer notes 5, 6 and 22).

The results of operations of the consolidated group were also adversely impacted by the loss of generation due to unplanned outages, including the loss of a unit transformer at the Kogan Creek A Power Station, resulting in the partial loss of generation capacity over a four month period during the year.

Review of operations

The consolidated group's total revenue and income decreased by \$200.2 million, or 20.6%, reflecting a decrease in total revenue of \$78.9 million, or 9.5%, and a decrease in other income of \$121.3 million, or 84.7%.

The key component of the reduction in total revenue was attributable to the lower sale of electricity arising from a decrease in:

- The level of forward prices and the volume of generation forward sold, as market conditions impacted the supply/demand balance for contracts;
- The realised load weighted average pool price for the financial year;
- The amount of market based ancillary services revenue; and
- The market price for Gas Electricity Certificates.

The decrease in other income was principally due to the one-off nature of the following items of income recognised in the prior financial year:

- Income from the re-measurement of certain onerous contract obligations (\$66.9 million); and
- Income from the reduction in the value of derivative liabilities that did not qualify for hedge accounting (\$41.2 million).

There was also a reduction in the level of Commonwealth Government grant income associated with the Callide Oxyfuel Project, during the current financial year (\$11.8 million), which was consistent with the reduction in the level of research and development expenditure incurred during the year.

The consolidated group's total expenses, before finance costs and income tax expense, increased by \$1.1 million, or 0.2% for the year. This increase was attributable to:

- Cost of sales – \$578.8 million, up by \$13.5 million, or 2.4%; and
- Other expenses – \$177.9 million, down \$12.4 million, or 6.5%.

The increase in cost of sales was due to general cost increases, partially offset by a 0.7% reduction in the levels of generation.

The increase in other expenses was attributable to the following key elements:

- An increase in administration costs due to higher production support and engineering support costs, a reduction in the amount of costs capitalised to projects across the consolidated group, and general cost increases (\$13.0 million);
- A decrease in distribution costs as a result of lower market based ancillary services charges (\$10.0 million);
- Re-measurement of certain onerous contracts due to a decrease in the expected future benefits that will be derived by the consolidated group under the relevant contracts (\$26.7 million);
- Redundancy costs, costs incurred in varying contract provisions in a fuel supply agreement and costs associated with the write-down of obsolete stock, following the decision to progressively close the Swanbank B Power Station by April 2012 (\$23.6 million);
- A decrease in the costs incurred for research and development expenditure on the Callide Oxyfuel clean coal demonstration plant (\$15.5 million); offset by
- A reduction in one-off expenses from the prior year associated with:
 - Impairment adjustments to the Mica Creek and Swanbank B power stations;
 - The write-off of exploration and evaluation expenditure previously capitalised; and
 - A decrease in the costs incurred for research and development expenditure on the Callide Oxyfuel clean coal demonstration plant (\$50.4 million).

The decrease in finance costs of \$10.4 million was attributable to a reduction in the average levels of debt during the current financial year compared to the prior year, as well as a reduction in the finance costs associated with onerous contracts.

Net cash inflow provided by operating activities decreased by \$63.7 million, or 26.0%, which is principally the result of lower revenue from the sale of electricity. Cash inflow provided by operating activities was used, in part, to fund the completion of the consolidated group's capital overhaul program of approximately \$40 million for the Kogan Creek A, Callide C and Mica Creek power stations.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the consolidated group during the financial year.

The shareholding Ministers are still understood to be contemplating the outcomes of a Queensland Government Generator Review, which may impact on the future operations of the consolidated group. At the date of this report, the Directors are not aware of the impact, if any, that may arise, but note that the outcomes of the Queensland Government Generator Review may have a significant impact on the future operations of the consolidated group.

Matters subsequent to reporting date

At the date of this report, apart from the outcome of the Queensland Government Generator Review, the Directors are not aware of any other matter or circumstance, which has arisen since 30 June 2010, that has significantly affected, or may significantly affect:

- (a) The consolidated group's operations in future financial years; or
- (b) The results of those operations in future financial years; or
- (c) The consolidated group's state of affairs in future financial years.

