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Independent Financial Advisor Opinion

On the Asset Acquisition of

Banpu Public Company Limited

Through Banpu Minerals (Singapore) Pte. Ltd.

Prepared by

Phatra Securities Public Company Limited

23 July 2010

Table of Content

Glossary

Company	Means	Banpu Public Company Limited
Centennial	Means	Centennial Coal Co., Ltd.
BMS	Means	Banpu Minerals (Singapore) Pte. Ltd.
Phatra, Independent Financial Advisor, IFA	Means	The Independent Financial Advisor, Phatra Securities Public Company Limited
Opinion	Means	The Independent Financial Advisor's Opinion
ABARE	Means	The Australian Bureau of Agricultural and Resource Economics
ACA	Means	Australian Coal Association
ASX	Means	Australian Securities Exchange
BIA	Means	Bid Implementation Agreement
Corporations Act	Means	Corporations Act of Australia
CPRS	Means	Carbon Pollution Reduction Scheme
CSAS	Means	Coal Sector Adjustment Scheme
EIA	Means	Energy Information Administration
FIRB	Means	Foreign Investment Review Board of Australia
IEA	Means	International Energy Agency
MRRT	Means	Minerals Resource Rent Tax
PRRT	Means	Petroleum Resource Rent Tax
NOIG	Means	Newcastle Coal Infrastructure Group
ROM	Means	Run of Mine
RSPT	Means	Resource Super Profits Tax
WCI	Means	World Coal Institute

No. IB 014/2010

Date 23 July 2010

Subject: Independent Financial Advisor's opinion on the acquisition of assets by Banpu Public Company Limited through Banpu Minerals (Singapore) Pte. Ltd, its subsidiary.

To: Shareholders
Banpu Public Company Limited

On 6 May 2010 and 15 June 2010, Banpu Public Company Limited **(**the **"Company")** completed acquisitions of 14.89% and 5.0% stakes respectively, totaling 19.89%, in Centennial Coal Company Limited, a company listed on the Australian Securities Exchange **("Centennial")**, through Banpu Minerals (Singapore) Pte. Ltd. **("BMS")**, a subsidiary of the Company. On 6 July 2010, the Company's Board of Directors unanimously approved BMS making a cash takeover offer for the remaining 80.11% stake in Centennial at the price of AUD 6.20 per share. If BMS successfully acquires all of the remaining outstanding ordinary shares in Centennial **("Centennial Shares")** that are not already owned by BMS, including all new Centennial Shares which may be issued upon the exercise or conversion of performance rights and options of Centennial during currently on issue, the total consideration paid for Centennial Shares would total approximately AUD 2,017 million or Baht 57,906 million (using an exchange rate of Baht 28.7109 per AUD 1 quoted as of 15 July 2010). If the prior acquisition of 19.89% of Centennial Shares by BMS is included, the payment for Centennial Shares would total approximately AUD 2,397 million or Baht 68,709 million (using an exchange rate of Baht 28.548 and Baht 28.053 per AUD 1 quoted as of 6 May 2010 and 15 June 2010 respectively).

The purchase of Centennial Shares by BMS is considered as an asset acquisition transaction according to the Notification of the Capital Market Supervisory Board No. Tor Chor. 20/2551 re: Rules on Entering into Material Transactions Deemed as Acquisition or Disposal of Assets as well as the Notification of the Board of Governors of the Stock Exchange of Thailand (the **"SET"**) re: Disclosure of Information and Other Acts Concerning the Acquisition and Disposition of Assets of Listed Companies B.E. 2547 dated 29 October 2004 and its amendments thereafter. If all three acquisition transactions are considered, the transaction is of the highest value when considered with the "The total value of the consideration comparing to the Company's total asset" criteria which amounts to 66.6%. Therefore, the transaction requires shareholders approval with at least three fourths of total votes of shareholders of Banpu present at the meeting and having the right to vote.

Therefore, the Company has appointed Phatra Securities Public Company Limited **("Phatra" or "Independent Financial Advisor" or "IFA")** to be the Company's Independent Financial Advisor to provide opinion on the fairness and benefits of the transaction to acquire the remaining shares in

Centennial **("Opinion")** by BMS to the Company's shareholders. The Independent Financial Advisor has conducted due diligence during 8 July 2010 to 23 July 2010 which is the date of submitting the Opinion of the Independent Financial Advisor to the Company's shareholders. In preparing the Opinion, the Independent Financial Advisor has assumed and relied on information of the Company and Centennial as mentioned in clause 1.3 of the Opinion stated herein (Performance Guideline and Sources of Information used in the preparation of the Opinion of Independent Financial Advisor). The Independent Financial Advisor has no reason to doubt that the aforesaid information is materially inaccurate or incomplete that would adverse affect the completeness of the information. Moreover, the Independent Financial Advisor has certain limitations in obtaining information which is material or necessary to be used or used in the preparation of the Opinion including but not limited to relevant rules, laws, regulations and taxes (both current and future potential alterations). This Opinion by Independent Financial Advisor is necessarily based upon market, economic and other conditions as they exist and can be evaluated on, and on the information made available to the Independent Financial Advisor as of, the date hereof. Such information and assumptions are subjected to change in due course and may have material affect on the Opinion of the Independent Financial Advisor. The Independent Financial Advisor has no obligation to update, revise or reaffirm the Opinion stated herein.

Banpu Public Company Limited shareholders should study all relevant details of the Opinion by the Independent Financial Advisor and all other supplement documents attached in the invitation letter to the Extraordinary General Meetings of shareholders before making any decisions.

1. Background

1.1 Transaction Overview

On 5 July, 2010, the Company had notified the Stock Exchange of Thailand **("SET")** regarding the intention to make a cash off-market takeover offer through its subsidiary BMS for all of the Centennial Shares that BMS does not already own **("BMS Offer")**. On the same day, Centennial notified the Australian Securities Exchange **("ASX")** regarding the BMS Offer from BMS and the unanimous recommendation of Centennial's Board of Directors that the shareholders of Centennial accept the BMS Offer in the absence of a superior proposal and subject to an independent expert finding that the BMS Offer is fair and reasonable to Centennial shareholders.

The Board of Director's Meeting of the Company unanimously approved BMS making the BMS Offer on 6 July 2010, and has called for an Extraordinary General Meeting 1/2010 of Company shareholders to be held on 10 August 2010.

The BMS Offer has the following key features.

- The BMS Offer is an all cash off-market takeover offer of AUD 6.20 per share for all of the Centennial Shares not already owned by BMS, which is equivalent to 80.11% of Centennial Shares. The BMS Offer extends to all new Centennial Shares which may be issued upon the exercise or conversion of performance rights and options of Centennial before the end of the Offer Period. The total value of the consideration payable if the BMS Offer is accepted in respect of all of these Centennial Shares is approximately AUD 2,017 million, equivalent to Baht 57,906 million (using an exchange rate of Baht 28.7109 per AUD 1 quoted as of 15 July 2010). The BMS Offer will be conditional upon certain requirements, including the achievement of a relevant interest in 50.1% of Centennial Shares.
- BMS entered into a Bid Implementation Agreement **("BIA")** with Centennial on 5 July 2010 pursuant to which the parties have given certain undertakings to each other to facilitate the implementation of the BMS Offer. The Bid Implementation Agreement includes exclusivity provisions pursuant to which Centennial agrees not to solicit alternative transactions to the BMS Offer or have discussions with competing bidders (subject to exceptions to allow Centennial's directors to comply with their duties and the law).
- The BIA provides that a break fee of AUD 24 million is payable by BMS to Centennial and by Centennial to BMS in certain circumstances described in clause 1.2.
- The Company expects that the Bidder's Statement containing the BMS Offer will be dispatched to shareholders in late July and the BMS Offer must be open for at least 1 month.

- Pursuant to the terms of the BIA, once the FIRB Condition, Minimum Acceptance Condition, Company Shareholder Approval Condition, Bank of Thailand Condition (which was satisfied on 19 July 2010) and Exchange Rate Condition have been satisfied (or if capable of being waived, waived), provided that no condition of the BMS Offer has been breached or is reasonably likely to be breached or is incapable of satisfaction and Centennial has appointed BMS' nominees to the board of Centennial, BMS will be required to declare the BMS Offer unconditional within 2 business days and will not be able to withdraw the BMS Offer. The "FIRB Condition", "Minimum Acceptance Condition", "Company Shareholder Approval Condition", "Bank of Thailand Condition" and Exchange Rate Condition" are described in section 1.2.
- BMS will make separate offers to holders of performance rights and options of Centennial to cancel their performance rights and options for cash consideration equal to the difference between the consideration per Centennial Share offered under the BMS Offer and the exercise prices of the performance rights and options, conditional upon the conditions of the BMS Offer being satisfied, BMS acquiring a relevant interest in at least 50.1% of Centennial Shares and any necessary regulatory approvals.
- If BMS acquires a relevant interest in 90% or more of Centennial Shares, BMS may (but has not determined that it will) delist Centennial from ASX. If BMS achieves a relevant interest in less than 90% of Centennial Shares, BMS intends to retain the listing on Centennial on ASX, subject to ongoing requirements under the ASX Listing Rules (including there being a sufficient number and spread of Centennial Shareholders) being satisfied.
- The consideration will be financed through a combination of cash reserves and available capacity under new and existing credit facilities.

1.2 Key Provisions of the BIA

The Key Provisions of BIA are:

1.2.1 Break fee of AUD 24 million:

The parties have agreed a break-fee regime pursuant to which a break fee of AUD 24 million will be payable by:

- Centennial to BMS if:
  - During the Exclusivity Period (described below):
    - the board of Centennial or any director of Centennial fails to recommend that shareholders of Centennial accept the BMS Offer in the absence of a superior proposal or having made such a recommendation, withdraws or qualifies their recommendation for any reason, in each case other than as

a result of the report of an independent expert commissioned by Centennial finding that the BMS Offer is not fair and reasonable (other than a report that is in response to a third party proposal);

- the board of Centennial or any director of Centennial recommends that Centennial Shareholders accept, vote or otherwise support a third party proposal; or
- any of the conditions of the BMS Offer are breached or become incapable of being satisfied due to an act or omission of Centennial; or

- Before the end of the period that the BMS Offer is open for acceptance **("Offer Period")**:
  - a person (other than BMS or its associates) acquires a relevant interest in more than 50% of the Centennial shares; or
  - Centennial breaches of the exclusivity provisions and such breach is reasonably likely to lead to a third party proposal being announced or implemented; and

■ BMS to Centennial, if during the Exclusivity Period, any Company director fails to recommend that the Company's shareholders vote in favor of the BMS Offer or having made such recommendation withdraws their recommendation, in each case other than as a result of the report of an IFA commissioned by the Company determining that the BMS Offer is not fair and reasonable or that Company shareholders should not approve the BMS Offer.

■ The **"Exclusivity Period"** mean the period from and including the date of the BIA to the earlier of:

- The termination of the BIA in accordance with its terms;
- the end of the Offer Period; and
- 31 December 2010.

1.2.2 The BMS Offer and any contract arising from the acceptance of the BMS Offer is subject to fulfillment or waiver of the following conditions before the end of the BMS Offer Period:

1) FIRB Approval

Approval from Foreign Investment Review Board of Australia **("FIRB")** where approval is obtained where one of the following occurs:

a) BMS receiving notice from, or on behalf of, the Australian Treasurer to the effect that there is no objection under the Commonwealth Government's foreign investment policy or under the Foreign Acquisition and Takeovers Act 1975 (Cth) **(“FATA”)** to the acquisition by BMS of the Centennial Shares under the BMS Offer and that notice is not subject to any condition;

b) the period provided under the FATA during which the Australian Treasurer may make an order under section 18 or an interim order under section 22 of the FATA prohibiting the acquisition by BMS of the Centennial Shares under the BMS Offer elapsing, without such an order being made; or

c) if an interim order prohibiting the acquisition of the Centennial Shares by BMS under the BMS Offer is made by the Australian Treasurer under section 22 of the FATA, the subsequent period for making a final order prohibiting the acquisition elapsing, without such a final order being made (**“FIRB Condition”**).

2) Company Shareholder Approval

Shareholders of the Company approve the acquisition of the Centennial Shares by BMS in accordance with the Company’s constitutional documents and the relevant laws and regulations **(“Company Shareholder Approval Condition”)**.

3) Foreign currency control approval

The Company receiving approval from the Bank of Thailand for BMS to remit foreign currency to pay the consideration under the BMS Offer **(“Bank of Thailand Condition”)**. (This approval has been obtained).

4) Minimum Acceptance Condition

At the end of the Offer Period, BMS has a Relevant Interest in at least 50.1% of the Centennial Shares **(“Minimum Acceptance Condition”)**.

5) No Material Adverse Change of Centennial

Between the Announcement Date and the end of the Offer Period, no matter, event, change, condition, circumstance or thing occurs, is announced or becomes known to BMS (in any such case, individually or when aggregated with all such matters, events, changes, conditions, circumstances and things and whether or not becoming public) that would result in or would reasonably be likely to result in:

a) the value of consolidated net assets of the Centennial Group being reduced by at least $100 million against what they would reasonably have been expected to have been but for the matter, event or circumstance (as the case may be); or

b) reducing the ongoing annual earnings before interest, tax, depreciation and amortization of Centennial by an amount of $20 million or more,

other than,

c) matters, events or circumstances required or permitted by the BIA, which took place with the written consent of BMS or which Centennial disclosed in an announcement made to the ASX prior to entry into the BIA;

d) changes in economic or business conditions (including changes in coal prices, interest rates or currency exchange rates);

e) any change in law, regulation or other policy of a Public Authority including changes to taxation rates, laws and policies from those in place at the Announcement Date; or

f) any change in accounting policy required by law which impacts on Centennial and its competitors in a similar manner.

6) No Prescribed Occurrences

During the period from the date the Bidder's Statement is given to Centennial and ending at the end of the Offer Period, none of the occurrences listed in section 652C(1) or (2) of the Corporations Act happen (other than the issue of Centennial Shares pursuant to the exercise of options or performance rights issued before the date of the BIA). That is:

a) Centennial converts all or any of its shares into a larger or smaller number of shares;

b) Centennial or a Subsidiary of Centennial (which is not a directly or indirectly wholly owned Subsidiary) resolves to reduce its share capital in any way;

c) Centennial or a Subsidiary of Centennial (which is not a directly or indirectly wholly owned Subsidiary):

A. enters into a buy-back agreement; or

B. resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;

d) Centennial or a Subsidiary of Centennial issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option (other than to or in favour of Centennial or a directly or indirectly wholly owned Subsidiary of Centennial where the issue, grant or agreement does not have an adverse effect on the Centennial Group taken as a whole);

e) Centennial or a Subsidiary of Centennial issues, or agrees to issue, convertible notes (other than to or in favour of Centennial or a directly or indirectly wholly owned Subsidiary of Centennial where the issue or agreement to issue does not have an adverse effect on the Centennial Group taken as a whole);

f) Centennial or a Subsidiary of Centennial disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property (other than to or in favour of Centennial or a directly or indirectly wholly owned Subsidiary of Centennial where the disposal or agreement to dispose does not have an adverse effect on the Centennial Group taken as a whole);

g) Centennial or a Subsidiary of Centennial charges, or agrees to charge, the whole, or a substantial part, of its business or property (other than to or in favour of Centennial or a directly or indirectly wholly owned Subsidiary of Centennial where the charge or agreement to charge does not have an adverse effect on the Centennial Group taken as a whole);

h) Centennial or a Subsidiary of Centennial resolves to be wound up;

i) a liquidator or provisional liquidator of Centennial or a Subsidiary of Centennial is appointed;

j) a court makes an order for the winding up of Centennial or a Subsidiary of Centennial;

k) an administrator of Centennial, or a Subsidiary of Centennial, is appointed under section 436A, 436B or 436C of the Corporations Act;

l) Centennial or a Subsidiary of Centennial executes a deed of company arrangement; or

m) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Centennial or a Subsidiary of Centennial.

7) No Prescribed Occurrences Between Announcement and Service

During the period from the Announcement Date to the day before the Bidder's Statement is given to Centennial, none of the occurrences referred to in paragraphs 6(a) to 6(m) of this happen (other than the issue of Centennial Shares pursuant to the exercise of Options or performance rights issued before the Announcement Date).

8) Conduct of Centennial business

Between the Announcement Date and the end of the Offer Period, neither Centennial, nor any Subsidiary of Centennial:

a) declares, or distributes any dividend, bonus issue or other share of its profits or assets other than the Centennial Permitted Dividend;

b) makes any changes to its constitution or passes any special resolution or amends the terms of issue of any shares, options or other convertible securities;

c) gives or agrees to give any Third Party Rights over any of its assets which assets have a value in excess of $10 million otherwise than in the ordinary course of business and which is consistent with the plans of Centennial which have been disclosed to the ASX prior to the date of the BIA;

d) borrows or agrees to borrow any money in excess of $15 million (except for working capital borrowing from its bankers in the ordinary course of business and except for any Permitted Borrowing);

e) releases, discharges or modifies any obligation in excess of $10 million to it of any person, firm or body corporate or agrees to do so;

f) conducts its business otherwise than in the ordinary course where such conduct would be material to Centennial or the relevant Subsidiary;

g) acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would reasonably be likely to involve a material change in the manner in which Centennial conducts its business;

h) has appointed any additional director to its board of directors whether to fill a casual vacancy or otherwise (other than at the request of BMS or as required by the BIA);

i) except as required by law does any of the following without the prior written consent of BMS:

   A. enter or agree to enter into any new contract of service or substantially vary or agree to substantially vary any existing contract of service with any director or Executive Officer;

   B. make or agree to make any substantial change in the basis or amount of remuneration of any director or Executive Officer; or

   C. except as provided under any superannuation, provident or retirement scheme or contract in effect on the Announcement Date, pay or agree to pay any retirement benefit or allowance to any director or Executive Officer; or

j) passes any resolution for liquidation, or has appointed or becomes susceptible to the appointment of an administrator, a receiver, a receiver and manager or a liquidator, or becomes subject to investigation under the ASIC Act 2001 (Cth) or any corresponding legislation.

Nothing in this paragraph (8) shall apply in relation to any dealings, agreements or arrangements between (1) Centennial and any directly or indirectly wholly owned Subsidiary of Centennial or (2) any directly or indirectly wholly owned Subsidiaries of Centennial which does not have an adverse effect on the Centennial Group taken as a whole.

9) No material acquisitions or disposals

None of the following events occur between the Announcement Date and the end of the Offer Period:

a) Centennial, or any Subsidiary of Centennial, acquires, offers to acquire, agrees to acquire or acquires an interest in property or other assets with a value of more than $15 million (other than in the ordinary course of business and which is consistent with the plans of Centennial which have been disclosed to the ASX prior to the Announcement Date) or makes an announcement in relation to such an acquisition;

b) Centennial, or any Subsidiary of Centennial, disposes (including by grant of Third Party Rights), offers to dispose, agrees to dispose or disposes of interests in property or other assets with a value of more than $5 million (other than in the ordinary course of business and which is consistent with the plans of Centennial which have been disclosed to the ASX prior to the Announcement Date) or makes an announcement in relation to such a disposal;

c) Centennial, or any Subsidiary of Centennial, enters into, offers to enter into or announces that it proposes to enter into any joint venture, asset or profit sharing, partnership or dual listed company structure in respect of an asset with a value of more than $10 million or makes an announcement in relation to such a commitment;

d) Centennial, or any Subsidiary of Centennial, incurs or commits to, or grants to another person a right the exercise of which would involve Centennial or any Subsidiary of Centennial incurring or committing to any capital expenditure or other liability with a value of more than $15 million (other than (1) in the ordinary course of business and which is consistent with the plans of Centennial which have been disclosed to the ASX prior to the date of the BIA, or (2) capital expenditure in the day to day operating activities of the business of Centennial and its Subsidiaries conducted in substantially the same manner as before the date of the BIA); or

e) Centennial, or any Subsidiary of Centennial enters into, offers to enter into or announces that it proposes to enter into any form of commitment (including by grant of Third Party Rights) with any party or parties which would result in the creation of any right or entitlement to acquire coal, minerals or ore from Centennial or any Subsidiary of Centennial that is not in the ordinary course of business and that has a value of more than $5 million.

Nothing in this paragraph (9) shall apply in relation to any dealings, agreements or arrangements between (1) Centennial and any directly or indirectly wholly owned

Subsidiary of Centennial or (2) any directly or indirectly wholly owned Subsidiaries of Centennial which does not have an adverse effect on the Centennial Group taken as a whole.

10) Material contracts

Between the Announcement Date and the end of the Offer Period, no person exercises or purports to exercise, or states an intention in writing to exercise any right (whether subject to conditions or not) which has or is reasonably likely to result in:

a) termination or variation of any material agreement with Centennial or a Subsidiary of Centennial or any action being taken or claim arising under such an agreement;
b) the interest of Centennial or any Subsidiary of Centennial in any material firm, material joint venture, material trust, material corporation or other material entity or material asset being terminated, modified or required to be transferred, disposed of or redeemed; or
c) the business of Centennial or any material Subsidiary of Centennial with any other person being materially adversely affected,

as a result (directly or indirectly) of BMS acquiring or proposing to acquire Centennial Shares.

11) Renewal of Tenements

The Key Tenements expiring between the Announcement Date and the end of the Offer Period (if any) being successfully renewed without material adverse conditions being imposed.

