



CENTENNIAL COAL COMPANY LIMITED

ABN: 30 003 714 538

PRELIMINARY FINAL ASX REPORT

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2009

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Centennial Coal Company Limited - ABN 30 003 714 538

Year ended 30 June 2009 ("Current period")
(Previous corresponding period: Year ended 30 June 2008)

Results for announcement to the market

		2008 A\$M		2009 A\$M
Revenues from ordinary activities - Continuing operations	Up 16% from	763.9	To	886.0
Profit from ordinary activities after tax attributable to members (excluding discontinued operations and significant items)	Up 20% from	68.1	To	82.0
Net profit for the period attributable to members (including discontinued operations and significant items)	Down from	288.6	To	71.2

Dividends

	2008	2009
Interim dividend per share (cents)	4.0	7.0
Final dividend per share (cents)	17.0	4.0

Since year end, the Directors have declared a fully franked final dividend of 4 cents per share (2008: 17 cents fully franked) payable on 8 October 2009 to registered shareholders as of 24 September 2009 (2008: 24 September 2008). The final dividend takes into consideration the operating performance and lower prevailing export price environment compared with the previous financial year. This dividend has not been recognised as a liability at year end.

A fully franked final dividend of 17 cents per share was paid on 8 October 2008 in respect of the 2008 financial year. A fully franked interim dividend of 7 cents per share was paid on 20 April 2009 in respect of the 2009 financial year. In addition, a fully franked dividend of 4 cents per share amounting to \$13.7 million was paid on 15 July 2008, that was provided for in the accounts for the 2008 financial year.

Centennial's Dividend Reinvestment Plan ("DRP") will continue to apply with a discount of 2.5%. The pricing period for the DRP has been changed to the 5 trading days commencing with the fourth day after the record date.

Explanation of revenue and profit from ordinary activities after tax

The improved normalised result of \$82.0 million (2008: \$68.1 million) reflects a 36% increase in export coal shipments compared with the prior corresponding period, at record export prices.

Net profit of \$71.2 million, for the year, is after allowing for an unrealised FX hedge accounting loss of \$4.8 million (after tax) and costs relating to the suspension of operations at the Company's Newstan coal mine of \$6.0 million (after tax). The previous period's result of \$288.6 million included a \$222.9 million gain with respect to the sale of the Anvil Hill Project and Austral Coal Limited.

A detailed discussion of the results can be found in the section of this report entitled "Commentary on results".

Audit status

This preliminary final report is based on accounts which are in the process of being audited.

Consolidated income statement

	Note	2009 A\$M	2008 A\$M
Continuing operations			
Revenue from sale of goods		886.0	763.9
Cost of sales		(583.2)	(516.3)
Gross profit		302.8	247.6
Other income		12.7	16.2
Share of profits of associates and jointly controlled entities accounted for using the equity method		-	-
Distribution expenses		(82.1)	(65.0)
Royalties		(58.3)	(42.9)
Administration expenses		(39.1)	(37.6)
Finance costs		(22.4)	(27.7)
Other significant items	2	(15.4)	(5.4)
Other expenses		(2.8)	(6.0)
Profit before tax	3	95.4	79.2
Income tax expense	4	(24.2)	(14.9)
Profit for the year from continuing operations		71.2	64.3
Discontinued operations			
Profit for the year from discontinuing operations	5	-	222.9
Profit for the year		71.2	287.2
Attributable to:			
Equity holders of the parent		71.2	288.6
Minority interest		-	(1.4)
		71.2	287.2

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

Earnings per share (EPS)

		2009	2008
From continuing and discontinued operations:			
Basic EPS (cents per share)	6	19.5	92.0
Diluted EPS (cents per share)	6	18.8	79.5
From continuing operations:			
Basic EPS (cents per share)	6	19.5	20.5
Diluted EPS (cents per share)	6	18.8	19.0
Net tangible assets per share			
		2009	2008
Net tangible assets per share (\$)		1.77	1.67

Consolidated balance sheet

	Note	2009 A\$M	2008 A\$M
CURRENT ASSETS			
Cash and cash equivalents		56.8	149.0
Trade and other receivables		104.5	108.8
Other financial assets		-	28.1
Inventories		26.1	28.7
Other		76.9	74.6
Total current assets		264.3	389.2
NON-CURRENT ASSETS			
Trade and other receivables		13.2	18.1
Other financial assets		2.0	3.6
Inventories		9.5	9.4
Investments accounted for using the equity method		-	-
Property, plant and equipment	9	879.0	793.8
Other		21.3	13.7
Total non-current assets		925.0	838.6
TOTAL ASSETS		1,189.3	1,227.8
CURRENT LIABILITIES			
Trade and other payables		118.1	116.4
Borrowings		2.0	4.6
Current tax liabilities		12.6	49.7
Employee benefits		64.1	59.7
Provisions		-	15.0
Other		22.5	73.2
Total current liabilities		219.3	318.6
NON-CURRENT LIABILITIES			
Trade and other payables		0.8	0.8
Borrowings	9	218.1	265.5
Deferred tax liabilities		50.4	22.0
Employee benefits		-	0.2
Provisions		30.1	21.1
Other		9.9	30.2
Total non-current liabilities		309.3	339.8
TOTAL LIABILITIES		528.6	658.4
NET ASSETS		660.7	569.4
EQUITY			
Issued capital	10	383.2	313.5
Reserves		(7.6)	(46.0)
Retained earnings		285.1	301.9
Parent entity interest		660.7	569.4
Minority interest		-	-
TOTAL EQUITY		660.7	569.4