Likely developments and expected results of operations

In addition to the outcome of the Queensland Government Generator Review, an outline of the other likely developments in the consolidated group's operations is included throughout the Annual Report.

Environmental regulation

The consolidated group's activities are subject to environmental regulation under both Commonwealth and State legislation in relation to the operation and expansion of its power station portfolio. The primary state environmental laws governing these activities are the *Environmental Protection Act 1994 (Qld)* and the *Sustainable Planning Act 2009 (Qld)*. The consolidated group operates its power stations in accordance with the approvals it holds under these acts, and its various generating licences.

EXTRACT FROM FINANCIAL REPORT

CS Energy Limited (and controlled entities) Directors' Report

for the year ended 30 June 2010

During the year, five environmental matters were reported to the Department of Environment and Resource Management (DERM) and seven complaints were received and investigated in consultation with DERM. Swanbank Power Station reported a number of minor exceptions to the water discharge alkalinity, boron, suspended solids and iron levels specified in its approval. The group took actions in response to all these issues, all of which are understood to have been considered by DERM to be adequate.

On 16 April 2010, in response to the findings of a review of groundwater and surface water monitoring data from CS Energy Limited's Callide Receiving Environment Monitoring Program, CS Energy lodged a notification with DERM under Section 320 of the *Environmental Protection Act 1994 (Qld)* on the basis that it had become aware that environmental harm was possibly threatened by seepage loss from the Callide Power Station ash dam.

Subsequent discussions were held with DERM that resulted in CS Energy receiving a Notice to Conduct an Environmental Investigation under Section 323 of the *Environmental Protection Act 1994*, on 30 June 2010. The Notice requires investigation and reporting to DERM, of the outcomes of the investigation, and actions CS Energy has identified and will implement to minimise off-site seepage from the ash dam, by 4 March 2011. A detailed implementation program for the Callide Dam water management issue has been developed, to undertake the necessary studies required by the environmental investigation.

To the group's knowledge, there are no other further environmental enforcement actions pending against it.

The consolidated group is required to comply with the requirements of the *National Greenhouse and Energy Reporting Act 2007* (the NGER Act). As the controlling corporation, CS Energy Limited has established independently-audited systems and procedures to support reporting under the act by the due date of 31 October each year.

Further information on the consolidated group's environmental performance can be found on pages 47 to 50 of the Annual Report.

Indemnification and insurance of officers

CS Energy Limited indemnifies each officer of the Company and its controlled entities against any costs incurred by the officer in investigating or defending legal proceedings commenced against the officer or which the officer has reason to believe will be commenced against the officer or in responding to or appearing before enquiries or investigations in connection with or as a consequence of the officer acting in any capacity except where the liability arises out of:

- (i) The improper use of position or information to gain any profit or advantage or cause detriment to any company;
- (ii) Conduct involving a wilful breach of duty in relation to any company; and
- (ii) Any criminal, dishonest or fraudulent acts or omissions.

During the financial year, CS Energy Limited maintained a policy to insure all officers of the Company and its controlled entities, including Directors and Secretaries and the General Managers of each of the divisions of the consolidated group.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 63.

Preparation of Parent Entity Accounts

The parent entity is a company of a kind referred to in Class Order 10/654 issued by the Australian Securities and Investment Commission, relating to the inclusion of parent entity financial statements in financial reports. Parent entity financial statements for CS Energy Limited have been included in the financial report for the consolidated group.

Rounding of amounts to the nearest thousand dollars

The parent entity is a company of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars, in accordance with that Class Order.

This report is made with a resolution of the Directors.