12) Appreciation in the Australian Dollar

On the Business Day after the date on which each of the conditions in paragraphs 1.2.2(1), 1.2.2(2), 1.2.2(3) and 1.2.2(4) have been satisfied or waived, one Australian Dollar is not valued at or more than 0.97 United States Dollars (on the basis of the average of the buy and sell rates in respect of the exchange rate of Australian Dollars to United States Dollars appearing in the hard copy newspaper version of *The Australian Financial Review* published on that Business Day)

1.3 Practices and Sources of Information in preparation of the Opinion of Independent Financial Advisors

The Company has appointed Phatra Securities Public Company Limited as independent financial advisor (the "**IFA**") to provide a financial opinion regarding the acquisition of shares in Centennial by BMS, a subsidiary of the Company (the "**Opinion**"). The IFA has conducted due diligence during 8 July 2010 to 23 July 2010 which is the date of submitting the Opinion of the

IFA to the Company's shareholders. In preparing the Opinion, the IFA has assumed and relied on information of the Company and Centennial supplied or otherwise made available to the IFA, discussed with or reviewed by or for the IFA, or publicly available (including but not limited to) information on information memoranda, annual reports, financial statements, analysts and investors presentation documents. In addition, the IFA has assumed and relied on information received from management interviews, other relevant persons, which includes forecasts and opinion on the Company's business, and other companies reports. For the information relating to Centennial which is an ASX listed company, the IFA has relied on information available from public sources including the information has been furnished to the IFA by the Company. The IFA has neither obtained the information relating to Centennial from Centennial nor has it conducted any discussion with any member of Centennial's management due to legal constraints in Australia.

Moreover as part of its review, the IFA has also conducted the following:

- Studied the business and financial information of Centennial, including industry information of Centennial from publicly disclosed information and coal industry analysis from various analysts;
- Compared the BMS Offer for Centennial with other comparable transactions that the IFA perceives to be similar and comparable including analysis of publicly disclosed information of the returns on investment of such comparable transactions;
- Compared Centennial's financial condition with other companies that the IFA perceive to be similar and comparable by using publicly disclosed information including the analysis of historical and current Centennial stock price including analysis on the Company and analysis of Centennial so as to compare with publicly disclosed information of other securities;
- Re-evaluate financial forecast and projection of cash and marketable securities, assets value, and future operation of Centennial which the IFA had received from the Company;
- Interview the Company's management about the strategy plans and the impact of the transaction on the Company's operation and financial statements;

The Independent Financial Advisor has no reason to doubt that the aforesaid information is materially inaccurate or incomplete that would adverse affect the completeness of the information. Moreover, the IFA did not assess nor value the assets or liabilities of Centennial. In using the financial information, analysis and forecast that the IFA had received the Company, the IFA has assumed that such information had been prepared by the Company's or Centennial's management (the IFA did not receive any information directly from Centennial or Centennial management but from the Company). The IFA has no reason to suspect that the assumptions made are not appropriate or are outdated or does not reflect the opinion of the Company's or Centennial's management. The IFA would refrain from giving any opinion on such analysis and forecast including all the aforesaid assumptions.

The IFA has certain hindrances in obtaining information which is material or necessary to be used or used in the preparation of the Opinion including but not limited to relevant rules, law, regulation and taxes (both current and future potential alterations).

This Opinion by the IFA is necessarily based upon market, economic and other conditions as they exists and can be evaluated on, and on the information made available to the IFA as of, the date hereof. The information and assumptions are subjected to change in due course and may have material affect on the Opinion of the IFA. The IFA has no intention to update, revise or reaffirm the opinion stated herein.

The IFA has assumed that steps to ensure that the process is in accordance with the law, rules and regulations including all necessary approval and permissions to make the Bid Statement for Centennial by BMS are complete and accurate without any constraints or limitation that would have a material adverse effect on of the Company.

This Opinion of the IFA is for the use and benefit of the Company's shareholders. In any case, the ultimate decision to carry out the transaction is based entirely on the opinion of each of the Company's shareholders.

2. Summary of Centennial Coal Company Limited Profile

2.1 Centennial Coal Company Limited

Established in 1989 as a coal mining and marketing Company, Centennial was listed on the Australian Securities Exchange in 1994. Centennial supplies thermal coal to the domestic and export markets and is a major fuel supplier to the New South Wales energy industry, supplying to approximately 46% of the State's coal-fired electricity.

Centennial sells approximately 30 – 35% of its coal production into the export market, to power plants and steel mills customers in Japan, Taiwan, Korea, China and Europe. Centennial has 10 coal mines in New South Wales, making it one of the largest underground coal producers in New South Wales.

Moreover, Centennial holds a 20% share in Port Kembla Terminal Ltd. and an 8.8% founding shareholding Newcastle Coal Infrastructure Group, which is a new port for coal export. As of 31 December, 2009, Centennial has total assets of AUD 1,319.6 million, with total shareholders' equity of AUD 709.8 million. For the financial year ended 30 June, 2009 and for the six months to 31 December, 2009, Centennial has net profit of AUD 71.2 million and AUD 31.1 million respectively.

Centennial has 395.0 million ordinary shares on issue. As of 16 July, 2010, Centennial's share closed at AUD 5.91 each and had a total market capitalization of AUD 2,334.6 million.

2.1.1 History

1989 Centennial was incorporated as Hildyne Pty Ltd. in New South Wales to acquire Preston Coal Company Pty Ltd. It then changed its name to Preston Coal Holdings Pty Ltd.

1994 Preston Coal Holdings Pty Ltd. converted to a public company and listed on the ASX as Centennial Coal Company Limited. The funds raised upon listing were invested in three mines, Charbon, Ivanhoe and Berrima from Blue Circle Southern Cement Ltd., a subsidiary of Boral Ltd.

1995 Centennial acquired a 16.67% interest in Port Kembla Coal Terminal Ltd., the coal export facility operator, through which the majority of Centennial's export is dispatched.

1997 Centennial acquired the Airly coal project, near Lithgow in New South Wales, and a 50% interest in Cook Resource Mining Pty Ltd. Centennial became the manager of Cook Resource Mining, who owned and operated the Cook colliery and Leichhardt coal preparation plant, located in Central Queensland. (Cook was subsequently sold in April 2004.)

1998 Centennial acquired a 90% interest in the Clarence colliery from Oakbridge Pty Ltd. Subsequently, Centennial sold a 5% interest in Cook Resource Mining Pty Ltd. to SK

Corporation, but retained full management rights over the operations of the Cook colliery and preparation plant.

1999 Centennial acquired Hartley Valley Coal Co. Pty Ltd., the owner and operator of Blue Mountain Colliery, located near Lithgow in New South Wales. (Hartley Valley subsequently closed and subsumed into the Clarence operation.)

2000 Centennial acquired GC Springvale Pty Ltd. and a 50% interest in the Springvale joint venture, the owner of the Springvale mine in the Western Coalfields in New South Wales.

2002 Centennial acquired the assets of Powercoal, the largest single supplier of energy coal to NSW power plants.

2005 Centennial acquired a controlling interest in Austral Pty Ltd. and its Tahmoor coking coal mine. Centennial also established, together with other coal miners in the region, the Newcastle Coal Infrastructure Group Pty Ltd. to develop a new coal terminal in anticipation of growth in exports.

2007 Sold Anvil Hill project and Austral Coal to Xstrata. Proceeds were used to repay debt and make a capital return to shareholders.

2008 Centennial commits to Stage 1 of the NCIG coal terminal (8.8% interest). Stage 1 of NCIG will have a 30.0 Mtpa export coal loading facility with a future option to expand to 66.0 Mtpa.

2009 Berrima mine closed on 31st August 2009

2010 Acquisition offer from the Company.

2.1.2 Products and Services

Centennial is one of the largest underground coal producers in New South Wales supplying approximately 46% of the State's coal-fired electricity. Centennial's principal operating assets include ownership interests in its northern and western operations as follows;

Table 1: **Resources and Reserves**

Mine/Project	Ownership Interest	Mining Method	Measured Resource	Indicated Resource	Inferred Resource	Total Resource	Proved Reserve	Probable Reserve	Total Coal Reserve	Marketable Reserve
Current Operations										
Airly	100%	Cont. Miner	-	98.2	21.0	119.2	-	34.4	34.4	34.4
Angus Place[(1)]	50%	Longwall & Open-cut	88.1	172.0	-	260.1	31.5	2.2	33.7	33.7
Awaba	100%	Cont. Miner	32.8	11.8	-	44.6	1.6	-	1.6	1.6
Charbon[(2)]	95%	Cont. Miner & Open-cut	9.5	6.7	-	16.2	1.2	6.7	7.9	6.7
Clarence[(3)]	85%	Cont. Miner	40.4	196.2	-	236.6	8.0	44.5	52.5	49.4
Ivanhoe	100%	Cont. Miner & Open-cut	3.3	4.2	-	7.5	1.6	0.5	2.1	2.1
Mandalong	100%	Longwall	105.4	239.3	-	344.7	39.5	56.5	96.0	96.0
Mannering	100%	Cont. Miner	45.1	247.8	11.0	303.9	2.1	8.2	10.3	10.3
Myuna	100%	Cont. Miner	-	347.2	104.0	451.2	-	18.0	18.0	18.0
Newstan[(4)]	100%	Longwall & Cont. Miner	22.5	97.2	8.0	127.7	3.1	14.4	17.5	14.9
Springvale[(1)]	50%	Longwall	107.2	73.3	-	180.5	39.5	29.3	68.8	68.8
Future Projects										
Cherry Tree Hill[(5)]	95%	Underground Project	-	54.4	19.0	73.4	-	-	-	-
Neubacks	50%	Open-cut project	5.8	1.9	-	7.7	4.4	1.7	6.1	6.1
Newstan Lochiel	100%	Longwall Project	0.4	150.1	-	150.5	-	58.3	58.3	49.6
Wolgan Road	50%	Open-cut project	25.2	-	-	25.2	12.0	-	12.0	12.0
TOTAL	100%		**485.7**	**1,700.3**	**163.0**	**2,349.0**	**144.5**	**274.7**	**419.2**	**403.6**

(1) Angus Place/Springvale ownership: Centennial 50%, SK Kores (Australia) Pty Ltd 50%

(2) Charbon ownership: Centennial 95%, SK Corp 5%

(3) Clarence ownership: Centennial 85%, SK Energy Australia Pty Ltd 15%

(4) Newstan is under care and maintenance.

(5) Part of Inglenook project, Cherry Tree Hill ownership: Centennial 95%, SK Energy Australia Pty Ltd 5%

Remark: Lambert's Gully has closed down.

Source: Centennial's 2009 Annual Report, Centennial Websites

Chart 1: | Map of Centennial Coal Mines

Source: Centennial's 2009 Annual Report

Current Operations

Airly

On August 20, 2008, Centennial's Board approved an investment cost of AUD 104.0 million to develop Airly into a 1.6 – 1.8 million tonne export mine. The Airly development is located near Lithgow in the Western Coalfield of New South Wales. It has large good quality reserves sufficient to support mining for more than 20 years, with resources of approximately 120.0 million tonnes. Production commenced in 2010 and export is conducted through the Port Kembla coal-loader.

Angus Place/Springvale JV

Angus Place/Springvale is a new joint venture arrangement between Centennial (50%) and SK Kores (Australia) Pty Ltd. (50%) and was established in June 2007. Its thermal coal production, using longwall units and continuous miner development, is managed by Centennial and is located 15.0 km northwest of Lithgow in the Western Coalfield of New South Wales. Nominal annual production capacity is over 7.0 million tonnes per annum, 5.1 million of which is currently dedicated to long-term domestic contracts with Wallerawang and Mount Piper power stations. It has total resource of 473.0 million tonnes, including the Wolgan Road, Neubecks and Kerosene Vale Open-cut projects. Angus Place/Springvale JV has dedicated conveyors and haul road for delivery of coal to domestic customers. The mine exports via Lidsdale Siding to Port Kembla coal-loader, near Wollongong. In addition, there is a project to improve the efficiency and expand the capacity of Lidsdale Siding further.

Awaba

Located near Toronto in the Newcastle Coalfield of New South Wales, Awaba produces export quality, low sulphur, medium ash, thermal coal. It carries out underground continuous miner operation, comprising two production units. The mine has planned production of 780,000 tonnes for the 2010 financial year. It is also linked by dedicated haul road to Newstan and Eraring Power Station to utilise Newstan's coal preparation and rail loading facilities for export.

Charbon Underground & Charbon Open-Cut

Located at Kandos in the Western Coalfield of New South Wales, the mine implements underground continuous miner and open-cut operations predominantly for export but also includes some domestic sales. Production capacity is approximately 1.2 million tonnes per annum with surface facilities comprising a modern rail loading facility. Coal is transported by rail to the Port Kembla coal-loader for export.

Clarence

Located near Lithgow in the Western Coalfield of New South Wales, the mine, predominantly an export producer, has large and good quality reserves sufficient to support mining for more than 20 years. It has resources of approximately 230.0 million tonnes and marketable reserves are estimated to be 48.0 million tonnes. Production capacity is up to 2.5 million tonnes per annum which is Australia's most productive continuous miner operation. The efficient coal preparation plant enables the development of various product types, which is shipped through the Port Kembla coal-loader.

Ivanhoe North

Located near Mount Piper Power Station on the Ivanhoe colliery holding, Ivanhoe North is a thermal coal producer and exporter, shipping its product through the Port Kembla coal-loader, but with the ability to move coal to domestic markets if required. It is a small open cut operation that will facilitate the rehabilitation of an old mining area, recovering up to 525,000 tonnes over two years.

Mandalong

Mandalong is located near Morisset in the Newcastle Coalfield of New South Wales. Its longwall mining commenced in January 2005. With its high-capacity longwall unit, mining a seam thickness up to 5.0 metres of coal, and continuous miner development, Mandalong's production is currently 4.9 million tonnes per annum and averages 5.0 million tonnes per annum thereafter. A new haul road was completed in 2010 allowing exports to commence from Mandalong during the year.

Mannering

Located in the Fassifern Seam, Newcastle Coalfield of New South Wales, Mannering has three continuous miner units, which re-opened in January 2005. Despite resources exceeding 250.0 million tonnes, the current development of first workings is due to subsidence restrictions on the surface. As a result, Mannering has production capacity of more than 1.0 million tonnes per annum, however, 0.9 million tonnes is targeted for the 2010 financial year. The mine is in close proximity to its major customer, Delta Electricity, supplying coal via a dedicated conveyor.

Myuna

Myuna is situated at Wangi Wangi near Lake Macquarie, and is part of the Newcastle Coalfields in New South Wales. The underground mine employs continuous miner operations and has a dedicated conveyor to deliver coal to its major customer, Eraring Energy, which is located nearby. Currently Myuna's production capacity is 1.5 million tonnes per annum, with potential to expand to 2.0 million tonnes per annum. Coal resources at Myuna exceed 380.0 million tonnes of low sulphur thermal coal which is suitable for both export or domestic markets.

Newstan

Newstan is a coal preparation plant, washing semi-soft and thermal coal from other mine sites for both domestic and export markets. It is located in the Newcastle Coalfield of New South Wales, near the Port of Newcastle. Newstan's infrastructure capacity exceeds 4.0 million tonnes per annum and has a dedicated haul road to Eraring Power Station. The bi-directional rail loop also enables loading and dispatch of trains south to Port Kembla Coal Terminal.

Newstan also contains coal resources suitable for both domestic and export sales, which can be exploited in conjunction with the Newstan Lochiel Project.

Future Projects

Inglenook

Following a competitive tender process, Centennial received 3 new exploration licenses over an area of approximately 95.0 square kilometers in the Western Coalfield. These areas border Centennial's existing Cherry Tree Hill exploration area, and are in close proximity to Centennial's operations in the

Western Coalfield. These areas are highly prospective for both export and domestic thermal coal and have the potential to provide significant synergies with Centennial's neighbouring mines, particularly Airly and Charbon. Inglenook not only borders the Cherry Tree Hill exploration area, but is also adjacent to the western rail line, enabling direct access to the Port Kembla coal export terminal. Importantly, Inglenook has the opportunity to utilise the existing coal preparation and loading facilities at Charbon, where natural economies of scale can potentially deliver value in the future.

Mandalong Southern Extension Project

The Mandalong South area is located south west of the township of Morisset and west of the township of Wyee, covering an area of approximately 4,467.0 square kilometers. Mandalong South is an extension to the existing Mandalong Mine, and a feasibility study will be undertaken by Centennial over the next two years to optimise the mine design in this area. The exploration programme commenced in January 2010.

Neubecks

The site is located within the Western District of New South Wales, approximately 18.0 km northwest of Lithgow and about 1.0 km to the northeast of Mt. Piper Power Station. The project is based on a small, shallow coal resource located in the Neubeck's Creek Valley, with an estimated mine reserve of approximately 6.0 million tonnes.

Newstan Lochiel

Newstan Lochiel has a significant resource base, providing the opportunity for a reconfigured mine plan, with the feasibility study and exploration program underway and 26 exploration holes are currently completed (representing approximately 50% of the planned drilling programme). With a potential of 4.0 million tonne ROM longwall operation and continuous miner development, it is expected to produce 3.2 million tonnes of saleable coal. Initial drilling information suggests approximately 25% of saleable production will be high quality semi-soft coal. Newstan Lochiel resources are estimated to exceed 150.0 million tonnes and recoverable total coal reserves are estimated at 58.0 million tonnes. It is located adjacent to the existing Newstan operation.

Wolgan Road

The site of the proposed open-cut Wolgan Road Mine is approximately 14.0 km northwest of Lithgow, approximately 5.0 km to the east of Mount Piper Power Station and 4.0 km north of Wallerawang Power Station. The area contains an estimated mine reserve of approximately 12.0 million tonnes.

Production

For the year ended 30 June 2009, Centennial had 18.3 million tonnes of ROM coal production under management, 17.3 million tonnes of saleable coal production resulting in total sales of 17.6 million tonnes.

The table below shows the total production of all Centennial's mines from 2000 – 2009.

Table 2: **Production Data from Fiscal year 2000 – 2009**

		FY00	FY01	FY02	FY03	FY04	FY05	FY06	FY07	FY08	FY09
Tonnes under management											
ROM coal production	000's	2,635	3,505	5,074	13,520	13,485	16,615	17,669	20,066	20,461	**18,302**
Saleable coal production	000's	2,489	3,299	4,806	12,749	12,637	15,656	16,290	18,216	18,801	**17,260**
Sales	000's	2,732	3,767	4,583	13,140	14,556	16,763	17,295	18,981	18,755	**17,605**
Company's share of tonnes under management											
ROM coal production	000's	2,155	2,632	3,440	11,667	11,825	14,908	15,611	17,476	16,851	**15,006**
Saleable coal production	000's	2,071	2,483	3,243	10,978	11,081	13,975	14,341	15,769	15,361	**14,052**
Sales	000's	2,218	2,805	3,142	11,517	12,622	15,151	15,245	16,565	15,250	**14,369**
Safety record											
Lost Time Injury Frequency Rate ("LTIFR")	MMH	23	40	39	33	38	35	26	23	19	**17**

MMH = Millions of Man Hours

2.2.3 Distribution

2.2.3.1 Centennial's Policies in Responding to Continuing Growth in Demand

A significant proportion of Centennial's current coal output is consumed by New South Wales power generators, while exports to Asian power generators continue to increase. Centennial presently provides approximately 80% of the fuel requirements to Delta Electricity's Western Region power stations which are government-owned. The sales of coal to these power stations are executed in the form of domestic contracts, having predetermined quantities and forward prices.

Domestic contracts to the NSW Government-owned power generators provide certain benefits to Centennial and offer a competitive advantage:

- The mine-mouth location of Centennial's operations means that Centennial will continue to enjoy a logistical advantage, with a series of dedicated haul roads and conveyors minimizing delivery cost and the impact on local communities.
- Most domestic coal supplies to the generators are unwashed ROM coal, keeping post-production processing to a minimum.
- Such contracts are AUD denominated, limiting exposure to foreign exchange movements.
- Domestic supply is regular business with regular cash flow from a high credit-rated buyer.

However, domestic coal prices are currently below export or international parity levels as a number of important shifts in coal-market fundamentals have occurred over the past few years. These changes will likely push domestic coal prices higher over time and better align domestic prices with export prices as they have already done in other parts of the world.

Recent changes to coal market fundamentals include:

- Energy prices in general have increased through a combination of cost pressures, increasing export-led demand, a lack of additional supply and the fragility of new and existing supply. Coal market fundamentals will underpin strong export thermal coal prices for the foreseeable future. Centennial has indicated that as domestic contract tonnage rolls-off, they may be re-priced to reflect export parity prices.
- Export customers are increasingly willing to accept much higher ash quality coal as they seek to ensure security of supply, thus an opportunity for Centennial to increase its export to these markets.
- Infrastructure constraints have historically hindered access to the export market.
- International power generators increasingly recognize that security of supply may be more important than price. Consequently, a number of these generators have started investing significant equity in Australian coal projects in return for long-term off-take contracts at market prices.
- The mines approval process has become increasingly more difficult in recent years. Given this increased difficulty in gaining new mining approvals, local generators may face increased pricing levels to maximize extraction from existing supply sources, particularly where such reserves are adjacent to their power stations.

Given the continued growing need for energy and increasing difficulty in procuring new and easily accessible supply sources, it would appear that existing resources will become more valuable.

Taking into account these factors, Centennial plans the marketing of its coals to respond to the continuing growth in demand for thermal coal both domestically and internationally. Centennial is investing in additional export production capacity at the Airly, which will export via Port Kembla, and export infrastructure at Mandalong to facilitate exports through Newcastle.

In addition, plans are well advanced to upgrade the Lidsdale Siding, improving efficiency to enable it to load up to 3.0 million tonnes for shipment via Port Kembla.

At the same time, other projects are underway to meet increasing demand for coal. Airly has commenced production, together with Mandalong. As Centennial’s domestic contract obligations roll-off, Centennial intends to rebalance its domestic and export business in accordance with the Group’s strategy to increase its market-priced sales, but still maintain a significant presence in the domestic market supplying coal to the New South Wales generators.

2.2.3.2 Access to Infrastructure

The reliability and capacity of Centennial's various methods of delivering coal to its customers is of vital significance. One of the competitive advantages of Centennial's mines is the extensive and dedicated network of efficient delivery systems into the domestic power stations. Centennial is the only major supplier that can deliver coal without using public roads. With respect to export customers, Centennial also enjoys the benefit of currently shipping most of its exports through the Port Kembla coal-loader at Wollongong.

Port congestion at Newcastle has been an ongoing issue facing Australian coal producers for the past few years. In this regard, in September 2009, the New South Wales Government and the two ports (Port Waratah Coal Services and Newcastle Coal Infrastructure Group) signed a new long-term port access framework (Capacity Framework Agreements"), which covers the port expansion necessary to meet increasing demand.

Port Waratah Coal Services raised the existing coal-loader's capacity up to 102.0 million tonnes per annum, with a further expansion to be completed during the 2010 financial year to bring its capacity up to 113.0 million tonnes per annum. In addition, PWCS will shortly call for nominations from producers with a view to increasing capacity at PWCS to 145.0 million tonnes per annum (nominal), subject to sufficient demand from producers willing to sign long-term take or pay contracts.

Construction of Stage 1 of NCIG was completed in the first half of 2010 and operations commenced shortly thereafter. Stage 1 of NCIG will have port capacity of approximately 30.0 mtpa. Work is well underway to expand NCIG further and the financing for Stage 2 is currently in the process of being arranged.

Centennial's existing portfolio of mines, including new projects and infrastructure in the Newcastle Coalfield, are well located (with Newstan only 25.0 km by rail from the Port of Newcastle) to utilize this new capacity as it comes on stream. In the meantime, Centennial continues to use Port Kembla and offers customers port flexibility, a high degree of certainty and quick turnaround times for their shipments.

2.2.4 Capital Structure and Shareholders

As of July 5, 2010, Centennial has 395.0 million ordinary shares on issue being traded on ASX, and 8.85 million options and performance rights. BMS has offered to buy all of the Centennial shares for AUD 6.20 cash per share, subject to a number of conditions. BMS has also made separate offers to holders of Centennial options and performance rights to purchase or cancel their Centennial options and performance rights for cash consideration equal to the difference between the offer price of AUD 6.20 cash offered per Centennial share under the takeover offer and the exercise price of the relevant Centennial option or performance right, subject to a number of conditions.

Table 3: Shareholder List as of 12 July 2010

	Top Shareholders	No. of Shares	Percentage	City
1	Banpu Public Company	78,582,958	19.9	Bangkok
2	Credit Suisse	18,022,542	4.6	Melbourne
3	Matthews Capital Partners	13,698,412	3.5	Sydney
4	Deutsche Securities	11,279,177	2.9	Sydney
5	JPMorgan Securities	11,233,333	2.8	London
6	Acadian Asset Mgt	11,124,898	2.8	Boston
7	Dimensional Fund Advisors	9,652,784	2.4	Sydney
8	Vanguard Investments Australia	7,305,761	1.8	Melbourne
9	Mr Robert G Cameron	6,751,020	1.7	Regional (NSW)
10	Morgan Stanley Asia	6,395,418	1.6	Hong Kong
11	GMO Australia	6,379,550	1.6	Sydney
12	Mr Stephen C Jermyn	6,000,000	1.5	Sydney
13	Goldman Sachs Asia	5,935,173	1.5	Hong Kong
14	Capital Research Global Investors	5,927,391	1.5	Los Angeles
15	UBS Securities	5,783,908	1.5	Sydney
16	BlackRock Investment Mgt (Australia)	5,699,120	1.4	Sydney
17	ING Investment Mgt	5,306,378	1.3	Sydney
18	State Street Global Advisors	5,107,812	1.3	Sydney
19	JPMorgan Securities Australia	4,384,199	1.1	Sydney
20	Deutsche Bank	4,046,180	1.0	London
			57.9	

Source: Orient Capital Pty Ltd as of 12 July 2010

Table 4: Share Options on Issue as of 30 June 2009

Exercise Price	Date of Grant	Number of Centennial Options
AUD 1.89 (plus repayment of loan of AUD 0.437)	15.12.05	335,000
AUD 0.8963 (plus repayment of a loan of AUD 0.322)	21.12.06	1,160,000
AUD 2.90	25.01.08	3,435,000
AUD 1.895	23.02.09	415,448
Total		**5,345,448**

Table 5: Share Performance Rights as of 30 June 2009

Date of Grant	Number of Centennial Options
25.01.08	2,595,000
23.02.09	161,197
11.12.09	751,538
Total	**3,507,735**

Source: BIA

2.2.5 Management

Robert G. Cameron

Managing Director & Chief Executive Officer

Bachelor of Engineering in Minerals (Hons), MBA, GradDip Geoscience, FAusIMM, FAIM, FAICD

Mr. Cameron holds engineering and business management qualifications. He has had a long career as a senior manager in the coal industry and has been Managing Director of Centennial Coal since 1989. He was a chairman of the New South Wales Minerals Council and the Australian Coal Association. He is also a director of Port Kembla Coal Terminal Ltd.

Louise Baldwin

General Counsel

Bachelor of Laws

Louise joined Centennial as General Counsel in April 2006. In this role, Louise is responsible for the management and conduct of legal matters, including regulatory matters, affecting the Centennial Group, as well as providing independent legal advice to Management and the Centennial Board. Prior to joining Centennial, Louise was a corporate lawyer at Allens Arthur Robinson Lawyers in Sydney. In that role she worked predominantly with clients involved in the resources sector.

Robert Dougall

Chief Financial Officer

B Com (with Merit), ACA (ICAEW), CA, CPA, FFTP

Robert was appointed as Chief Financial Officer of Centennial in September 2004. He has over 20 years experience in the mining industry, with particular expertise in corporate finance, capital markets, M&A and treasury. Robert is a director of the Newcastle Coal Infrastructure Group ("NCIG") and chairs both its Finance and Audit sub-committees.

Tony Macko

General Manager: Corporate Affairs and Company Secretary

Bachelor of Arts in Accountancy, ACA (ICAEW), CA, SA Fin, FTA, Dip Inv Relations (AIRA)

Tony is a dual qualified chartered accountant, with over 23 years in the minerals industry. He began his career in resources with a mining finance house, specialising in the provision of corporate, management and accounting services to the independent resource sector. In 1994, he took up the role of General Manager: Finance & Administration of Centennial and assisted with Centennial IPO. In 2006, he assumed the role of General Manager: Corporate Affairs, with particular responsibility for investor relations. Tony has been the Group's Company Secretary since 1994.

David Moult

Chief Operating Officer

Chartered Engineer (Mining), MBA, FAusIMM, FIMMM, MAICD

David qualified as a mining engineer in 1979, followed by an MBA obtained from Nottingham University in the UK. He spent nine years as a mine manager with both British Coal and RJB Mining PLC (now UK Coal PL C). In 1995, he moved to Pittsburgh, USA as Global Business Development Manager for Joy Mining Machinery. In January 1998, he joined Centennial Coal as its General Manager: Operations and assumed the role of Chief Operating Officer in 2004. He has 30 years global coal mining experience.

Peter Parry

General Manager: Financial Control

Bachelor of Business, CPA

Peter has over 23 years experience as a certified accountant, working for Exxon and Hartogen Energy in the oil and gas industry prior to entering the coal industry in 1989 with the Liddell Joint Venture and Savage Resources. He joined Centennial in 1996 and has overseen the Group's growth over the last 13 years, being responsible for financial control, treasury, accounting and IT functions for the Centennial Group.

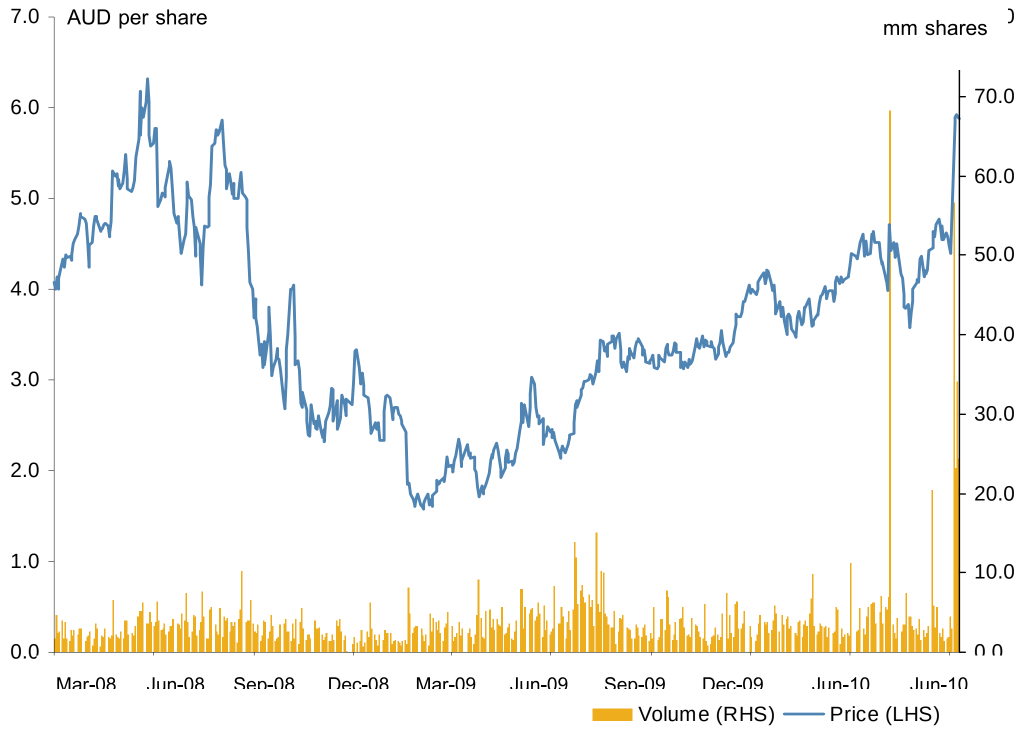
Ian Williams

General Manager: Marketing

Bachelor of Engineering in Minerals

Ian holds a degree in mining engineering and has 30 years experience in the coal industry in both coal marketing and mining engineering positions. He joined Centennial in April 2003 as Deputy General Manager of Marketing. He previously held positions at Oakbridge Limited and Helensburgh Coal, where he specialized in coking coal sales. Ian is responsible for domestic and export coal sales, developing new and strengthening existing relationships with power generators, steel mills, joint venture partners and our many international customers.

2.2.6 Share Price Performance since 2008



2.2.7 Financial Position and Financial Performance

Table 6: Consolidated Income Statements for the Years Ended 30 June

	Financial Year Ended		
(Unit: million Australian Dollar)	June 30, 2007	June 30, 2008	June 30, 2009
Continuing Operations			
Revenue	702.4	763.9	886.0
Cost of Sales	(573.4)	(516.3)	(583.2)
Gross Profit	**129.0**	**247.6**	**302.8**
Other Incomes	27.0	16.2	12.7
Distribution expenses	(57.9)	(65.0)	(82.1)
Royalties	-	(42.9)	(58.3)
Administrative expenses	(32.9)	(37.6)	(39.1)
Finance Cost	(33.9)	(27.7)	(22.4)
Other Expenses	(48.7)	(11.4)	(18.2)
Net Profit (Loss) Before Income Tax	**(17.4)**	**79.2**	**95.4**
Income Tax (Expense) / Revenue	24.2	(14.9)	(24.2)
Profit (Loss) for the Year from Continuing Operations	**6.8**	**64.3**	**71.2**
Discontinued Operations			
Profit (Loss) for the Year from Discontinued Operations	(4.7)	222.9	-
Profit (Loss) from the Year	**2.1**	**287.2**	**71.2**

Revenue

- Sales revenue from continuing operations for the year ended 30 June 2008 was AUD 763.9 million, an increase of 9% from the year ended 30 June 2007 at AUD 702.4 million. Revenue growth was achieved as a result of higher average export coal prices over the second half as export prices started their climb to current record levels from the 2007 export Benchmark level of USD 55 per tonne. It should be noted that while US dollar export prices rose, so too did the Australian dollar.

  Sales revenue from continuing operations for the year ended 30 June 2009 was AUD 886.0 million, an increase of 16% on the year ended 30 June 2008 at AUD 763.9 million. Revenue growth was achieved through higher thermal coal prices and a 36% increase in export sales volumes compared with the prior corresponding year.

Cost of sales

- Cost of sales decreased from AUD 573.4 million for year ended 30 June 2007 to AUD 516.3 million for year ended 30 June 2008, representing a decrease of 10%. Cost of sales include mining costs which reduced for year ended 30 June 2008, particularly following the first-half sale of Tahmoor (which was the Group's highest cost mine). However, royalties expense is classified in the cost of sales in year ended 30 June 2007 financials, but not in year ended 30 June 2008 and 2009 financials where it is classified as a separate line. Royalties expenses in 2008 and 2009 were AUD 42.9 million and AUD 58.3 million respectively.

  Cost of sales increased from AUD 516.3 million for year ended 30 June 2008 to AUD 583.2 million for year ended 30 June 2009, representing an increase of 13% due to the increase in mining costs from additional labor engaged at the Group's export-orientated mines to increase production in accordance with the Company's strategy to grow its export business. This additional labor is already delivering increased production. Other mining costs also rose, largely as a result of the impact of the mining boom creating strong demand for mining services and supplies. Centennial is negotiating new arrangements, where possible, to reflect changed market conditions.

Distribution, Royalties and Administrative expense

- In the year ended 30 June 2007, royalties have been included in the cost of sales.

  Distribution, Royalties and Administrative expense increased from AUD 90.8 million in fiscal year ended 30 June 2007 to AUD 145.5 million for year ended 30 June 2008, representing an increase of 60% which is a result of AUD 42.9 million royalties expense being separated from the cost of sales. (Excluding royalties, distribution and administrative expenses would be AUD 102.6 million for the year 2008, an increase of 13.0% from the year 2007).

  For the year ended 30 June 2009, such expenses increased to AUD 179.5 million from AUD 145.5 million for the year ended 30 June 2008, representing an increase of 23%. This is a result of the 30% increase in distribution costs and royalties expense from AUD 107.9 million for year ended 30 June 2008 to AUD 140.4 million for year ended 30 June 2009, in part a reflection of a higher proportion of the Group's sales being exported, but also following an increase in charges by the NSW Government.

Other expenses

- For the year ended 30 June 2007, other expenses consist mainly of AUD 48.7 million in non-cash write-down of the carrying value of Newstan. As for the year ended 30 June 2008, other expenses consist mainly of AUD 5.4 million in provision for doubtful debts on property sale and net foreign exchange loss of AUD 6.0 million.

For the year ended 30 June 2009, other expenses consist mainly of unrealized foreign exchange hedge accounting loss of AUD 6.9 million and costs of AUD 8.5 million incurred on suspension of production at the Group's Newstan coal mine.

Financing cost

- Financing cost for the year ended 30 June 2008 decreased to AUD 27.7 million from AUD 33.9 million, partly due the use of proceeds from the sale of Anvil Hill and the Group's 86% interest in Austral Coal Limited to repay loans, combined with AUD 66.4 million in convertible note conversions. For year ended 30 June 2009, financing cost decreased to AUD 22.4 million from AUD 27.7 million for year ended 30 June 2008.

Earnings before interest, tax, depreciation and amortization (EBITDA)

- On a Continuing Operations basis, for year ended 30 June 2008, earnings before interest, tax, depreciation and amortization (EBITDA) rose 29% to AUD 187.3 million compared to the year 2007. As for year ended 30 June 2009, earnings before interest, tax, depreciation & amortization (EBITDA) rose 17% to AUD 219.0 million compared to the year 2008, supported by increased export sales and higher export prices.

Earnings before interest and tax (EBIT)

- On a Continuing Operations basis, Earnings before interest & tax (EBIT) rose 512% to AUD 96.1 million for the year ended 30 June 2008, compared to AUD 15.7 million for year 2007 which included a non-cash write-down of the carrying value of Newstan. As for year 2009, EBIT rose 19% to AUD 114.0 million, supported by increased export sales and higher export prices.

Profit before tax

- For year ended 30 June 2008, profit before tax from Continuing Operations at AUD 79.2 million represents a AUD 96.6 million turnaround from the previous year's Newstan affected result, underpinned by strong production and a record export thermal price settlement.

  For year ended 30 June 2009, such profit was AUD 95.4 million, an increase of 20% from the 2008 financial year.

Income tax

- During 2007, Centennial received income tax benefit of AUD 24.2 million, while in 2008 and 2009 it incurred income tax expenses of AUD 14.9 million and AUD 24.2 million, equivalent to effective tax rates of 19% and 25%, respectively.

Net profit

- Moreover, Centennial returned a net profit from Discontinued Operations of AUD 222.9 million in 2008, as a result of the disposal of Anvil Hill and 86% shares in Austral Coal Limited ("Austral"). Therefore, net profit after extraordinary item was AUD 287.2 million.

Consolidated Income Statements for the 6 months Ended 31 December

Table 7: Consolidated Income Statements for the 6 months Ended 31 December

	Financial Year Ended	
(Unit: million Australian Dollar)	**December 31, 2008**	**December 31, 2009**
Continuing Operations		
Revenue	439.2	381.9
Cost of Sales	(285.3)	(272.6)
Gross Profit	**153.9**	**109.3**
Other Incomes	14.4	7.4
Distribution expenses	(38.6)	(40.5)
Royalties	(25.5)	(27.4)
Administrative expenses	(22.6)	(18.3)
Finance Cost	(13.7)	(8.4)
Other Expenses	(11.4)	9.3
Net Profit (Loss) Before Income Tax	**56.5**	**31.4**
Income Tax (Expense) / Revenue	(13.8)	(0.3)
Profit (Loss) for the Year from Continuing Operations	**42.7**	**31.1**
Other Comprehensive Incomes		
Share Based Payment Reserve	2.0	2.2
Cash Flow Hedges	(72.7)	27.4
Income Tax on Items of Other Comprehensive Income	21.8	(8.2)
Other Comprehensive Incomes, Net of Tax	(48.9)	21.4
Total Comprehensive Income / (Expense) for the Period	**(6.2)**	**52.5**

Revenue

- Sales revenue from ordinary activities for six months to 31 December 2009 was AUD 381.9 million, a decrease of 13% from six months to 31 December 2008 at AUD 439.2 million. This was principally due to lower USD export coal prices and the appreciation of the Australian dollar, partly offset by hedging gain and export sales volumes which increased by 18% to 2.2 million tonnes. Sales volumes for six months to 31 December 2009, at 7.0 million tonnes, were in line with those of prior corresponding period, despite the cessation of production at Newstan and the sale of Berrima.

Cost of sales

- Cost of sales for six months to 31 December 2009 decreased from AUD 285.3 million for the corresponding period in 2008 to AUD 272.6 million, representing a decrease of 4.5%.

Distribution, Royalties and Administrative expense

- Distribution, royalties and administrative expenses decreased by 0.6% from AUD 86.7 million for six months to 31 December 2009 to AUD 86.2 million for six months to 31 December 2010.

Other expenses

- Other expenses consist of unrealized foreign exchange hedge accounting loss of AUD 11.4 million and unrealized foreign exchange hedge accounting gain of AUD 9.9 million for six months to 31 December 2008 and 2009, respectively.

Finance costs

- Finance costs decreased from AUD 13.7 million for six months to 31 December 2008 to AUD 8.4 million for the corresponding period in 2009 due principally to lower prevailing interest rates.

Income tax

- Income tax expense decreased from AUD 13.8 million for six months to 31 December 2008 to AUD 0.3 million for six months to 31 December 2009. The income tax expense was significantly reduced due to the availability of an investment allowance and a tax credit of AUD 2.2 million for an over-provision of tax in the prior year.

Net profit

- Centennial returned a normalised net profit after tax from operations of AUD 24.2 million for the first half of the 2010 financial year compared to a normalised net profit after tax of AUD 50.7 million for the first half of the 2009 financial year. The reported profit of AUD 31.1 million is derived after taking into account an unrealised foreign exchange hedge accounting gain of AUD 9.9 million (AUD 6.9 million after tax).