Mr SE Lonie
Chairman



Ms T Dare
Director

Brisbane
26 August 2010

EXTRACT FROM FINANCIAL REPORT
 CS Energy Limited (and controlled entities) **Income Statement**
 for the year ended 30 June 2010

| | Note | Consolidated | | Parent | |
|--|------|-----------------|----------------|-----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Revenue from continuing operations | | | | | |
| Revenue from the sale of electricity | 4 | 712,987 | 781,349 | 394,897 | 446,447 |
| Other revenue | 4 | 35,320 | 45,860 | 92,964 | 122,162 |
| | | 748,307 | 827,209 | 487,861 | 568,609 |
| Other income | 5 | 21,848 | 143,127 | 20,789 | 130,232 |
| Cost of sales | | (578,777) | (565,230) | (342,376) | (331,580) |
| Other expenses | 6 | (177,870) | (190,295) | (169,542) | (138,593) |
| Finance costs | 6 | (77,437) | (87,809) | (75,543) | (86,078) |
| Profit before income tax | | (63,929) | 127,002 | (78,811) | 142,590 |
| Income tax (expense)/benefit | 7 | 16,293 | (33,186) | 30,867 | (24,799) |
| Profit for the year attributable to members of the parent | | (47,636) | 93,816 | (47,944) | 117,791 |

The above income statement should be read in conjunction with the accompanying notes.

EXTRACT FROM FINANCIAL REPORT

CS Energy Limited (and controlled entities) Balance Sheet

for the year ended 30 June 2010

| | Note | Consolidated | | Parent | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Assets | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | 8 | 113,242 | 86,908 | 85,965 | 77,978 |
| Trade and other receivables | 9 | 128,397 | 123,767 | 93,368 | 93,008 |
| Inventories | 10 | 75,171 | 112,098 | 35,515 | 67,512 |
| Derivative financial assets | 11 | 96,765 | 48,991 | 96,765 | 48,991 |
| Total current assets | | 413,575 | 371,764 | 311,613 | 287,489 |
| Non-current assets | | | | | |
| Derivative financial assets | 11 | 51,064 | 20,482 | 51,064 | 20,482 |
| Other receivables | 12 | 11,759 | 12,088 | 1,308,565 | 1,371,908 |
| Investments accounted for using the equity method | 13 | 1 | 1 | - | - |
| Other non-current assets | 14 | 16,803 | 19,945 | 68,618 | 71,760 |
| Property, plant and equipment | 15 | 2,012,400 | 2,058,407 | 602,520 | 608,531 |
| Deferred tax assets | 16 | 58,671 | 45,091 | 39,943 | 31,041 |
| Retirement benefit assets | 23 | 7,071 | 6,280 | 7,071 | 6,280 |
| Total non-current assets | | 2,157,769 | 2,162,294 | 2,077,781 | 2,110,002 |
| Total assets | | 2,571,344 | 2,534,058 | 2,389,394 | 2,397,491 |
| Liabilities | | | | | |
| Current liabilities | | | | | |
| Derivative financial liabilities | 11 | 21,524 | 33,169 | 21,524 | 33,169 |
| Trade and other payables | 17 | 115,326 | 112,050 | 75,128 | 88,317 |
| Current tax liabilities | | 4,444 | 7,552 | 4,444 | 7,552 |
| Provisions | 18 | 45,006 | 110,355 | 42,683 | 108,231 |
| Total current liabilities | | 186,300 | 263,126 | 143,779 | 237,269 |
| Non-current liabilities | | | | | |
| Derivative financial liabilities | 11 | 15,095 | 21,044 | 15,095 | 21,044 |
| Trade and other payables | 19 | 25,007 | - | - | - |
| Borrowings | 20 | 826,091 | 824,789 | 826,091 | 824,789 |
| Deferred tax liabilities | 21 | 334,399 | 307,577 | 150,283 | 124,749 |
| Provisions | 22 | 225,181 | 183,227 | 202,627 | 162,789 |
| Total non-current liabilities | | 1,425,773 | 1,336,637 | 1,194,096 | 1,133,371 |
| Total liabilities | | 1,612,073 | 1,599,763 | 1,337,875 | 1,370,640 |
| Net assets | | 959,271 | 934,295 | 1,051,519 | 1,026,851 |
| Equity | | | | | |
| Contributed equity | 25 | 953,115 | 953,115 | 953,115 | 953,115 |
| Reserves | 24 | 91,455 | 19,703 | 91,455 | 19,703 |
| Retained earnings/(accumulated losses) | | (85,299) | (38,523) | 6,949 | 54,033 |
| Total equity | | 959,271 | 934,295 | 1,051,519 | 1,026,851 |

The above balance sheet should be read in conjunction with the accompanying notes.

EXTRACT FROM FINANCIAL REPORT
 CS Energy Limited (and controlled entities) **Cash Flow Statement**
 for the year ended 30 June 2010

| | Note | Consolidated | | Parent | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2010 \$'000 | 2009 \$'000 | 2010 \$'000 | 2009 \$'000 |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 801,082 | 815,617 | 437,261 | 469,690 |
| Cash payments to suppliers and employees | | (550,301) | (523,513) | (378,723) | (336,128) |
| Cash generated from operations | | 250,781 | 292,104 | 58,538 | 133,562 |
| Interest received | | 448 | 10,776 | 54 | 10,776 |
| Operating borrowing costs paid | | (58,048) | (58,207) | (58,048) | (58,207) |
| Tax equivalent payment | | (12,191) | - | (12,191) | - |
| Dividends received | | - | - | 35,113 | 46,609 |
| Net cash inflow provided by operating activities | 35 | 180,990 | 244,673 | 23,466 | 132,740 |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (116,651) | (188,773) | (63,847) | (121,800) |
| Repayment of loans to related parties | | - | - | (40,737) | (47,473) |
| Repayments of loans from related parties | | - | - | 121,714 | 91,117 |
| Payments for gas exploration and evaluation assets | | (4,056) | (16,629) | (4,056) | (16,629) |
| Payments for research and development | | (5,396) | (12,854) | - | - |
| Receipts from open futures positions | | 46,500 | 88,000 | 46,500 | 88,000 |
| Net cash provided by (used in) investing activities | | (79,603) | (130,256) | 59,574 | (6,785) |
| Cash flows from financing activities | | | | | |
| Repayment of borrowings | | - | (257,153) | - | (257,153) |
| Dividends paid | 18 | (75,053) | (47,206) | (75,053) | (47,206) |
| Net cash provided by (used in) financing activities | | (75,053) | (304,359) | (75,053) | (304,359) |
| Net increase (decrease) in cash and cash equivalents | | 26,334 | (189,942) | 7,987 | (178,404) |
| Cash and cash equivalents at the beginning of the financial year | | 86,908 | 276,850 | 77,978 | 256,382 |
| Cash and cash equivalents at the end of the year | 8 | 113,242 | 86,908 | 85,965 | 77,978 |

The above cash flow statement should be read in conjunction with the accompanying notes.

Electricity Supply Association of Australia's Sustainable Practice Framework content index (referencing the G3 GRI Sustainability Reporting Guidelines)