Table 8: Balance Sheet as of June 30

(Unit: million Australian dollar)	As of June 30, 2007	June 30, 2008	June 30, 2009	December 31, 2009
CURRENT ASSETS				
Cash and Cash Equivalents	36.1	149.0	56.8	59.0
Trade and Other Receivables	135.5	108.8	104.5	90.5
Other Financial Assets	21.5	28.1	-	5.4
Inventories	36.7	28.7	26.1	37.3
Other	129.4	74.6	76.9	105.8
Total Current Assets	**359.2**	**389.2**	**264.3**	**298.0**
NON-CURRENT ASSETS				
Trade and Other Receivables	22.2	18.1	13.2	12.1
Other Financial Assets	2.2	3.6	2.0	3.9
Inventories	7.5	9.4	9.5	9.4
Investments	-	-	-	-
PP&E	1,662.0	793.8	879.0	974.9
Deferred Tax Assets	8.5	-	-	-
Other Financial Assets	18.6	13.7	21.3	21.3
Total Non-Current Assets	**1,721.0**	**838.6**	**925.0**	**1,021.6**
TOTAL ASSETS	**2,080.2**	**1,227.8**	**1,189.3**	**1,319.6**
CURRENT LIABILITIES				
Trade and Other Payables	172.9	116.4	118.1	134.7
Borrowings	5.3	4.6	2.0	2.2
Current Tax Liabilities	-	49.7	12.6	
Employee Benefits	70.1	59.7	64.1	68.7
Other	36.8	88.2	22.5	0.7
Total Current Liabilities	**285.1**	**318.6**	**219.3**	**206.3**
NON-CURRENT LIABILITIES				
Trade and Other Payables	0.8	0.8	0.8	0.8
Borrowings	764.7	265.5	218.1	304.1
Deferred Tax Liabilities	96.8	22.0	50.4	63.1
Employee Benefits	0.6	0.2	-	-
Other	29.0	51.3	40.0	35.5
Total Non-Current Liabilities	891.9	339.8	309.3	403.5
Total Liabilities	**1,177.0**	**658.4**	**528.6**	**609.8**
NET ASSETS	**903.2**	**569.4**	**660.7**	**709.8**

(Unit: million Australian dollar)	As of			
	June 30, 2007	June 30, 2008	June 30, 2009	December 31, 2009
EQUITY				
Issued Capital	814.3	313.5	383.2	394.8
Reserves	(6.7)	(46.0)	(7.6)	13.8
Retained Earnings	39.1	301.9	285.1	301.2
Parent Entity Interest	**846.7**	**569.4**	**660.7**	**709.8**
Minority Interest	56.5	-	-	-
TOTAL EQUITY	**903.2**	**569.4**	**660.7**	**709.8**

Asset

- As at 31 December 31 2009, total assets were AUD 1,319.6 million, an increase of AUD 130.3 million from 30 June 2009.
- As of 30 June 2007, 2008, 2009 and 31 December 2009, Centennial has total assets of AUD 2,080.2 million, AUD 1,227.8 million, AUD 1,189.3 million and AUD 1,319.6 million respectively, representing a decrease of 41.0%, 3.1% and an increase of 11.0% respectively. As at 30 June 2008, total assets decreased by AUD 852.4 million from 30 June 2007 following the sale of Anvil Hill and Centennial's 86% interest in Austral Coal Limited and an AUD 582.6 million Capital Return, paid to Shareholders on 29 January 2008.
- Net property, plant and equipment, which comprise land, plants, equipment, mining and development properties, and equipment under finance lease, are a major part of Centennial's assets. As of 30 June 2007, 2008, 2009 and 31 December 2009, Centennial has net property, plant and equipment of AUD 1,662.0 million, AUD 793.8 million, AUD 879.0 million and AUD 974.9 million, representing 79.9%, 64.7%, 73.9% and 73.9% of total assets respectively. As at 30 June 2008, net properties, plants and equipment decreased significantly due mainly to the sale of Anvil Hill and Centennial's 86% interest in Austral Coal Limited.

Liabilities

- As of 30 June 2007, 2008, 2009 and 31 December 2009, Centennial had total liabilities of AUD 1,177.0 million, AUD 658.4 million, AUD 528.6 million and AUD 609.8 million respectively, representing a decrease of 44.1%, 19.7% and an increase of 15.4% respectively
- As of 30 June 2007, 2008, 2009 and 31 December 2009, Centennial had long-term borrowing of AUD 764.7 million, AUD 265.5 million, AUD 218.1 million and AUD 304.1 million respectively, representing 65.0%, 40.3%, 41.3% and 49.9% of total liabilities respectively. As at 30 June 2008, long-term borrowing decreased as Centennial used proceeds from the sale of Anvil Hill and Centennial's 86% interest in Austral Coal Limited to repay the US Private Placement and all

outstanding bank debt. Furthermore, there are AUD 66.4 million of convertible note conversions in the year 2008.

- As of 30 June 2007, 2008, 2009 and 31 December 2009, Centennial had a gearing (measured as net debt to net debt plus equity) at 44.8%, 17.5%, 19.8% and 25.8% respectively.

Shareholders' Equity

- As of 30 June 2007, 2008, 2009 and 31 December 2009, total shareholders' equity were AUD 903.2 million, AUD 569.4 million, AUD 660.7 million and AUD 709.8 million respectively, representing a decrease of 37.0% and an increase of 16.0% and 7.4% respectively. As at 30 June 2008, total shareholders' equity decreased by AUD 333.8 million as a result of the $582.6 million Capital Return, partly offset by the year's record profit.
- As of 30 June 2007, 2008, 2009 and 31 December 2009, issued capital were AUD 814.3 million, AUD 313.5 million, AUD 383.2 million and AUD 394.8 million respectively. As at 30 June 2008, issued capital reduced to AUD 313.5 million as a result of the AUD 582.6 million Capital Return. As of 30 June 2008 and 31 December 2009, issued capital increased to AUD 383.2 million and AUD 394.8 million respectively due to the conversion of the Convertible Notes and the Dividend Reinvestment Plan.

Table 9: Statement of Cash Flows for the Years Ended June 30

(Unit: million Australian Dollar)	Financial Year Ended		
	June 30, 2007	**June 30, 2008**	**June 30, 2009**
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	980.1	873.2	979.3
Payments to suppliers and employees	(837.5)	(665.8)	(751.1)
Interest and other costs of finance paid	(44.6)	(23.2)	(16.9)
Income taxes (paid) / refunded	-	-	(47.1)
Net cash provided by/(used in) operating activities	**98.0**	**184.2**	**164.2**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received	0.2	0.4	0.2
Interest received and bill discounts	0.8	10.8	3.8
Payments for property, plant and equipment	(237.5)	(195.0)	(174.6)
Proceeds from sale of property, plant and equipment	65.7	2.9	0.9
Proceeds from sale of mining project - Anvill Hill	-	489.0	-
Proceeds from sale of subsidiary - Austral Coal Limited	-	477.1	-
Proceeds from repayment of loans - Austral Coal Limited	-	176.7	-
Proceeds from repayment of loans by subsidiaries	-	-	-
Loans advanced to subsidiaries	-	-	-
Net cash provided by/(used in) investing activities	**(170.8)**	**961.9**	**(169.7)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of equity securities	24.8	17.9	1.6
Payment of share issue costs	(0.3)	-	-
Proceeds from issue of 6.2% subordinated convertible notes	165.0	-	-
Payment for convertible notes issue costs	(4.8)	-	-
Return of capital to equity holders of the parent		(582.6)	-
Dividends paid	(25.1)	(9.6)	(88.6)
Payment for borrowing costs	-	(3.1)	-
Proceeds from borrowings	77.8	220.0	5.0
Repayment of borrowings	(171.8)	(652.3)	-
Termination costs on early repayment of borrowings	-	(18.8)	-
Repayment of lease liabilities	(15.5)	(4.7)	(4.7)
Net cash provided by/(used in) financing activities	**50.1**	**(1,033.2)**	**(86.7)**
Net (decrease)/increase in cash and cash equivalents	**(22.7)**	**112.9**	**(92.2)**
Cash and cash equivalents at the beginning of the financial year	58.8	36.1	149.0
Cash and cash equivalents at the end of the financial year	**36.1**	**149.0**	**56.8**

Cash Flows from Operating Activities

- Cash flow from operations for year ended 30 June 2008 increased to AUD 184.2 million from previous year; almost double that of the previous year. This significant improvement in cash flow is a result of improved operating performances across the Group, reduced mining costs – particularly following the first-half sale of Tahmoor (which was the Group's highest cost mine) and higher average export prices achieved in the second-half of the financial year.

  For year ended 30 June 2009, cash flow from operations increased by 15% from previous year to AUD 211.3 million on a like-for-like basis, excluding the payment of AUD 47.1 million in tax following the sale of Anvil Hill and Tahmoor in the 2008 financial year. This is due to a 36% increase in export volumes and record export prices.

Cash Flows from Investing Activities

- Cash provided from investing activities for year ended 30 June 2008 is AUD 961.9 million compared to net cash used in investing activities of AUD 170.8 million for corresponding period in previous year. The net cash provided by from investing activities is mainly due to proceeds from sale of Anvil Hill mining project, sale of Austral Coal Limited subsidiary and proceeds from repayment of loans by Austral Coal Limited, totaling AUD 1,142.8 million. Furthermore, capital expenditure decreased by AUD 42.5 million from that of the 2007 year to AUD 195.0 million in 2008. Stripping out capital expenditure associated with Anvil Hill (AUD 65.6 million) and Tahmoor (AUD 11.4 million) incurred prior to their sale, reduces capital expenditure to AUD 118 million.

  Cash used in investing activities for year ended 30 June 2009 is AUD 169.7 million compared to net cash provided from investing activities of AUD 961.9 million for year 2008. Capital expenditure for the year 2009 was AUD 174.6 million, AUD 20.4 million lower than that of the year 2008 and comprises mining equipment replacement and upgrades, initial design and development work at Airly and land purchases. However, for year ended 30 June 2008, proceeds from sale of Anvil Hill mining project, sale of Austral Coal Limited subsidiary and repayment of Austral Coal Limited loans total AUD 1,142.8 million.

Cash Flows from Financing Activities

- Cash used in financing activities for year ended 30 June 2008 is AUD 1,033.2 million compared to net cash provided from financing activities of AUD 50.1 million for year 2007.

  Cash used in financing activities for the year 2008 came from the sale of Anvil Hill and Austral Coal Limited shares. Centennial used the funds earned for repayment of borrowings including US Private Placement and bank loans, and return the remaining capital to equity holders of the Centennial for AUD 582.6 million. Cash used in financing activities for year ended 30 June 2009 decreased to AUD 86.7 million with cash dividend payment to shareholders totaling AUD 88.6 million.

Table 10: Statement of Cash Flows for the Six Months Ended December 31

(Unit: million Australian Dollar)	Six Months Ended	
	December 31, 2008	December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	487.2	435.2
Payments to suppliers and employees	(353.4)	(353.7)
Interest and other costs of finance paid	(9.4)	(6.7)
Income taxes (paid) / refunded	(49.1)	(14.8)
Net cash provided by/(used in) operating activities	**75.3**	**60.0**
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	0.1	0.1
Interest received and bill discounts	3.2	0.4
Payments for property, plant and equipment	(83.0)	(147.2)
Proceeds from sale of property, plant and equipment	0.1	9.6
Proceeds from sale of mining project - Anvill Hill	-	-
Proceeds from sale of subsidiary - Austral Coal Limited	-	-
Proceeds from repayment of loans - Austral Coal Limited	-	-
Proceeds from repayment of loans by subsidiaries	-	-
Loans advanced to subsidiaries	-	-
Net cash provided by/(used in) investing activities	**(79.6)**	**(137.1)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of equity securities	1.1	1.0
Payment of share issue costs	-	-
Proceeds from issue of 6.2% subordinated convertible notes	-	-
Payment for convertible notes issue costs	-	-
Return of capital to equity holders of the parent	-	-
Dividends paid	(66.6)	(10.3)
Payment for borrowing costs	-	-
Proceeds from borrowings	20.0	90.0
Repayment of borrowings	-	-
Termination costs on early repayment of borrowings	-	-
Repayment of lease liabilities	(3.8)	(1.4)
Net cash provided by/(used in) financing activities	(49.3)	79.3
Net (decrease)/increase in cash and cash equivalents	**(53.6)**	**2.2**
Cash and cash equivalents at the beginning of the financial year	149.0	56.8
Cash and cash equivalents at the end of the financial year	**95.4**	**59.0**

Cash Flows from Operating Activities

- Cash flow from operations for six months to 31 December 2009 was AUD 60.0 million compared with AUD 75.3 million for the same period in 2008. Adjusting for the corporate tax paid of AUD 14.8 million (2008: AUD 49.1 million), cash flow from operations decreased by AUD 49.6 million. This was driven by the lower profitability resulting from the lower export coal prices.

Cash Flows from Investing Activities

- Cash used in investing activities for six months to 31 December 2009 increased to AUD 137.1 million from AUD 79.6 million for the same period in 2008. This is due mainly to the increase in capital expenditure of AUD 64.2 million from the construction of the Airly mine, the Mandalong haul road and coal preparation plant upgrade.

Cash Flows from Financing Activities

- Cash provided from financing activities for six months to 31 December 2009 is AUD 79.3 million compared to net cash used in financing activities of AUD 49.3 million for year 2008. This turnaround is due to the decrease in dividend paid by AUD 56.3 million and the increase in borrowing by AUD 70 million from the same period last year.

Financial Ratios

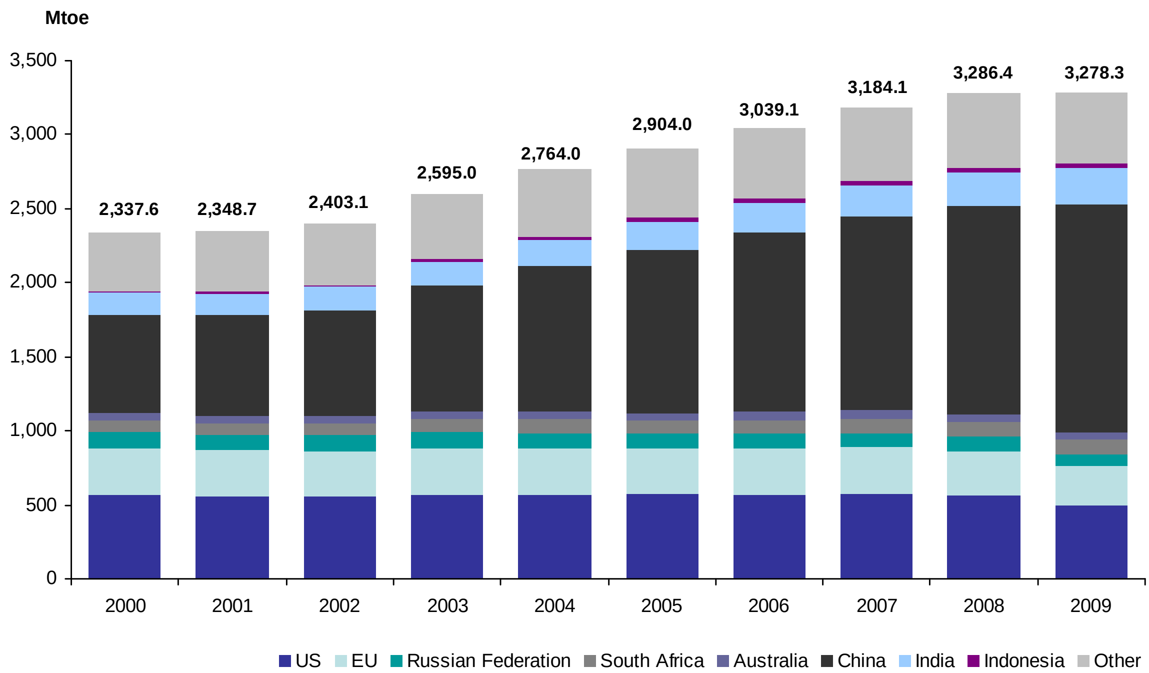
		For the year ended			For 6 months to
		30 June 2007	30 June 2008	30 June 2009	31 December 2009
Liquidity Ratios					
Current Ratio	times	1.2	1.2	1.2	1.4
Quick Ratio	times	0.6	0.8	0.7	0.7
Accounts Receivable Turnover	times	5.0	5.4	7.2	7.4
Accounts Receivable Days	days	72.8	68.0	50.4	49.0
Accounts Payable Turnover	times	3.8	3.5	4.9	5.64
Accounts Payable Days	days	97.0	102.8	73.9	64.8
Profitability Ratios					
Gross Profit Margin	%	18.4	32.4	34.2	28.6
Operating Profit Margin	%	5.4	13.4	13.9	6.0
Quality of Earnings	%	256.5	180.4	133.2	259.7
Net Profit Margin	%	1.0	8.4	8.0	8.1
Return On Equity	%	0.8	8.7	11.6	8.8
Efficiency Ratios					
Return on Total Assets	%	0.3	3.9	5.9	4.7
Return on Fixed Assets	%	0.4	5.2	8.5	6.4
Assets Turnover	times	0.3	0.5	0.7	0.6
Financial Policy Ratios					
Debt-to-Equity Ratio	times	0.9	0.5	0.3	0.4
Interest Coverage Ratio	times	3.2	8.2	9.4	8.2
Contingency Coverage Ratio (Cash basis)	times	0.2	0.2	0.6	0.4
Dividend Payout Ratio	%	1,195.2	2.3	124.4	33.1

2.2 Industry Overview

2.2.1 Demand and Supply

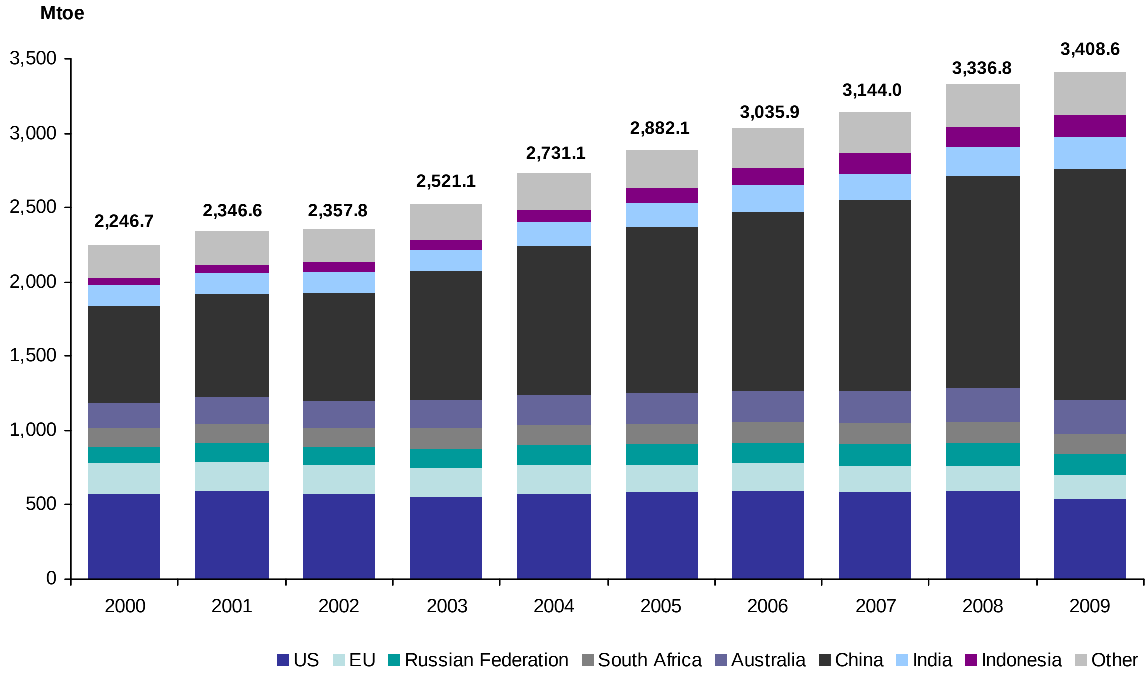
The world's demand for coal has increased tremendously over the past ten years with China being the world's largest consumer. World Coal Institute ("WCI") has estimated that 78% of electricity generated in China uses coal as fuel. Moreover, China has the world's largest steel manufacturing industry, creating significant coal demand in addition to demand for electricity generation. China is, therefore, the largest coal consumer in the world followed by United States of America, India and Japan respectively. The total worldwide demand for coal in 2009 was 3,278.3 million tons of oil equivalent (mtoe) with a compounded annual growth rate of 3.83% per annum over the past ten years.

Chart 2: Global Coal Demand



Source: BP Annual Statistical Review

Chart 3: Global Coal Supply

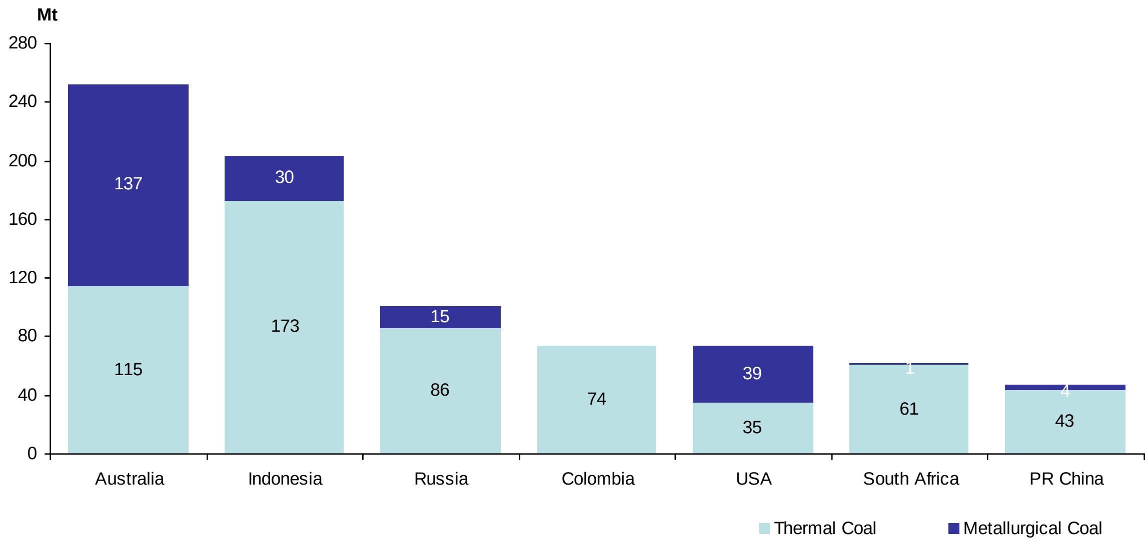


Source: BP Annual Statistical Review

The world's largest producers of coal are China, the United States of America, Australia and India respectively. In 2009 the supply from the four largest producing countries was at 2,532.3 million tons of oil equivalent (mtoe) which was equivalent to 74% of the world's supply. However, since China and the United States of America demands more coal than their production capabilities, they remain net importers of coal, making Australia the world's largest exporter of coal.