| GRI Indicator | Indicator Category | Indicator description | Reported | Page references |
|---|--|---|----------|------------------------------|
| esaa Sustainability Principle 1: Maintain good corporate governance practices | | | | |
| 4.1 | Governance, Commitments and Engagement (Governance) | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight. | Full | AR 3, 14-19, CGR 2-6 |
| 4.2 | Governance, Commitments and Engagement (Governance) | Indicate whether the chair of the highest governance body is also an Executive Officer (and, if so, their function within the organisation's management and the reasons for this arrangement). | Full | AR 14 |
| 4.3 | Governance, Commitments and Engagement (Governance) | For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members. | Full | AR 14 |
| 4.4 | Governance, Commitments and Engagement (Governance) | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | Nil | |
| 4.5 | Governance, Commitments and Engagement (Governance) | Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the organisation's performance (including social and environmental performance). | Nil | |
| 4.6 | Governance, Commitments and Engagement (Governance) | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | Full | AR 15, CGR 5 |
| 4.7 | Governance, Commitments and Engagement (Governance) | Processes for determining the qualifications and expertise of members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics. | Partial | AR 16-17, CGR 2 |
| 4.8 | Governance, Commitments and Engagement (Governance) | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation. | Partial | AR IFC, 15, CGR 4, 5 |
| 4.9 | Governance, Commitments and Engagement (Governance) | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles. | Full | AR 14, 15, 47, CGR 2-6 |
| 4.10 | Governance, Commitments and Engagement (Governance) | Process for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance. | Partial | AR 15, 47, CGR 5 |
| 4.12 | Governance, Commitments and Engagement (Governance) | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or endorses. | Partial | AR 14, 22, 25, 26, 47, CGR 2 |
| EC2 | Economic (Economic Performance) | Financial implications and other risks and opportunities for the organisation's activities due to climate change. | Partial | AR 15, CGR 5 |
| EN28 | Environmental (Compliance) | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | Full | AR 47 |
| SO8 | Social Performance: Society (Compliance) | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. | Nil | |
| esaa Sustainability Principle 2: Deliver value to shareholders, customers and the community | | | | |
| EC1 | Economic (Economic Performance) | Economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | Partial | AR 10-13, 51-53, FR 11, 12 |
| EC8 | Economic (Indirect economic impacts) | Developments and impact of infrastructure investments and services provided primarily for public benefit, through commercial, in-kind, or pro bono engagement. | Partial | AR 51-53 |
| esaa Sustainability Principle 3: Provide a safe, secure and reliable energy supply | | | | |
| EU6 | Sector Specific: Economic Section (Availability and Reliability) | Planning to ensure short and long term electricity availability and reliability. | Full | AR 6-9, 30-37 |
| EU25 | Sector Specific: Social Section (Public Health and Safety) | Number of injuries and fatalities to the public involving company assets, including legal judgements, settlements and pending legal cases of diseases. | Partial | AR 25-29 |
| esaa Sustainability Principle 4: Engage key internal and external stakeholders on significant and sustainability matters | | | | |
| 4.14 | Governance, Commitments and Engagement (Stakeholder Engagement) | List of stakeholder groups engaged by the organisation. | Full | AR IFC, 44 |
| 4.15 | Governance, Commitments and Engagement (Stakeholder Engagement) | Basis for identification and selection of stakeholders with whom to engage. | Partial | AR 44, 51 |
| 4.16 | Governance, Commitments and Engagement (Stakeholder Engagement) | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | Partial | AR 44, 51 |
| 4.17 | Governance, Commitments and Engagement (Stakeholder Engagement) | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting. | Partial | AR 44, 47, 51 |
| esaa Sustainability Principle 5: Maintain and enhance workforce health, safety, wellbeing and development | | | | |
| LA2 | Social Performance: Labour Practices & Decent Work | Total number and rate of employee turnover by age group, gender, and region. | Partial | AR 20-24 |
| LA6 | Social Performance: Labour Practices & Decent Work | Percentage of total workforce represented in formal joint management worker health and safety committees that help monitor and advise on occupational health and safety programs. | Nil | |

AR = Annual Report
 CGR = Corporate Governance Report
 FR = Financial Report
 IFC = Inside front cover

Electricity Supply Association of Australia's Sustainable Practice Framework content index (Referencing the G3 GRI Sustainability Reporting Guidelines)