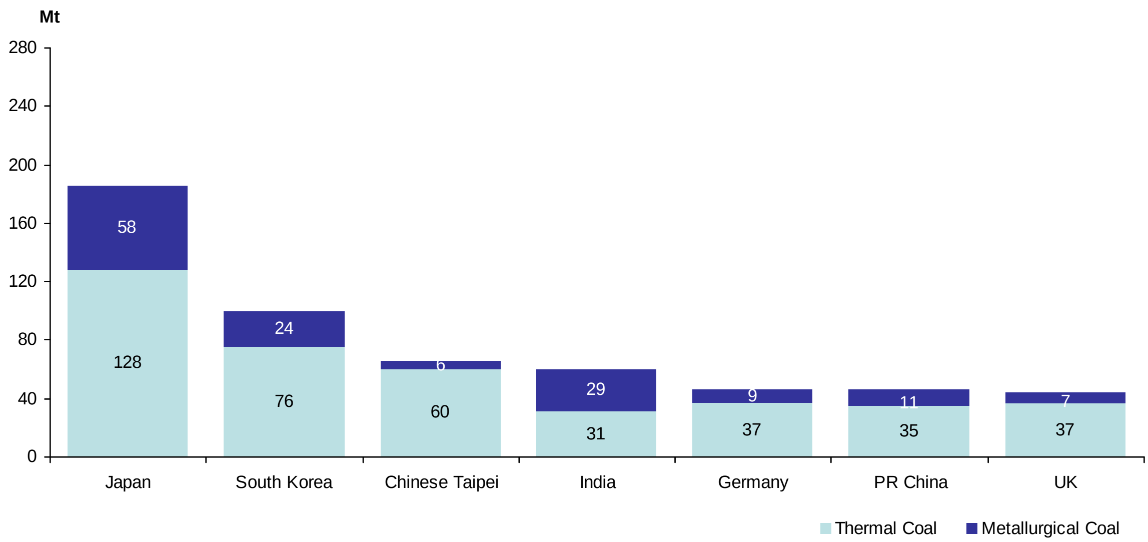
International Energy Agency (IEA) and World Coal Institute (WCI) estimated that in 2008, Australia was the world's largest exporter of coal with an export volume of 252 million tons followed by Indonesia and Russia with export volume of 203 million tons and 101 million tons respectively.

Chart 4: Largest Exporters of Coal



Source: International Energy Agency, World Coal Institute

Chart 5: Largest Importers of Coal



Source: International Energy Agency, World Coal Institute

A large portion of Australia's coal export (54%) is the export of coking coal, while only 15% of Indonesia's total coal export is coking coal. This makes Australia the largest exporter of coking coal while Indonesia is the largest exporter of thermal coal.

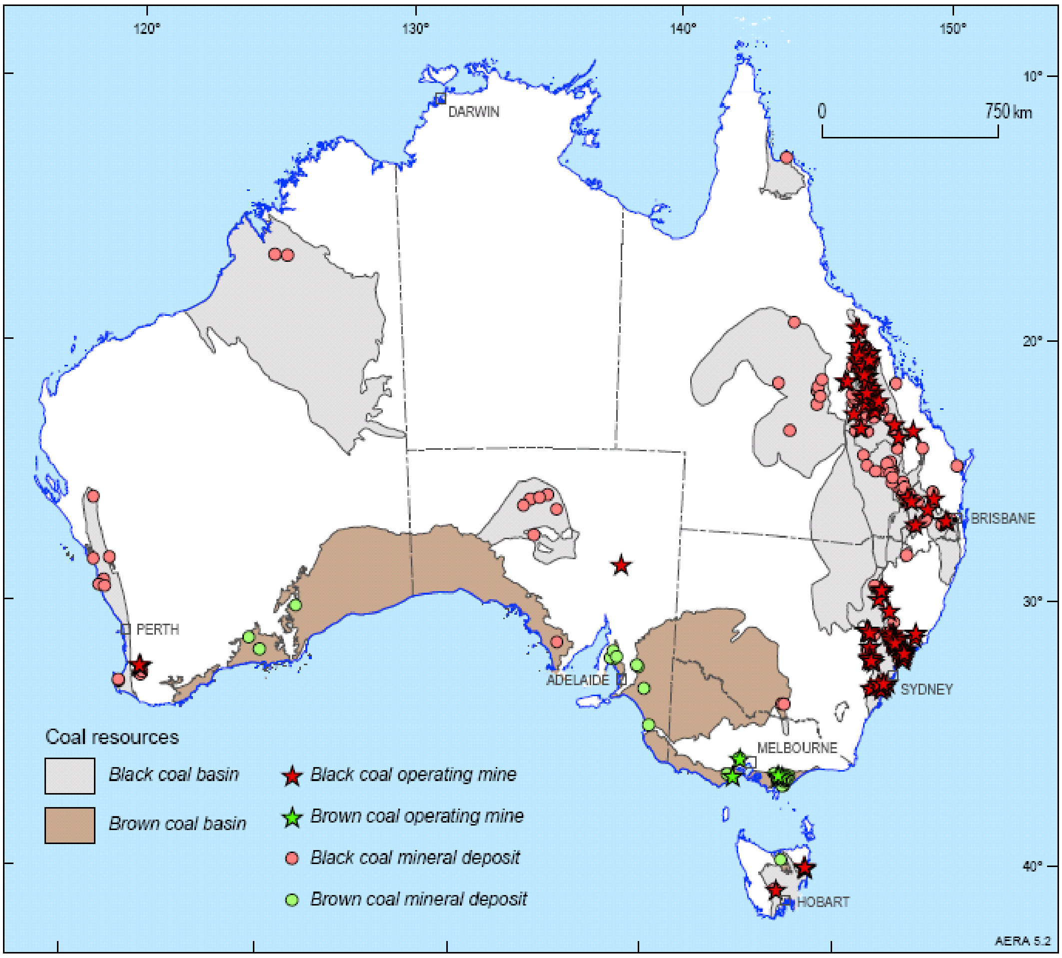
2.2.2 Australia Coal Industry

Coal resources can be found all over Australia, with Queensland and New South Wales having the largest share of the country's black coal resource (Anthracite, Bituminous and Sub-Bituminous). Australian Resource Assessment reported that Australia has more than 100 coal mines with more than

35 new mines in their various stage of development. The Australian Bureau of Agricultural and Resource Economics (ABARE) has estimated that Australia is:

- World's forth largest producer of coal
- World's largest exporter of coal
- World's largest exporter of coking coal
- World's second largest exporter of thermal coal
- Has the world's forth largest available reserves (estimated at 76,400 million tons)

Chart 6: Coal Mines in Australia

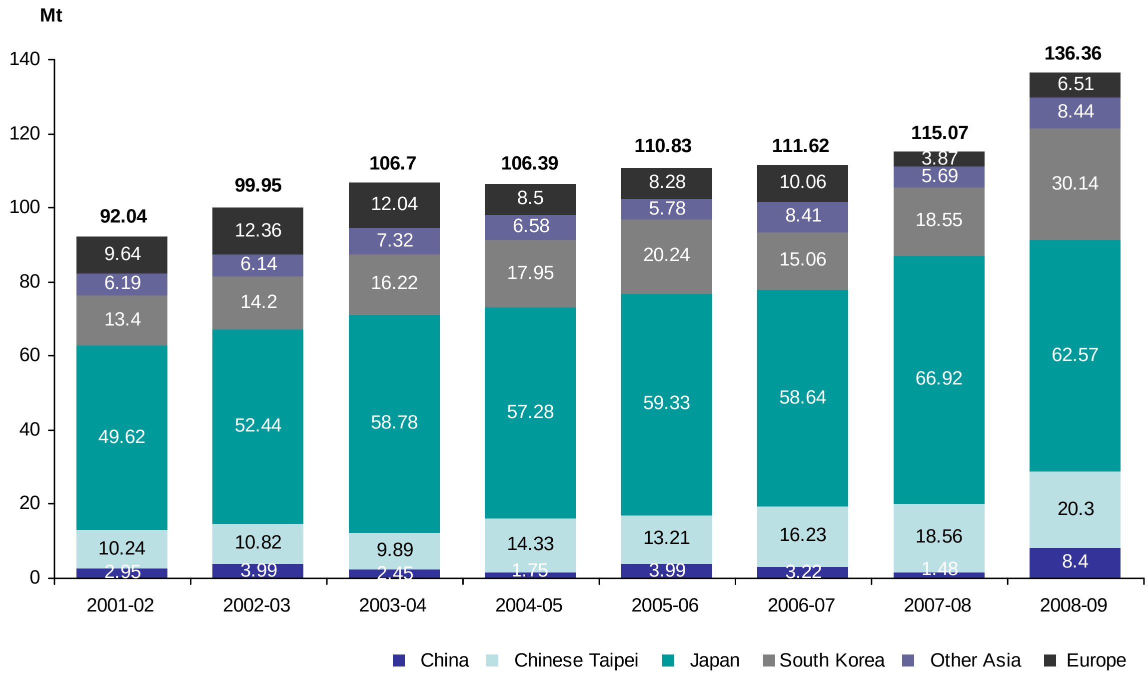


Source: Geoscience Australia

- Thermal Coal Demand and Supply in Australia

  Thermal coal use within Australia is mainly for the local power generation industry. The economic growth of various Asian countries has also increased the demand for Australian seaborne thermal coal especially due to the rapid growth of China and India over the past few years, a positive contributor to Australian thermal coal industry. Most of the export is through the seaborne market to large consumers of coal within Asia and Europe. Japan is the largest importer of Australian thermal coal.

Chart 7: Australia Thermal Coal Export Volume by Destination



Source: ABARE

- Historical Coal Prices

The coal prices in Australia is benchmarked to the various worldwide spot prices and reflects factors such as quality, heat content, other characteristics of coal and impact of global economic growth or recession on the demand and supply of coal worldwide. As one of the largest coal exporter, there is a benchmark of a spot price, Newcastle FOB, for a delivery at Newcastle port (not including transportation cost).

The domestic price of coal is negotiated between coal miners and their customers and may benchmark against the export parity price which corresponds to the export price less logistics and other associated export costs. However, in certain scenarios, there are also some long term contract between miners and local power plants which set coal selling price in advance and the price may be different from the export parity price.

The graph below shows the changes in the reference price of Newcastle FOB and Richard Bay FOB since 2001. The reference price has shown a tremendous upside during January 2007 to March 2008 due to the intensity of the world economic growth. There is a minor difference between Newcastle FOB price and Richard Bay FOB price due to the differences in coal quality.

Chart 8: McCloskey Newcastle FOB and Richard Bay FOB price

Source: Bloomberg

- Infrastructure

  Australia's leading coal export position requires an equally well placed infrastructure, which includes ports, roads & conveyor and rail. Mines that have been in production for several years and are near the coastal areas have access to well develop infrastructure. However, newer mines are usually far from the ports and would need additional transportation infrastructure to transport coal to the ports. Australia has been facing a limitation in its export capacity and efforts have been made to alleviate congestion at ports by various parties to co-invest in ports. Centennial, in similar situations, had invested in 2 ports including Kembla and Newcastle Coal Infrastructure Group (NCIG).

  1. Domestic Transportation

     Road and conveyor: Many local power plants are mine-mouth power plants using conveyor belt to transfer coal from the mines directly to the plants. Roads and conveyor are very important for short haul transportation for local consumption.

     Rail: Rail is a common mode of transportation for domestic transportation of coal

  2. International Transportation

     Ports: Australia port has a coal loading capacity of 333 million tons per annum as of 31 December 2008 and is expected to reach 448 million tons per annum by the end of 2014. In the recent past, the number of vessels waiting to load outside the

Newcastle harbor has reached its highest level in the past three years. Due to this reason, there is an urgent need to improve the export infrastructure which should be an important consideration for local miners export plan.

Table 11: Export Loading Capacity at Various Ports

Coal Terminal	Capacity at 31 December 2008 (Mtpa)	Planned Capacity by 2014* (Mtpa)	Export Loadings 2007	Export Loadings 2008
Port Waratah Coal Service – NSW (Kooragang Island and Carrington terminals)	102	113	80.8	88.9
Newcastle Coal Infrastructure Group – NSW	-	30	-	-
Port Kembla – NSW	18	18	11.9	12.7
Abbot Point – Queensland	21	50	11.2	12.5
Brisbane – Queensland	5	8	4.2	5.5
Dalrymple Bay – Queensland	68	85	50.4	43.5
Hay Point – Queensland	44	44	35.9	36.9
Gladstone – Queensland	75	75	51.5	54.1
Wiggins Island – Queensland	-	25	-	-
Total	**333**	**448**	**245.9**	**254.1**

**Estimated as of 31 December 2008*

Source: Australia Department of Resource, ACA

- Changes in Legal and Regulatory Framework

The Australian government had recently announced two important policies impacting the mining industry, as follows:

1) Carbon Pollution Reduction Scheme ("CPRS") is an emission trading scheme to reduce carbon emission in Australia. Under the CPRS, the government will set up an annual limit on the total amount carbon that can be emitted in Australia which will be lowered over time. Companies will need to purchase permits which would represent the rights to emit a specific amount of carbon. To assist companies with high carbon emission, the government introduced the Coal Sector Adjustment Scheme (CSAS) and the Coal Mining Abatement Fund. The coal industry is one of the industry set to receive such support from the government, however, the support is offered only for a limited period of time. However, in April 2010, the Australian parliament has delayed the implementation of the CPRS without setting a new target date.

2) Mineral Resource Rent Tax ("MRRT") is a tax levied on the use of mineral resources in Australia including iron ore and coal in Australia which will be effective on 1 July 2012.

The material terms of MRRT which have been agreed with some operators are as follows:

a. Iron ore and coal will be subject to a new profits based MRRT at the rate of 30%

b. Small miners with resource profits below AUD 50 million per annum will not have any MRRT liability.

c. MRRT assessable profits will be calculated on the value of the commodity determined at mine gate less all cost to that point.

d. Projects will be entitled to a 25% extraction allowance that reduces taxable profits subject to the MRRT.

e. Mining companies may elect to use written down book value or market value for existing projects with:

- Accelerated write-off over 5 years when the book value (excluding mining rights) is used
- Write-off over an effective life of up to 25 years when the market value at 1 May 2010 (including mining rights) is used
- All capital expenditure post 1 May 2010 will be added to the stating base

f. A book value starting base will be uplifted with the long term bond rate plus 7%, however, a market value starting base will not be uplifted

g. Investment post 1 July 2012 will be able to be written off immediately, rather than depreciated over a number of years. This allows mining projects to access deductions immediately, and means a project will not pay any MRRT until it has made enough profit to pay off its front investment

h. The deductibility of expenditure under MRRT will be broadly based on the categories used in the Petroleum Resource Rent Tax ("PRRT") regime

i. MRRT losses will be transferable to other iron ore and coal projects in Australia. This supports mine development because it means a company can use the deductions that flow from investments in the construction phase of a project to offset the MRRT liability from another of its projects that is in the production phase

j. Unused credit for royalties paid will be uplifted at the government long term bond rate plus 7%, as per other expenses. Unutilized royalty credits will not be transferable or refundable

The Australian Government is yet to finalize and are overseeing the development of more detailed technical design for the effective legislation.

3. Reasonableness and Benefit of the Transaction

3.1 The Company's Policy Post Acquisition

The Company's medium-term and long-term growth strategy in Asia Pacific region is to focus on the coal business due to the rapid growth in worldwide coal demand driven by the economic growth in China and India which led to an increase in demand for power and subsequently an increase in demand for coal. On the other hand, the global supply of coal is limited due to the time lag between exploration stage of mines and the production stage and due to the fact that coal is a non-renewable resource. Therefore, the upward trend of coal price has tendency to continue in the near future.

There are limited options for the Company to increase its available resources and reserves, i.e., by bidding in licenses for new mines, by acquiring mines from third parties or by acquiring mining companies. Since the price of coal has increased tremendously over the years, the Company views that the investment in companies would be more beneficial to the Company as the Company can immediately capitalize on the increasing coal price rather then wait for new mines production to begin in addition to the current low interest rate environment, the Company is able to take advantages of low cost funding to finance its acquisition. Therefore, the Company chooses to focus on acquiring an operating company.

Upon evaluating countries with coal supply in Asia Pacific region, the Company has identified Australia as the most interesting alternative because of Australia's high-quality recoverable coal reserves estimated at 76,400 million tons (according to ABARE) and its stable politic and economic condition. The Company views that these factors are crucial to the Company's decision to invest in an asset and geography in which it has had limited prior experience. As Australia meets the Company's criteria, Australia is the preeminent choice for the Company's investment consideration.

Centennial is an interesting investment choice for the Company since both, the Company and Centennial, specialize in the production of thermal coal, therefore, there should be opportunities for knowledge and experience sharing between the Company and Centennial. As the Company is a thermal coal operator, the Company views that the Company is in a better position to mitigate and manage risks relating to the Company's investment. With similar products, the Company will have higher flexibility in its product distribution and broader range of products to meet customer demand. Moreover, Centennial management has experience and knowledge in the mining sector.

Therefore, if the Company becomes the majority shareholder of Centennial, the Company plans to work closely with Centennial current management to identify possible ways to enhance value to the Company's shareholder. The Company would expect Centennial's existing management team to continue with the operations and development projects as planned, and to appoint representative(s) to work with Centennial as member(s) of Board of Directors or as management/executive representatives to act as directors of Centennial.

3.2 Benefits of the Transaction

3.2.1 Increase of the Company's Resources and Reserves

The Company currently has mining assets in Indonesia, China and Thailand, however, due to the depletion of resources in Thailand, the Company has already ceased mining operation in Thailand. Therefore, the Company's current coal supply is only from its mines in Indonesia and China.

The Company's all share acquisition of Centennial will add to the Company's coal resources the coal mines of Centennial's in New South Wales, Australia. This transaction will increase the Company's number of mines by 10 mines, coal resources by 91% and coal reserves by 59%.

Coal Reserves and Resources (mt)							
	Measured Resources	Indicated Resources	Inferred Resources	Total Resources	Proved Reserves	Probable Reserves	Total Reserves
The Company[(1)]	1,697.5	575.2	-	2,272.8	318.1	281.1	599.2
Centennial[(2)]	366.0	1544.2	162.1	2072.3	99.5	251.1	350.6
Total	**2063.46**	**2119.41**	**162.05**	**4345.08**	**417.64**	**532.19**	**949.83**

(1) as of 31 March 2010

(2) as of 30 June 2009

Source: Centennial Annual Report ending 30 June 2009 (Centennial Resources and Reserves have been adjusted according to the percentage holding of Centennial in each mine)

A number of Centennial mines are currently in operation, as such, they are able to generate cash flow to the Company immediately after the acquisition and will benefit more from the upward trend of the coal price when compared to investment in new mines. As such, investment in asset in operation becomes a more attractive choice than investment in higher-risk-new projects which are subjected to lengthy development period until the beginning of production and sales. As such, the Company perceives that investment in a coal company with operating assets will be less risky to the Company.

Moreover, Centennial is an ASX listed Company which is under supervision of ASX.

3.2.2 Increase Product Variety Available for Customers

With the increase in number of coal sources, the company will be able to offer products with a broader range of specification, enhancing the Company's ability to meet customers' demand. Moreover, since most of the Company's and Centennial's customers are in similar countries, the Company's management believes there are opportunities to do co-marketing, which can help increase the Company's negotiation power.

Moreover, with production sites located in more countries, the Company will have more flexibility and be able to better manage the product distribution in accordance to distance and specification required by customers. This would increase the Company's overall efficiency and flexibility.

3.2.3 Revenue enhancing opportunities

Centennial currently sells 70% of its ROM production to power generation companies in New South Wales under existing long term contracts. These long term contracts fixed the delivered price of coal at a time the coal price was significantly lower than current price, therefore, these contract prices are now lower than the global spot prices. These long term contracts are expected to gradually expire from 2012 onwards. Centennial may be able to achieve better pricing for its production after expiration of these contracts by switching to the export market where the price is quoted against global benchmark prices or by increasing the price of coal sold domestically to be more in line with export parity price. Either option is likely to increase Centennial's revenue.

3.2.4 Possibility of Increasing Production Capacity

An initial study by the Company has indicated that it may be possible to increase production at various Centennial mines which will require additional capital expenditure. However, this opinion is only a preliminary view at this stage.

3.2.5 Knowledge Sharing between Centennial and the Company

Both the Company and Centennial have extensive experiences in the operation of thermal coal mines creating opportunities to share expertise and to cooperate between Centennial and the Company to increase the efficiency in production and marketing.

In conclusion, the IFA believes that the Transaction is beneficial to the Company based on the following reasons:

- Ability to increase the Company's resources and reserves
- Ability to increase product variety available for customers
- Opportunities in revenue enhancement from increasing export volume
- Possibility of increasing production capacity
- Possibility of knowledge sharing between Centennial and the Company in both technical and marketing areas

However, besides the benefits of the Transaction, the IFA also has considered the factors which could have significant impact on the transaction rationale. The details of these factors are outlined in the following section.

3.3 Factors that Could Have Significant Impact on the Transaction Rationale

3.3.1 Increase in the Company's Debt level

To finance this acquisition, the Company will draw on new and existing debt facilities and cash reserves of the Company. The Company has already received a credit line of USD 2,000 million (equivalent to Baht 64,870 million using the exchange rate of Baht 32.4349/USD) from commercial banks using LIBOR as the reference rate.

If the Company acquires all shares of Centennial in the amount of Baht 68,709 million with debt from new and existing credit facilities, the Company's long term debt will increase by Baht 68,709 million which will increase the Company's Net Debt to Equity Ratio (Net Debt / Equity) from 0.13x to 1.45x.

On 6 July 2010, after the announcement of the bid for Centennial, Tris Rating Agency announced a "CreditAlert with developing implication" on the Company and the Company's unsecured debentures and will conduct further analysis to determine the full impact of the transaction on the Company's credit profile. However, post acquisition, the Company's debt to equity will increase significantly and may have impact on the credit ratings of the Company. If Tris Rating Agency adjust downward the Company's credit ratings, there could be negative consequences to the Company's ability to borrow or the Company's future borrowing costs. However, in assigning the credit ratings, Tris Rating Agency also consider other factors such as the ability to repay debt, Company's capital expenditure plans, industry growth, etc. The IFA expects that the Company's future net debt to equity would reduce due to the expected strong operating cash flow.

3.3.2 Accounting Impact on the Company's EPS Post Acquisition

After the successful takeover of Centennial, the Company may hold at least 50% stakes in Centennial which will require the Company to consolidate the financial result of Centennial into the Company's financial statements. This will increase the net income of the Company by the amount of net income of Centennial and will increase the earnings per share of the Company (if Centennial records net profit that is more than additional interest expense of the Company) since the Company will not issue an new shares for this transaction.

However, the offer price for shares of Centennial is substantially higher than the book value of Centennial, consequently the Company will be required to record the difference between the purchase value and book value of Centennial as different asset items of the company. Certain assets items must be depreciated or amortized (as the case may be). The additional depreciation or amortization expenses will reduce the net profit and EPS of the company, although such expenses are non-cash items. In addition, the additional interest expenses incurred from the acquisition will also reduce the Company's net profit post Centennial acquisition.

3.3.3 Risk from Fluctuation in Foreign Exchange Rate

The significant appreciation of the Australian Dollar against the US Dollar may lead to a higher acquisition price for the Company since the offer for the shares of Centennial is made in Australian Dollars. However, under the terms set in the BIA, the company will only acquire Centennial shares if the Australian Dollar is not valued at or more than USD 0.97.

In addition, since Centennial uses Australian Dollar as the transaction and reporting currency, fluctuation in exchange rate between Australian Dollar to Thai Baht could have significant impact on the Company's future financial statements.

3.3.4 Changes in Relevant Regulations

■ Taxes on Profit from Non-Renewable Resource

Australia has announced a plan to impose a new tax scheme on the extraction of scarce mineral resources including coal mining. On 2 May 2010, under the leadership of Mr. Kevin Rudd, the Australian Government had announced plans to impose Resource Super Profit Tax ("RSPT") which would be effective on 1 July 2012. The aforesaid tax required coal miners in Australia to pay a tax of 40% on the profits from coal production while allowing some expenses to be deducted for RSPT tax calculation purpose. The Government announced to set up a panel to undertake consultation with industry and other stakeholders. However, such tax were met with resistance from mining companies citing that such tax will put Australia in disadvantage position compared to other competitor countries. Due to the tax scheme announced, many mining projects and various acquisition offers were reconsidered.

Thereafter, the government under the new leadership of Ms. Julia Gillard announced a new tax regime called Minerals Resource Rent Tax ("MRRT") which has been agreed by major coal mining producers in principle. The MRRT will still apply on 1 July 2012 but the tax rate is changed to 30% of mining profits and the expenses allowed to deduct under MRRT are different from RSPT.

The full provision of MRRT is still under development of more detailed technical design to ensure the agreed principles become effective legislation. In the event the MRRT is implemented, there may be further changes and such changes could have negative impact on Centennial's financial performance, financial status and ability to pay off debt, which may cause the company's investment in Centennial to be unsuccessful or realize a return that is less than expected.

■ Expense related to Carbon Pollution Reduction Scheme

The Australian Government has proposed a carbon reduction scheme called the Carbon Pollution Reduction Scheme "CPRS" to the parliament for the third time on 2 February 2010. However, the government has delayed the implementation of the CPRS since the scheme does not have sufficient support from bipartisan and that the progress in terms global action on climate change is slower than expected. Therefore, the government announced that CPRS will not be introduced until after the end of the current commitment period of Kyoto Protocol (in 2012) and only when there is greater clarity on the actions of other major economies including US, China and India.

The CPRS scheme proposed to by the Australian Parliament is a system to trade carbon credit, called the "cap-and-trade". The scheme will have direct impact on Centennial operation especially on the Mandalong mine. The government has declared measures to aid industries with high level of emissions including support for Research and Development for projects that will help reduce level of carbon emission. However, the support is only given in a limited period and there is still uncertainty on the assistance and the support from the government. If the government support period ends or the support is insufficient, Centennial will have to bear additional expenses which could have adverse effect on

Centennial performance and its financial position and on the returns of the investment of or on the success of the investment of the Company in Centennial if Centennial is unable to transfer additional cost to customers.

It is noted that the CPRS scheme has yet to be legislated, is subject to change and has no near term clarity in relation to the timing of implementation.

3.3.5 Success in Coal Sale Price Adjustment

One of the value creation expected from the Company's investment in Centennial comes from the ability to re-price the coal once the existing long-term contract of Centennial with local power companies expires. The Company's management expects that Centennial will be able to readjust prices of coal sold to local power plants as well as switch some portion to export market instead of selling in domestic market. If for any reasons such as insufficient transportation infrastructure, inability to locate new customers Centennial has to continue its sale at a discount to local power plants, who may have alternative coal supply at a low price. There can be negative impact to the financial position and performance of Centennial and the Company as well as the expected return to the Company from investment in Centennial.

3.3.6 The Actual Resources and Recoverable Reserves

Centennial most recent report of the amount of resources and reserves available as of 30 June 2009 using the Australasian Code for Reporting of Mineral Resources and Ore Reserves (JORC Code) as registered by ASX. Such reporting is done by Centennial personnel without any further review by a third party expert. Therefore, if the actual amount of reserves of Centennial is materially different from the amount reported, the Company's success in the investment in Centennial can be negatively impacted.

3.3.7 Reliance on Current Centennial Management

Conducting business in Australia is an unfamiliar territory for the Company and the company does not have any personnel in Australia. Therefore after the acquisition, the Company would need to rely on the current Centennial management and employees experience in the local market. If in any case, the current management and important key personnel decide not to remain with Centennial after the acquisition, Centennial's operation will be negatively impacted and could also have an adverse affect on the expected returns on the Company's investment in Centennial.

3.3.8 The Company may increase its offer price if there is competing bids with higher offer price

The Company may decide to increase the tender offer price in the event that there is a competing bid. Such increase in bid price could have adverse affect on the Company's operations, financial position and the expected returns from the investment in Centennial.

The IFA believes that the Transaction is beneficial to the Company discussed in section 3.2. However, shareholders should also consider the factors that could have significant impact to the Transaction rationale as follow:

- Increase in the Company's Debt level
- Accounting Impact on the Company's EPS Post Acquisition
- Risk from Fluctuation in Foreign Exchange Rate
- Changes in Relevant Regulations
- Success in Coal Sale Price Adjustment
- The Actual Resources and Recoverable Reserves
- Reliance on Current Centennial Management
- The Company may increase its offer price if there is competing bids with higher offer price

4. Fairness of the Offer Price and Offer Conditions

4.1 Key Assumptions in Preparation of the Opinion

Our opinion is based on the following key assumptions:

- All information and documents that the IFA obtained from the Company and from Company's management are correct, complete and reflects credible opinion
- None of the events other than assumptions explicitly made in this Opinion has occurred, is about to occur or is expected to occur that may have substantial impact on the Company's and/or Centennial's financial results or financial status, Furthermore, we have assumed:
  - There is no change in the Mineral Resource Rent Tax (MRRT) rate from 30% to be effective on 1 July 2012 as per the announcement of the Australia Government on 2 July 2010
  - The actual Carbon Pollution Reduction Scheme (CPRS) imposed on Centennial does not differ substantially from the assumptions and forecast made by the Company
  - The Company receives approval from Foreign Investment Review Board (FIRB) to increase its shareholding in Centennial up to at least the number of shares acquired through the Offer and there is no other implications on Centennial's ability to conduct business
  - There is no other risk that might delay or increase the cost of the transaction
  - There is no other material adverse event including, but not limited to, economic condition, financial position or legal imposition that could have material adverse effect on Centennial
- Significant business contracts of Centennial with counter parties remain legally enforceable by law, abided by concerned parties without conditions, amendments or termination
- The existing shareholders of Centennial do not receive other offers apart from the current cash bid of AUD 6.2 per share of Centennial and the Company does not raise its offer for share of Centennial
- The total number of shares outstanding is equal to shares outstanding as of 15 July 2010, including unconverted Senior Executive and Director Share Option Scheme and Performance Rights & Option Plan, aggregated to 403.9 million diluted shares as indicated in the BIA

4.2 Methodologies in Evaluating the Fairness of the Offer Price

In considering the fairness of the offer price, the IFA has carried out the share price valuation using 2 methodologies as follows:

- Discounted Cash Flows Approach
- Trading Price Comparables Approach

Apart from the above stated methodologies, the IFA has also performed the following valuation approaches but did not use these approaches to consider the fairness of the offer price)

- Precedent Transaction Comparables
- Historical Trading Price Approach
- Book Value Approach

The appropriateness of each methodology used by the IFA is discussed as follows:

- **Discounted Cash Flows Approach**

The IFA has used discounted cash flows approach ("DCF") as the primary methodology in the valuation of company and its shares. The DCF approach was conducted by considering the present value of the future cash flows that a company is expected to receive from the utilization of its assets in normal course of business. In the case of Centennial, the assets considered are the mining and exploration asset, each of which has its own revenue and expenses profile and are affected differently by various factors, such as, sales proportion attributed to domestic and export, coal price, quality of reserves as well as the access to infrastructure.

DCF is an appropriate method in the valuation of shares of Centennial since the method values the operations of Centennial directly and reflects the unique business model of Centennial and each of its mines. This method is also able to incorporate changes in operating assumptions including, changes in future operation more appropriately than other methodologies.

- **Trading Price Comparables Approach**

Trading Price Comparables Approach is a valuation tool based on a comparison of the stocks' multiples with those of other companies in the same or similar business. This type of valuation can reflect general market views on Centennial's performances and industry's trend. However, this method might not reveal the different characteristics between companies, e.g. type and quality of coal, the proportion of export sales, existing contracts, actual coal selling price, capital structure, accounting policies, etc.

The IFA has classified companies in the same or similar business to Centennial into 2 groups; ones whose main operations in Australia and ones whose main operations are in other countries in the Asia-Pacific region or regional in nature. The IFA has chosen to primarily compare Centennial with peers in Australia due to their similarities of business environment and competitive landscape including type and quality of coal, ability to export, customer base, costs of production, transportation costs etc. On the other hand, the business of companies in other Asia-Pacific countries may significantly differ from Centennial's, such as coal miners in China, who are subjected to a different coal export tax tariff.

- **Precedent Transaction Comparables**

Precedent Transaction Comparables is another methodology used to value Centennial's shares by comparing past comparable mergers and acquisition transactions in the coal mining industry. However, the transaction price of each specific transaction may reflect various factors which are specific to each company or to each transaction, such as, proportion of shares purchased, ability to obtain controlling stake, the business characteristics of each company and expected synergies. Therefore, precedent transactions may not be directly comparable to the Company's acquisition of Centennial.

- **Historical Trading Price Approach**

Historical Trading Price Approach is a valuation methodology used to value Centennial's shares as traded on the ASX which contain general public's views of the intrinsic market prices after incorporating various factors. However, historical prices would most likely represent short-term views rather than the factors that has effect in a more distant future, i.e., risks of contract extension, change of future coal price, increase in export sales proportion.

- **Book Value Approach**

Book Value Approach is a valuation methodology used to value Centennial's share based on the book value (total shareholder's equity) per share as reported on the financial statement. This method considers the accounting value of the Company's share at a certain point in time. The book value approach has certain drawbacks including the lack of consideration for future business performance, economic condition, industry trends, as well as the fair value of assets and liabilities.

4.3 Assumptions Used to Prepare Projections

4.3.1 Centennial's Revenue Projection

The projection of Centennial's revenue must take into consideration three important factors, which are Centennial sales plan, production estimate and coal price estimate.

Centennial's Sales Plan

The Company's sales proportion according to the sales plan can be classified into the following categories:

- Existing domestic customers that currently have long term contract with Centennial at a predetermined price which does not reflect the global spot price of coal
- New domestic customers or existing customers that Centennial may renegotiate contract sales price to reflect export parity price
- Export sales that reflect the globally traded coal prices

A significant portion (approximately 70%) of Centennial's current sales is to local customers, most of whom have long term supply contract with Centennial. Most of these contracts were negotiated when the spot price of coal was significantly lower than the current spot price. Therefore, one of Centennial's current policy is to maximize the portion of export sale. Centennial's plan is to achieve a 50/50 split between export and domestic sales within 2015. If the coal price in the future remains higher than the price set in the contract, Centennial will benefit from a the higher coal price.

The increase in export sales proportion of Centennial would be possible once the existing local contracts start to expire. In addition, for domestic sales, Centennial may renegotiate the price after adjustment for differences in quality and relevant operating expenses between export sales and domestic sales which, in turn, will reflect the export parity price and return.

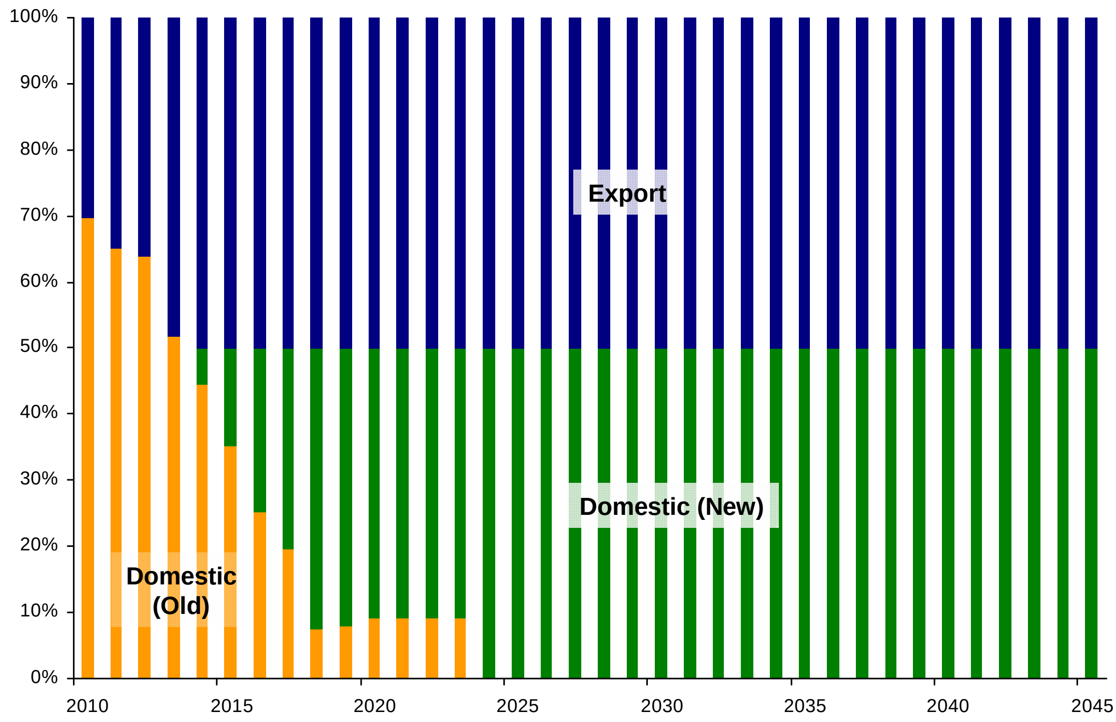
Research analysts, including the Company believes that Centennial would still have a portion of its sales directed to domestic customers due to various reasons, including:

- Most power plants in New South Wales use coal as a primary source of fuel in generating electricity and rely on coal from Centennial
- Some power plants which are located adjacent to Centennial coal mines (mine-mouth power plants) with conveyor belts that run directly from the mines to the power plants. Therefore supplying coal to such plants is the most efficient & economically viable option.
- Some of Centennial's coal from mines such as Angus Place and Mannering have high level of impurities, especially ash content which would lead to significant additional washing cost to attain export-grade coal and may not be economically feasible to export.
- The long term-contracts with domestic customers help Centennial manage risk to a certain degree by ensuring a minimum sales level and revenue which help reduce earning volatility

For assumptions of the sales plan, the IFA has taken the following factors into consideration:

- Centennial has a policy to increase sales mix to 50/50 split between export and domestic sales by 2015 as disclosed in Centennial's 2009 annual report
- The Company has estimated that Centennial has the potential to export up to 70% of Centennial's ROM production
- The IFA assumes a balanced mix of exports and domestic of 50/50 as per Centennial's plan disclosed in the 2009 annual report and that the Centennial will supply its current customers until the current domestic long term contract expires. The remainder of the production, including new contract after expiration of current long terms contracts is assumed to be linked to the export parity price.
- The projection of the sales proportion is as follows

Chart 10: | Proportion of sales of Centennial



Source: the Company (adjusted by the IFA)

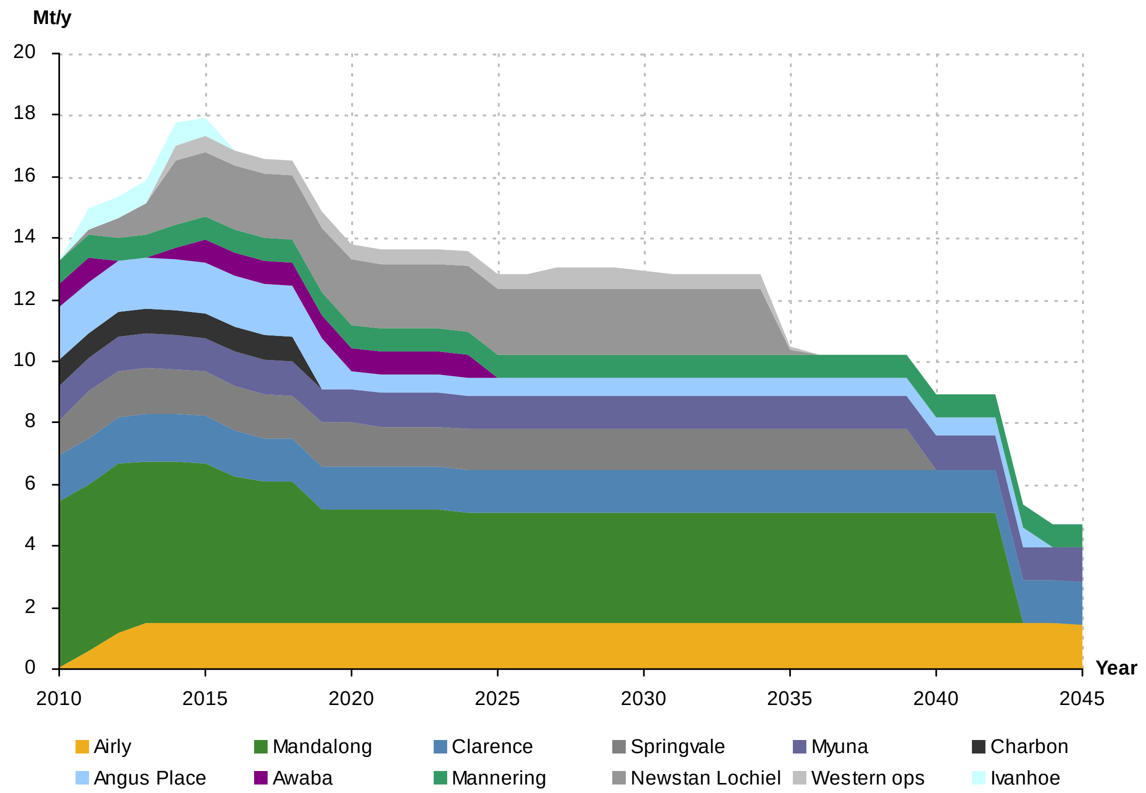
Run of Mine Production and Saleable Quantity

Sales projection of each mine is estimated based on the production assumptions given by the Company. Centennial's saleable quantity is then estimated by taking into consideration the proportion Centennial's domestic and export sales.

An important consideration is that there is a difference in saleable yield of domestic and export sales since the quality required by international customers is higher than the quality required by domestic customers. Coal export thus requires further washing to remove small rocks and impurities such as the ash content of coal. Local power companies allow a higher level of such impurities.