| GRI Indicator | Indicator Category | Indicator description | Reported | Page references |
|---|---|---|----------------|------------------|
| LA7 | Social Performance: Labour Practices & Decent Work | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. | Partial | AR 25 |
| LA10 | Social Performance: Labour Practices & Decent Work | Average hours of training per year per employee by employee category. | Partial | AR 24 |
| LA14 | Social Performance: Labour Practices & Decent Work | Ratio of basic salary of men to women by employee category. | Partial | AR 22 |
| HR4 | Social Performance (Human Rights) | Total number of incidents of discrimination and actions taken. | Nil | |
| EU14 | Sector Specific: Social Section (Employment) | Processes to ensure retention and renewal of skilled workforce. | Full | AR 22, 23 |
| EU18 | Sector Specific: Social Section (Employment) | Percentage of contractor and subcontractor employees that have undergone relevant health and safety training. | Partial | AR 27, 28 |
| esaa Sustainability Principle 6: Develop and implement climate change responses | | | | |
| EN3 | Environmental (Energy) | Direct energy consumption by primary energy source. | Partial | AR 4, 41, 46, 48 |
| EN5 | Environmental (Energy) | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | Full | AR 38-43, 46 |
| EN16 | Environmental (Emissions, Effluents and Waste) | Total direct and indirect greenhouse gas emissions by weight. | Partial | AR 46, 48 |
| EN18 | Environmental (Emissions, Effluents and Waste) | Initiatives to reduce greenhouse gas emissions and reductions achieved. | Partial | AR 46 |
| esaa Sustainability Principle 7: Improve environmental performance and resource efficiency | | | | |
| EU11 | Sector Specific: Economic (System Efficiency) | Average generation efficiency by energy source and by country or regulatory regime. | Full | AR 31 |
| EU12 | Sector Specific: Transmission and distribution efficiency | Report transmission efficiency and distribution efficiency separately. Separation between technical and non-technical losses (e.g. unauthorised connections) is not required. | Not applicable | |
| EN8 | Environmental (Water) | Total water withdrawal by source. | Full | AR 49 |
| EN12 | Environmental (Biodiversity) | Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | Partial | AR 50 |
| EN14 | Environmental (Biodiversity) | Strategies, current actions, and future plans for managing impacts on biodiversity. | Nil | |
| EN20 | Environmental (Emissions, Effluents and Waste) | NOx, SOx, and other significant air emissions by type and weight. | Nil | |
| EN21 | Environmental (Emissions, Effluents and Waste) | Total water discharge by quality and destination. | Nil | |
| EN22 | Environmental (Emissions, Effluents and Waste) | Total weight of waste by type and disposal method. | Partial | AR 48 |
| esaa Sustainability Principle 8: Foster and support community programs | | | | |
| S01 | Social Performance: Society (Community) | Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. | Full | AR 51-53 |
| esaa Sustainability Principle 9: promoting measurement and reporting of sustainability performance | | | | |
| NA | NA | Has the organisation reporting on the indicators referenced content? | Full | AR IFC, 62-63 |

AR = Annual Report
 CGR = Corporate Governance Report
 FR = Financial Report
 IFC = Inside front cover

Glossary

| Term | Definition |
|---|--|
| CO2CRC | Cooperative Research Centre for Greenhouse Gas Technologies |
| CPRS | Carbon Pollution Reduction Scheme, the emissions trading scheme proposed by the Commonwealth Government |
| Energy sent out | The amount of electricity sent to the grid |
| Gearing | A financial term that describes the relationship between debt and equity |
| GEC | Gas Electricity Certificate |
| GW | Gigawatt (one GW = one thousand megawatts) |
| GWh | Gigawatt hour (one gigawatt generating for one hour) |
| Greenhouse intensity per energy sent out (kgCO ₂ /MWhso) | Emissions of carbon dioxide per gigawatt hour of energy sent out |
| ISO14001 | International Standard for Environment Management Systems |
| Lost time injury (LTI) | A lost time injury is an occurrence that results in time lost from work of one shift or more, not including the shift in which the injury occurred |
| Lost time injury frequency rate (LTIFR) | The number of lost time injuries per million hours worked by employees and contractors (calculated on a 12 month moving average) |
| ML | Megalitre (one ML = one million litres) |
| MW | Megawatt (one MW = one million watts) |
| MWh | Megawatt hour (one megawatt generating for one hour) |
| NEM | National Electricity Market |
| PAT | Profit after tax |
| PPA | Power Purchase Agreement |
| Pool price | The variable market price for electricity |
| REC | Renewable Electricity Certificate |
| Reliability | A measure of a generator's capacity to achieve full load when plant is not undergoing a planned outage |
| ROPA | Return on productive assets |

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