After adjusting ROM production with the yield, the saleable quantity of each mine can then be estimated. The following chart shows the saleable quantity of each mine:

Chart 11: Diagram showing the Saleable Coal Production from Each Mine of Centennial



Source: the Company (adjusted by the IFA)

- A significant portion of Company's production comes form Mandalong
- Western Ops mines include Neubecks and Wolgen Road mines
- Charbon, Awaba and Ivanhoe mines will cease their production in 2016, 2019 and 2025 respectively
- In 2010, the amount of reserves available at Awaba will be fully depleted, however, Centennial has submitted a request to extend the mine's life through further exploration. It is estimated that the permit would be received and the next phase of production would commence in 2014.
- Newstan Lochiel and Ivanhoe mines will commence operations in 2011 while Neubecks and Wolgan Road will commence operation in 2014.
- Production at Cherry Tree Hill mine was not included in the projection due to lack of information. However, the IFA has determined the value of the mine using EV/Resource multiple. Lambert's Gully and Newstan mines are expected to cease operation in 2010, in this case, the IFA has excluded the two mines from the projection

- Newstan Lochiel with start producing and selling Semi-Soft Coking Coal in 2011. However, the total sales of Semi-Soft Coking Coal will only contribute a small proportion to the total sales, which is around 1-5% of total sales
- Some of the mines will have reserve left over at the end of the forecast period, therefore, IFA used EV/Reserve methodology to value such left-over reserve. However, for the mines that run out of reserve during the forecast period, the IFA did not calculate the terminal value for such mines

Coal Pricing

Export Price

The IFA has considered the following factors in making assumptions on the sale price per ton:

- Company's strategic business plans along with financial projections relevant to the Company's investment in Centennial
- Analysts consensus of Centennial's and Australian peers export prices of thermal coal and semi-soft coking coal
- Information from reports, research, media releases etc., that considers the demand and supply of various types of coal in various markets including price projections

Chart 12: Diagram Showing the Historical Price of Thermal Coal Using McCloskey New Castle FOB and Richard Bay FOB for Reference Price

Source: Bloomberg

Table 12: Detail of Coal Export Price Projection of Each Type of Coal

USD/t	2010E	2011E	2012E	2013E
Thermal Coal	77.0	97.9	98.1	99.5
Semi-Soft Coking Coal	101.8	162.4	141.3	124.0

Source: Median of Analysts Consensus

- Various analysts have projected upside in coal price during 2011 to 2013 due to the increase in demand from China and India which would likely to be unmatched by a slight increase in global supply. From 2013 onwards analysts expect development of infrastructure and capacity in various coal exporting countries which will have a negative impact on coal price.
- The IFA used the median of analysts consensus since some of the research analysts coal price projection may be vastly different from others, which significantly affect the mean. The median on the other hand is isolated from it.

Domestic Price in Australia

- Centennial's domestic sale of coal is mostly in the form of thermal coal sales to local power plants
- There are two types of domestic coal sale price, which are as follows:
    - **Existing domestic contracts:** Existing domestic contracts are existing contracts with various power companies at a predetermined price which does not reflect the spot price of coal (representing a significant discount to the current spot price). Most of these contracts will start to expire in 2012. The IFA has received an approximate existing long term contract coal price from the Company.
    - **New domestic contract:** Once the existing contracts with power plants starts to expire, the IFA assumes that Centennial will negotiate the contract with power plants to reflect export parity price. The export parity price is expected to be the spot export price less processing costs, logistic cost, and Royalty tax. However, due to the uncertainty of price negotiation with the domestic power companies, the IFA has given an additional 10% discount from the export parity price as the new domestic contract price. The IFA has conducted interviews with the Company and studied the research papers from various research analysts, which support the IFA's belief that the discount to export parity is reasonable. The new domestic contract price will start to take effect once the old domestic contracts begin to expire in 2012.

Table 13: Detail of Coal Price Projection

AUD/t	2010E	2011E	2012E	2013E
Thermal Coal Export Price(1)	88.5	115.1	120.4	126.8
Semi-Soft Coking Coal Export Price(1)	117.0	191.0	173.3	158.0
New Domestic Contract Price(2)	58.7	82.0	86.0	91.2

Source: (1) Median of Analysts consensus

(2) Export Parity price as estimated by the IFA which will be in effect after Centennial starts to negotiate new contract at the new domestic contract price

4.3.2 Production Costs

Centennial coal mining business has the following important mining operating costs:

- Mining costs: costs of mining and transportation of unprocessed coal to coal washing facilities
- Coal preparation cost: cost of coal washing process which removes impurities before delivering to customers
- Transportation cost: cost of transportation of processed coal to domestic customers or to port for export customers
- Port cost: cost of transportation from port to export customers

The IFA has estimated the production cost of each mine based on assumptions received from the Company's and has adjusted the cost by the projected inflation rate used by the IFA, as follows:

Table 14: Production Costs of Each Mine (Excluding Relevant Tax)

AUD/t	2010E	2011E	2012E	2013E
Average of all mines	39.3	41.3	42.8	47.2

Source: the Company

The average of the production costs of all mines shown above is just to show the approximate amount of the production costs. However, the IFA used the production costs specific to each mine, since each mine in the valuation due to different cost structure.

4.3.3 Capital Expenditure Assumptions

Capital Expenditure Assumptions

Centennial's capital expenditure can be divided into the following three categories:

- Maintenance capital expenditure: annual capital expenditure to maintain assets, which will be driven according to the production of each mine
- Exploration capital expenditure: capital expenditure for exploration of existing mines

- Expansionary capital expenditure: capital expenditure to finance the development and expansion of new mines, as well as infrastructure development

The IFA has estimated the amount of capital expenditure of Centennial according to the assumptions received from the Company. The IFA revised the capital expenditure to reflect the inflation assumptions which is used by the IFA, as follows:

Table 15: Details of the Capital Expenditure

AUD Million	2010E	2011E	2012E	2013E
Total Capital Expenditure	162.3	140.7	151.1	208.5

Source: the Company

4.3.4 Macro Economics Factors

Centennial's business operation is directly affected by two main economic factors, which are: the inflation rate and the USD/AUD exchange rate. The IFA used the following assumptions for the inflation rate and the exchange rate between USD/AUD.

	2553E	2554E	2555E	2556E	2557E	2558E-2588E
Inflation Rate	2.41%	2.40%	2.21%	2.45%	2.53%	2.50%

Source: International Monetary Fund: World Economic Outlook Database

	2553E	2554E	2555E	2556E	2557E	2558E-2588E
Exchange rate (USD/AUD)	0.87	0.85	0.82	0.79	0.76	0.75

Source: Forward Exchange Rate from Bloomberg as of July 14 2010

Other Assumptions

Apart from the aforesaid assumptions, the IFA has also made other important financial assumptions as follows:

- The Australian corporate income tax rate will reduce from 30% to 29% from 2014 onwards in accordance with the current announcement of the Australian government. However, the policy is subject to change, and is yet to be legislated
- MRRT is calculated at 30% using the Company's provided methodology. The IFA has assumed that a Royalty fee is deductible from MRRT. This has been described in section 2 and in accordance with the current announcement of the Australian government. However, the policy is subject to change and is yet to be legislated
- CPRS calculations used are based on the Company's provided methodology, but we note that and proposal is yet to be legislated

- Working capital assumptions obtained from the Company, as follows:
  - Account receivable days: 45 days
  - Inventory Days: 30 days
  - Account Payables Days: 65 days
- A straight-line depreciation and assumes the life of PPE to be 20 years
- Interest expense rate 6.20% per year, which is consistent with the current interest rate on subordinated-convertible bond of Centennial
- Corporate expenses have been taken from a median of analysts' forecasts from 2010-2012, the IFA then assumes that the expenses increase with inflation
- Extraordinary expenses and extraordinary incomes are one-off items. The IFA did not factor these into the forecast

Table 16: Summary of Centennial's Financial Projection

Unit: A$ mm	2008A	2009A	2010E	2011E	2012E	2013E
Total Revenue	764	886	754	1,051	1,132	1,410
Operating Costs	(528)	(632)	(576)	(694)	(738)	(850)
Corporate Costs	(38)	(39)	(34)	(32)	(32)	(33)
EBITDA	**198**	**215**	**144**	**325**	**362**	**527**
Depeciation Expense	(96)	(92)	(44)	(52)	(60)	(72)
EBIT	**102**	**123**	**100**	**273**	**302**	**455**
Interest Expense	(28)	(22)	(17)	(21)	(21)	(21)
Other Expense	5	(6)	0	0	0	0
MRRT	0	0	0	0	0	(7)
EBT	**79**	**95**	**83**	**252**	**281**	**427**
Tax Expense	(15)	(24)	(25)	(76)	(84)	(128)
Net Income	**64**	**71**	**58**	**177**	**197**	**299**
Total Assets	1,228	1,189	1,253	1,511	1,722	2,052
Total Equity	569	661	699	875	1,072	1,371

Exclude Extraordinaly Income from 2008 Net Income
Fiscal Year Ended June 30

- The total forecast period is 35 years. The IFA has chosen to represent projections from 2010 to 2013 as there are several explicit assumptions made during this period. After 2013, the IFA has applied inflation rate to adjust for the assumptions

- In year 2011, total revenue is forecasted to increase by 39% compared to 2010. This is because of the following valuation drivers: price of thermal coal is projected to increase by 30%, export sales proportion is projected to increase from 30% to 35%, and saleable volume is projected to increase from 13 MT to 15 MT. Furthermore, Newstan Lochiel, which is able to produce the Semi-Soft Coking Coal, will also start operation in 2011

- Depreciation in 2010 decreases from 2009. Newstan and Lambert Gully mines are forecasted to end operations in 2010. The IFA has also applied straight-line depreciation method and has adjusted life of assets to be 20 years by comparing with the Company's policy

4.4 Discounted Cash Flow Approach

In valuing operating assets and future projects of Centennial, the IFA calculated the net present value of future cash flows of Centennial's assets by discounting the expected future cash flow of the Centennial with an appropriate discount rate which is derived as follows

4.4.1 Discount Rate (Weighted Average Cost of Capital - WACC)

The discount rate used to discount future cash flows of Centennial should reflect the expected return for the risk undertaken for investment in Centennial.

While choosing an appropriate discount rate, various factors has to be taken into consideration including the risk of the Australian coal industry, Centennial's specific business risk, etc. The IFA has estimated the discount rate by calculating the Weighted Average Cost of Capital as follows:

Weighted Average Cost of Capital – "WACC" is calculated as:

WACC = Ke* ((1 - D) / (D + E)) + Kd*(1 - T)*(D / (D + E))

where

Ke	=	Rate of returns to common stock holders, which is calculated using Capital Asset Pricing Model (CAPM)
Ke	=	Rf + B *(Risk Premium)_
Kd	=	Cost of debt
T	=	Marginal tax rate
D/(D+E)	=	Target capital structure which reflect the possible change in the Centennial's capital structure after the acquisition

whereby

Rf	=	Risk-free investment return (10-year Australian Government Bond yield as of July 13, 2010)
B (Beta)	=	The volatility of coal companies' daily return in relation to the ASX daily returns which is calculated to be approximately 1.1 (the IFA employed the median volatility of coal companies comparable to Centennial's and adjust by Centennial's target capital

	structure, which is assumed to be equal to the Company's current capital structure) Source: Bloomberg as of July 13, 2010
Risk Premium =	Market Return (from investing in ASX) that is above and beyond the returns from risk-free investments obtained by using analysts estimate. The consensus views of the research analysts estimate the risk premium of the Australian market between 4.5-6.5%, which the IFA believes to be reasonable and reflective of current views of market participants and market condition in Australia.

Taking into consideration all the parameters, the Ke is approximately 10.1% to 12.2%. The IFA used the Kd of 6.2% which reflects the current borrowing rate of Centennial. Therefore, the WACC of Centennial is calculated to be approximately 9.2% - 11.0%

Table 17: Table Summarizing WACC Calculation

Risk free rate	5.1%
Rm-Rf	4.5% - 6.5%
Beta	1.1
Cost of Equity	10.1% - 12.2%
Cost of Debt	6.2%
(1-D)/(D+E)	84.8%
D/(D+E)	15.2%
Marginal Tax Rate	30.0%
WACC	9.2% - 11.0%
WACC used as discount rate for DCF	**9.0% - 11.0%**

However, for mine which is still in exploration phase, ie. Cherry Tree Hill, the IFA has used EV/Resource methodology rather than DCF since there is still uncertainty regarding the production amount and revenue stream in each year. The value is then combined with the valuation of other mines based on DCF

4.4.2 The Valuation Result of Centennial's Share Using Discounted Cash Flows (DCF) Approach

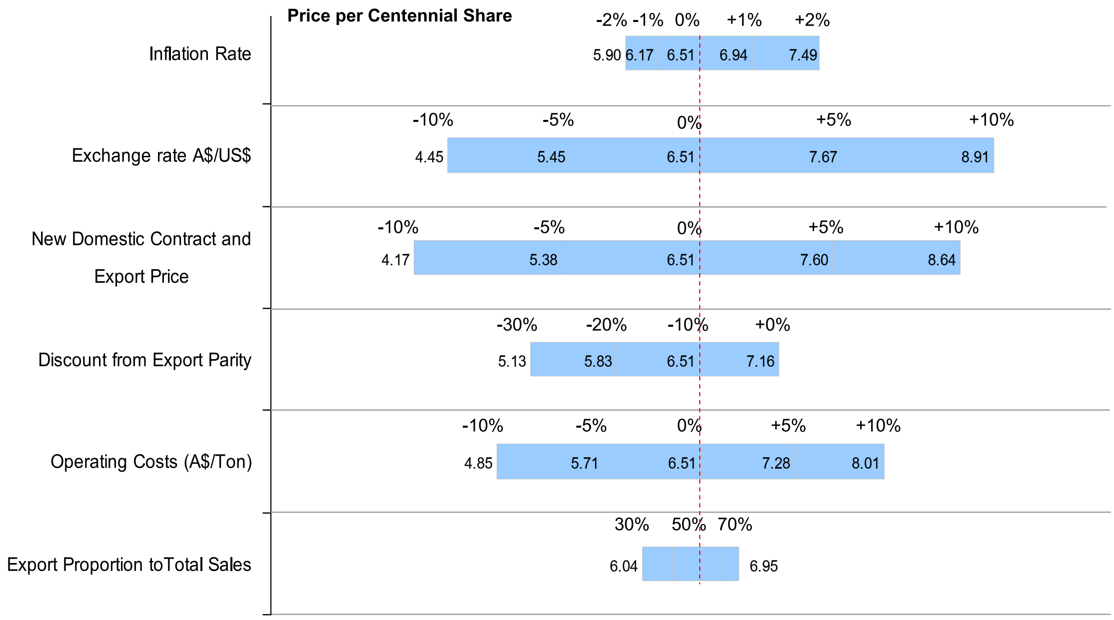
AUD/Share	WACC 11%	WACC 10%	WACC 9%
Price per Share	**5.92**	**6.51**	**7.21**

Note: The total shares outstanding used in the calculation of Centennial's share price is based on fully diluted shares, which aggregates to the total of 403.9 mm shares

4.4.3 Sensitivity Analysis

Since the valuation of Centennial depends on various key assumptions, therefore the IFA has prepared the sensitivity analysis to show the impact to valuation from changes in key assumptions as per the diagram below. The sensitivity analysis is conduct based on 10% WACC assumption.

Chart 13: Sensitivity Analysis of Centennial Share Price Under Various Scenarios



- From the diagram, the factors that have significant influence on the valuation of Centennial are exchange rate and coal price. This is because these factors directly impact revenues and cash flow of Centennial. Any reduction of coal price in US$ or any appreciation of A$ against US$ will put pressure on profitability of Centennial. Most of Centennial's operating expenses are fixed and do not fluctuate with coal price.

4.5 Market Comparables Approach

The IFA has classified companies in the same or similar business to Centennial into 2 groups; ones whose main operations in Australia and the others whose main operations are in other countries in the Asia-Pacific region. The IFA has chosen to primarily compare Centennial with peers in Australia due to their similarities of business environment and competitive landscape including type and quality of coal, ability to export, customer base, costs of production, transportation costs etc. On the other hand, the business of companies in other Asia-Pacific countries may significantly differ from Centennial's, for example, coal miners in China, are subjected to a different coal export tax tariff.

The descriptions of the comparable companies are summarized as follows:

1. Coal & Allied

Coal & Allied Industries Limited operates underground coal mines and open cut mines in New South Wales, Australia. Coal & Allied's producing assets include the Mount Thorley Warkworth mine, Hunter Valley Operations and the Bengalla mine. In addition, Coal & Allied also owns several development and exploration projects in New South Wales. Coal & Allied produces thermal coal, semi-soft coking coal, and PCI coal and exports to the international markets (Japan, Asia and Europe) and the domestic markets.

2. Macarthur

Macarthur Coal Limited is a coal mining, production and exploration company operating in Australia. Macarthur Coal's projects include the Coppabella Coal mine and the Moorvale project in the Bowen Basin of Central Queensland and joint venture Middlemount project. Macarthur Coal produces PCI coal, coking coal, thermal coal and semi-hard coking coal

3. Whitehaven

Whitehaven is a coal producing company operating in the Gunnedah region, New South Wales. Whitehaven's producing assets include the Canyon, Tarrawonga and the Rocglen open cut mines near Boggabri, the Sunnyside mine near Gunnedah and the Werris Creek mine north of Quirindi. Whitehaven sells semi-soft coking coal, PCI and thermal coal.

4. New Hope Corporation Limited

New Hope is a thermal coal producing company based in Brisbane, Queensland. New Hope operates two coal mines, the New Acland mine (150 km from Brisbane) and the New Oakleigh mine (23 km west of Ipswich) and owns the Queensland Bulk Handling Pty Limited, an export coal terminal at the Port of Brisbane. New Hope also owns various coal exploration tenements in South East and Central Queensland. New Hope exports its coal to a number of countries in the Asia-Pacific region and to the Australian domestic market.

5. Cockatoo Coal Limited

Cockatoo Coal mines and explores for coal in Queensland. Cockatoo Coal's key assets include the Baralaba Coal mine in the Bowen Basin and the Woori Coal project (currently in pre-feasibility stage). Cockatoo Coal produces PCI and thermal coal, which is exported to the global markets. In addition, Cockatoo Coal manages a number of coal exploration rights in the Bowen and Surat Basins, Queensland.

6. Gloucester

Gloucester mines and explores for coal throughout Eastern Australia. Its projects include Stratford JV coal mine the Duralie Coal project in New South Wales. Gloucester owns various coal exploration tenements in Basin area with plenty coal resources. Gloucester produces coking coal and thermal coal. Gloucester's raw coal from different mines is blended to produce a variety of coal products to meet market demand.

The multiples used for valuation in the Market Comparables Approach are:

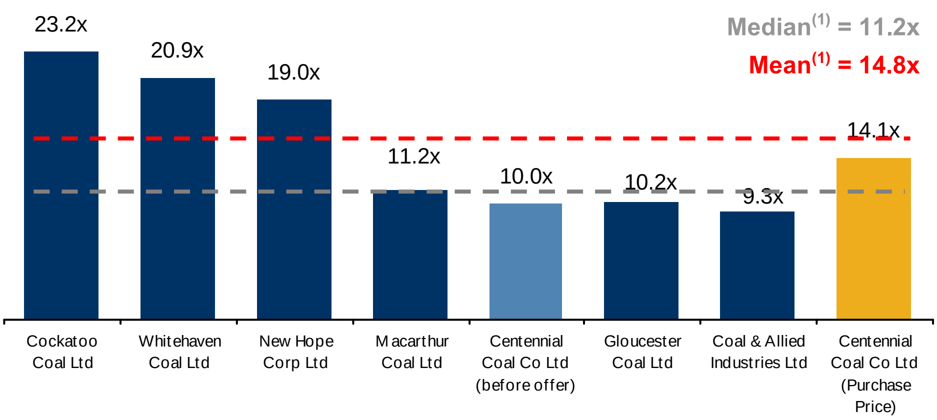
- Price to Earnings Ratio Approach ("P/E")

- Enterprise Value to Earnings before Interest, Tax, Depreciation and Amortization Approach or ("EV/EBITDA")
- Enterprise Value to Resource or ("EV/Resource")
- Enterprise Value to Reserve ("EV/Reserve")

The IFA uses the expected financial results of Centennial in 2011 and 2013 for analysis. Under current Centennial's business plan, it is expected to realize more export income from 2013 onwards due to expiration of current long-term contracts in 2012. Moreover, Centennial is also expected to improve its production capacity from 2013 onwards, contributing to the top line of the financials. The shareholders could observe such long-term improvement in financial performance being reflected by 2013 multiples.

Chart 14: P/E Multiple

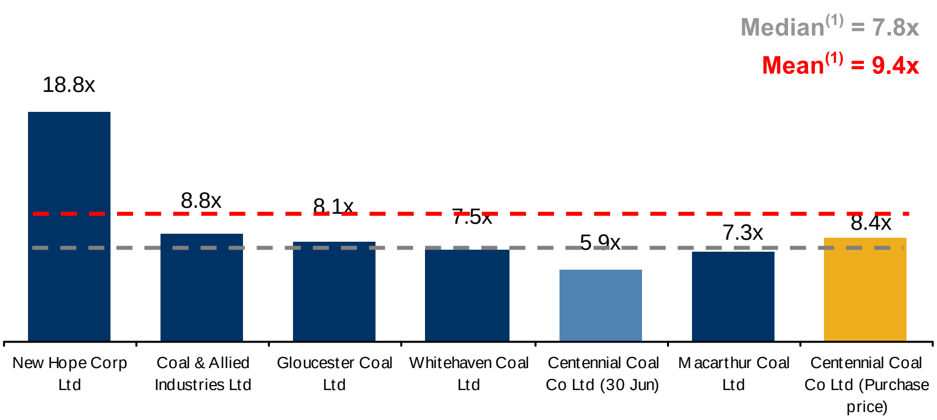
2011



(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

2013

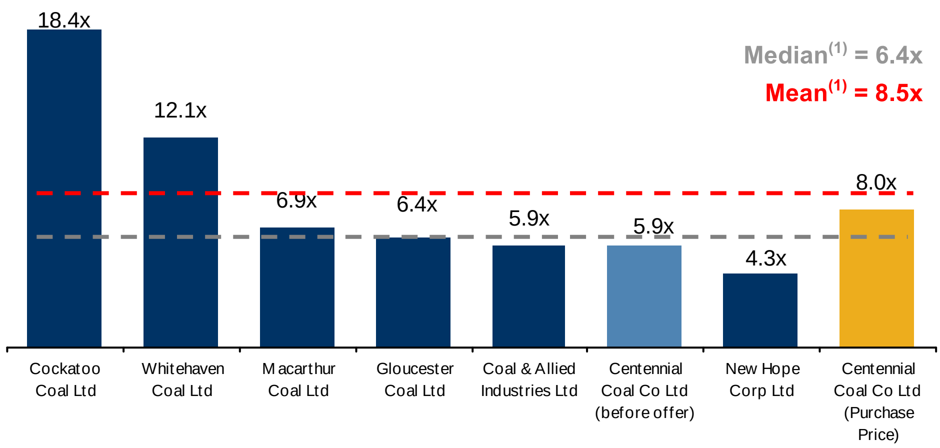


(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

Chart 15: EV/EBITDA Multiple

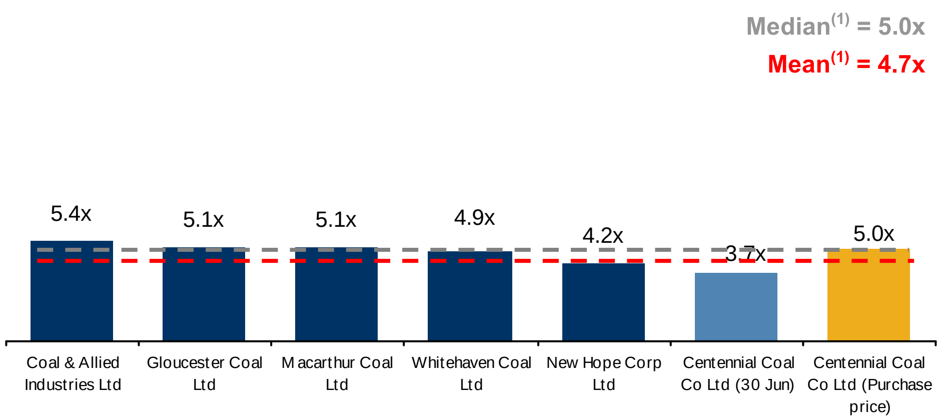
2011



(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

2013



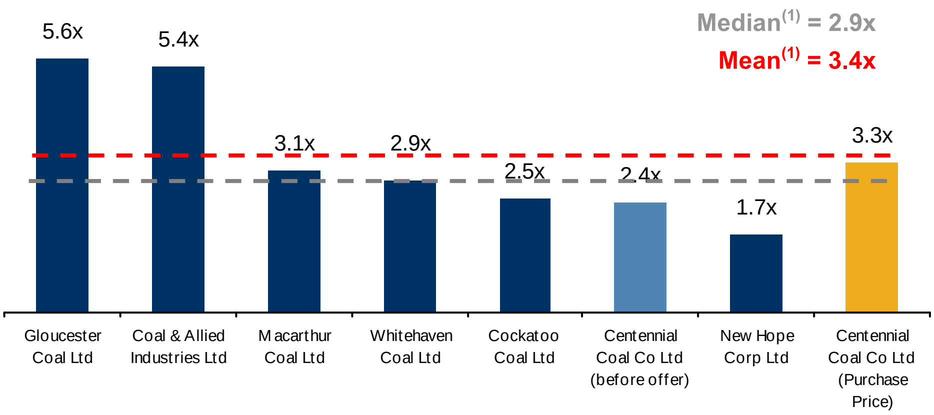
(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

Cockatoo Coal is not included in 2013 comparison due to lack of analyst forecast of the financial performance in that year.

It is noted that the implied of P/E and EV/EBITDA multiples of Centennial at the offer price of AUD 6.2 per share are between mean and median of comparable peers both in 2011 and 2013. This suggests that the offer price is in line with the trading prices of comparable peers.

Chart 16: P/BV Multiple

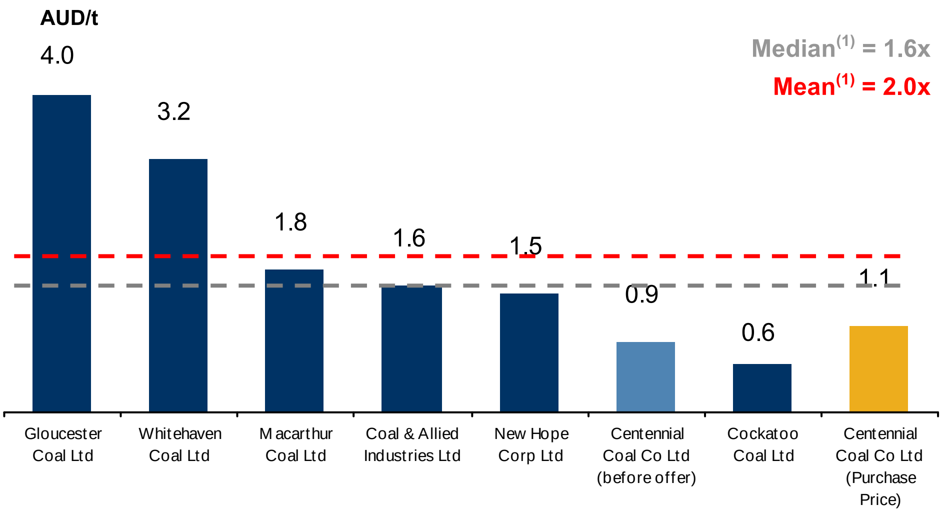


(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

Although comparing P/BV multiples is not an ideal methodology, it could support earlier observations by showing P/BV of Centennial at purchase price falling within the range of mean and median.

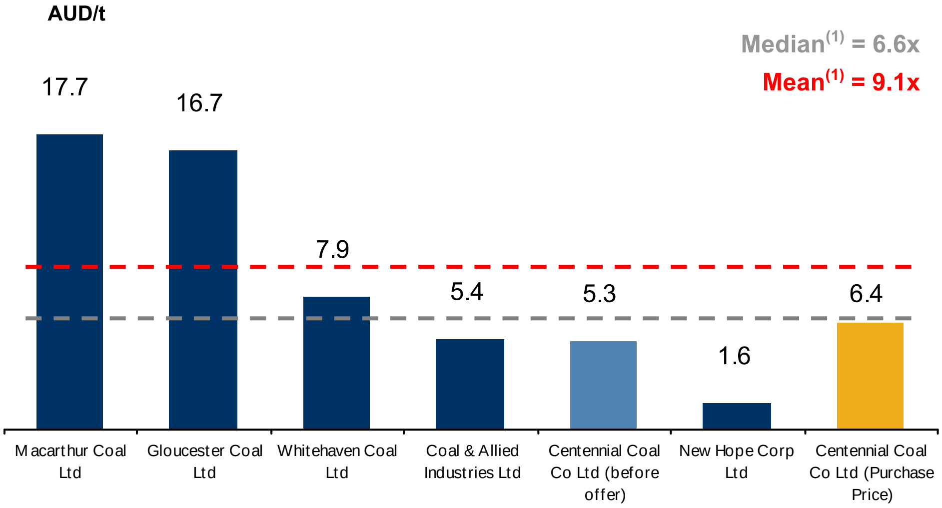
Chart 17: EV/Resource Multiple



(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

Chart 18: EV/Reserve Multiple



(1) not including Centennial purchase price multiple

Source: Bloomberg, as of 13 July, 2010

EV/Resource and EV/Reserve multiple could be used to explain the quality of coal of each company and production efficiency in extracting value out of coal resource and reserve. Both EV/Resource and EV/Reserve of Centennial at purchase price are below the mean and median of the comparable peers. However, the conclusion could not be drawn directly from this since the quality of coal, marketing strategy and production capacity of each mine are completely different.

When considering various multiples used in the market comparables approach, the offer price of AUD 6.20 per share of Centennial does not produce multiples that significantly differ from the average and median multiples of comparable peers in the industry

4.6 Precedent transaction comparables

Announcement date	Target Company/Project	Bidding Company	Deal value (AUD million)	Coal type	% acquired	Type of mine	Operating mine?	EV/Resources
17/12/09	Byerwen Coal Pty Ltd	JFE Steel Corporation	637	Coking	20.0	OC	No	n.a.
04/11/09	Coal & Allied Industries Ltd/ Maules Creek Coal Project	Aston Resources Limited	480	TC,MC	100.0	UG/OC	No	1.3x
13/08/09	Felix Resources Ltd.	Yanzhou Coal Mining Co. Ltd	3,539	TC/PCI/SSCC	100.0	UG/OC	Yes	4.3x
06/08/09	Whitehaven Coal/ Narrabri project	Korean Consortium	136	TC	7.5	UG	No	6.0x
27/02/09	Gloucester	Noble Group Ltd	383	TC, Coking	66.0	OC	Yes	5.5x
26/11/08	Peabody/Baralaba mine	Cockatoo Coal	53	TC, PCI	62.5	OC	Yes	2.9x
19/11/08	Resource Pacific Holdings Pty Ltd/ Ravensworth Underground mine	Marubeni Corporation	188	SSCC	12.0	UG	Yes	8.3x
01/08/08	Whitehaven Coal/ Narrabri project	Electric Power Development Company Ltd	125	TC	7.5	UG	No	5.7x
01/08/08	Whitehaven Coal/ Narrabri project	EDF Trading	129	TC	7.5	UG	No	5.5x
17/07/08	New Hope/ New Saraji project	BMA	2,450	Coking	100.0	UG	No	15.7x
01/07/08	Macarthur Coal	POSCO Company Ltd	424	HCC, SHCC, PCI, TC	10.0	OC	Yes	6.9x
30/06/08	Macarthur Coal	ArcelorMittal NV	212	HCC, SHCC, PCI, TC	5.0	OC	Yes	6.9x
21/05/08	Macarthur Coal	ArcelorMittal NV	631	HCC, SHCC, PCI, TC	14.9	OC	Yes	6.9x
27/02/08	Whitehaven Coal/ Narrabri project	Upper Hom Investment Ltd	68	TC	7.5	UG	No	3.0x
02/01/08	Felix/Moolarben Coal Project	Consortium of companies	90	TC	10.0	UG/OC	No	1.5x
21/12/07	JV - POSCO, Itochu/ Foxleigh Coal Mine	Anglo Coal Australia	712	PCI	70.0	OC	Yes	3.5x
10/12/07	Custom Mining Pty Ltd	Macarthur Coal	275	PCI, Coking	100.0	OC	No	4.0x
05/12/07	Resource Pacific Holdings Ltd	Xstrata	1,082	SSC, TC	100.0	UG	Yes	7.0x
17/09/07	Centennial Coal/ Austral Coal Ltd	Xstrata	542	HCC	100.0	UG	Yes	3.0x
17/09/07	Centennial Coal/ Anvil Hill Project	Xstrata	425	TC	100.0	OC	No	2.9x
07/08/07	Iluka Resources Ltd/ Narama Mine	Xstrata	54	TC	50.0	OC	Yes	8.8x
02/07/07	Macarthur	CITIC Resources Australia Pty Ltd	113	PCI, TC	8.4	OC	Yes	2.2x
27/06/07	Gloucester	AMCI	40	Coking, TC	10.0	OC	Yes	4.5x
21/03/07	Felix	AMCI	188	MC, TC	19.2	UG	Yes	2.0x

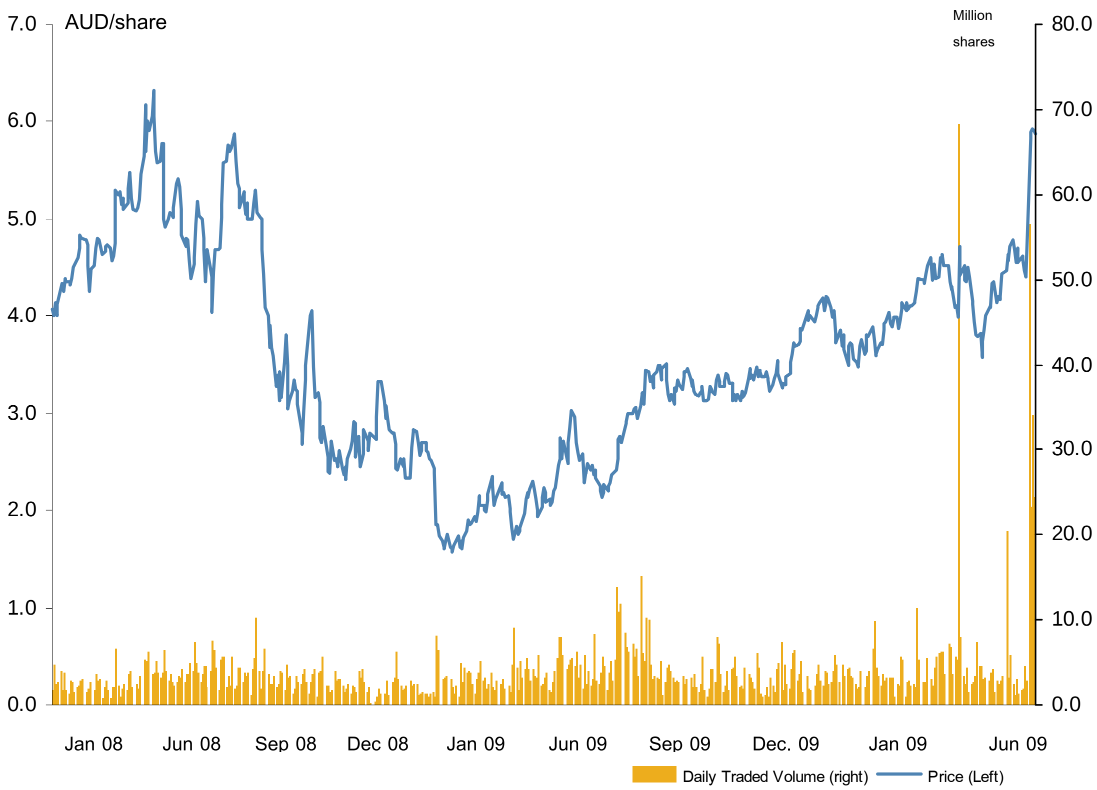
Median	4.5x
Average	5.1x

Source: Mergermarket, Capital IQ, ASX Announcement

The median and mean of EV/Resource are at 4.5x and 5.1x respectively from precedent transaction comparable analysis. When the numbers are compared with Centennial's EV/Resource acquisition multiple of 1.1x, it is still considered relatively low. Since each transaction has different characteristics such as, type of coal, percentage of holding sought, spot price of coal. Therefore, the IFA does not consider the precedent transaction comparable analysis as a meaningful methodology to further evaluate the value of the Centennial.

4.7 Historical trading price approach

Chart 19: Centennial share price graph since 2008



Since January 2008, Centennial share price has been moving in a wide range due to several factors including the uncertainties around taxes on mining business. Nonetheless, from mid-year of 2008, the share price has been traded upwards amid the clarity on MRRT direction

However, the historical trading pattern merely demonstrates short-term factors without capturing long-term prospects such as a negotiation of coal sale agreement or future export level of Centennial. As a result, the IFA did not evaluate the value of Centennial based on this methodology.

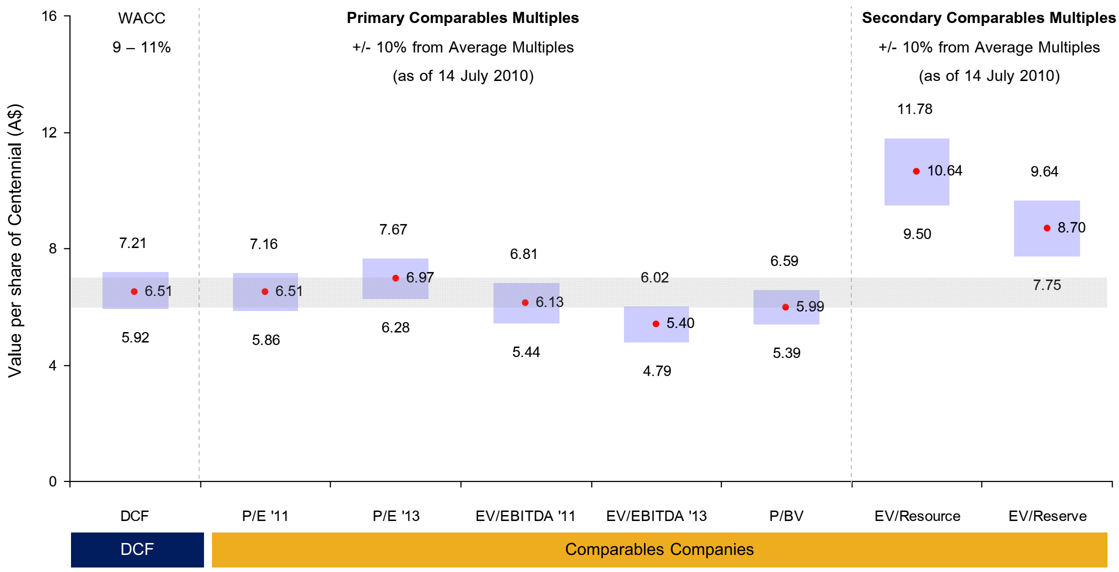
4.8 Book value approach

The Centennial Shareholder's Equity as stated in the Balance Sheet as of December 31, 2009 is AUD 709.8 million, equivalent to AUD 1.79 per share. However, this method only measures the accounting value at a particular point in time, without taking into consideration the expectations of future prospect, economic conditions, industry trends, and the fair value of Centennial's assets and liabilities. The IFA decides to rule out this methodology from valuation matrix.

4.9 Summary of Centennial Share Price Valuation

The IFA has assessed the value of Centennial's shares using the aforesaid methods. The results are summarized as follows:

Chart 20: Graph Summary Centennial Share Price Valuation



From the above data, the fair price of Centennial stock is in the range of **AUD 5.99 - AUD 6.97 per share** (not including EV/EBITDA 2013, EV/Resource and EV/Reserve methods which are considered outliers) based on the assumption that Centennial has 403.9 million fully diluted shares. The IFA has determined the range by considering values that best reflect all valuation methodologies while tilting towards DCF which is the IFA's main valuation methodology

Therefore, the IFA views that the offer price of AUD 6.20 per share of Centennial is considered fair and reasonable as it falls within the range of fair prices assessed by the IFA. The valuation range has been computed on a fully-diluted basis.

The IFA has considered various valuation methodologies of Centennial shares as aforementioned and has given higher weight to DCF method as it better reflects the strategy and policy of the Company and Centennial, comparing to other methodologies, especially in the coal price adjustment and export proportion. In addition, the IFA has considered market comparables approach as it reflects the investors' perspective towards the overall coal industry and the operational changes of Centennial to the certain extent. EV/Resource and EV/Reserve multiples, which result in higher value than other methodologies, may not be appropriate method to directly compare with peers because of the differences in characteristics of coal reserve and resource. The Company believes that Centennial has higher proportion of Thermal Coal than others. Furthermore, different companies may have different operational limitation, such as, export capabilities, availability of logistic infrastructure, and production constraints, etc.

5. The Independent Financial Advisor's Opinion

The IFA has reviewed and analyzed information, under the conditions and certain limitation as discussed in previous sections of the Opinion under the condition and limitation that the IFA has. The IFA is of the opinion that the offer for the shares of Centennial is reasonable and appropriate to the Company's strategy within conditions that could generally be found for this type of transaction and has an opinion that the value of each shares of Centennial is in the range of AUD 5.99 – 6.97 on a fully dilute basis (including shares that may be issued under options and performance rights). For this reason, the IFA believes that the offer price of AUD 6.2 per share by the Company is a fair price and that the shareholders should approve the transaction.

In making decision on the transaction approval, the shareholders should consider information that are part of the invitation to the Extraordinary General Shareholder Meeting including all relevant details of the Opinion by IFA particularly on the scope, methodologies, assumptions used in the projection, the sources of information which is mainly from public information, the benefits of the transaction and other factors that would have material effect on the transaction rationale. This Opinion is comprehensive only as a whole. The IFA shall not be held responsible from the disclosure, reference or dissemination of the Opinion in part unless approval is obtained from the IFA.

We hereby certify that our opinion has been rendered with due care in accordance with professional standards, taking into account the interests of the securities holders.

Yours Sincerely

Norachet Sangruji
Executive Director
Phatra Securities Public Company Ltd.

Aphinant Klewpatinond
Chief Executive Officer
Phatra Securities Public Company Ltd.