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

Consolidated statement of changes in equity

	Share capital A\$M	Share-based payments A\$M	Hedging reserve A\$M	Retained earnings A\$M	Minority interest A\$M	Total equity A\$M
Balance as at 1 July 2008	313.5	3.6	(49.6)	301.9	-	569.4
Employee options	-	4.3	-	-	-	4.3
Cash flow hedges:						
Gain/(loss) taken to equity	-	-	(15.5)	-	-	(15.5)
Transferred to profit or loss for the year	-	-	49.6	-	-	49.6
Net income/(loss) recognised directly in equity	-	4.3	34.1	-	-	38.4
Profit for the year	-	-	-	71.2	-	71.2
Total recognised income and expense for the year	-	4.3	34.1	71.2	-	109.6
Shares issued	14.4	-	-	-	-	14.4
Shares issued – convertible notes	62.1	-	-	-	-	62.1
Convertible notes equity component	(7.1)	-	-	-	-	(7.1)
Option premium	0.3	-	-	-	-	0.3
Dividends to Shareholders	-	-	-	(88.0)	-	(88.0)
Balance as at 30 June 2009	383.2	7.9	(15.5)	285.1	-	660.7
Balance as at 1 July 2007	814.3	2.2	(8.9)	39.1	56.5	903.2
Employee options	-	1.4	-	-	-	1.4
Cash flow hedges:						
Gain/(loss) taken to equity	-	-	(48.0)	-	-	(48.0)
Transferred to profit or loss for the year	-	-	7.3	-	-	7.3
Net income/(loss) recognised directly in equity	-	1.4	(40.7)	-	-	(39.3)
Profit/(loss) for the year	-	-	-	288.6	(1.4)	287.2
Total recognised income and expense for the year	-	1.4	(40.7)	288.6	(1.4)	247.9
Shares issued	20.4	-	-	-	-	20.4
Shares issued – convertible notes	66.4	-	-	-	-	66.4
Convertible notes equity component	(6.5)	-	-	-	-	(6.5)
Return of capital	(582.6)	-	-	-	-	(582.6)
Disposal of minority interest	-	-	-	-	(55.1)	(55.1)
Option premium	1.5	-	-	-	-	1.5
Dividends to Shareholders	-	-	-	(25.8)	-	(25.8)
Balance as at 30 June 2008	313.5	3.6	(49.6)	301.9	-	569.4

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cash flow statement

	2009 A\$M	2008 A\$M
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	979.3	873.2
Payments to suppliers and employees	(751.1)	(665.8)
Interest and other costs of finance paid	(16.9)	(23.2)
Income taxes paid	(47.1)	-
Net cash provided by operating activities	164.2	184.2
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received	0.2	0.4
Interest received and bill discounts	3.8	10.8
Payments for property, plant and equipment	(174.6)	(195.0)
Proceeds from sale of property, plant and equipment	0.9	2.9
Proceeds from sale of mining project – Anvil Hill	-	489.0
Proceeds from sale of subsidiary – Austral Coal Limited	-	477.1
Proceeds from repayment of loans – Austral Coal Limited	-	176.7
Net cash provided (used in)/by investing activities	(169.7)	961.9
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issues of equity securities	1.6	17.9
Return of capital to equity holders of the parent	-	(582.6)
Dividends paid	(88.6)	(9.6)
Payment for borrowing costs	-	(3.1)
Proceeds from borrowings	5.0	220.0
Repayment of borrowings	-	(652.3)
Termination costs on early repayment of borrowings	-	(18.8)
Repayment of lease liabilities	(4.7)	(4.7)
Net cash used in financing activities	(86.7)	(1,033.2)
Net (decrease)/increase in cash and cash equivalents	(92.2)	112.9
Cash and cash equivalents at the beginning of the financial year	149.0	36.1
Cash and cash equivalents at the end of the financial year	56.8	149.0

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

Non-cash financing and investing activities

During the year 3,774,109 shares with a value of \$13.1 million were issued under the Dividend Reinvestment Plan in lieu of receiving cash dividends. Also, 27,356,819 shares, with a value of \$62.1 million, were issued upon conversion of convertible notes.

Commentary on results

Continuing operations:

Explanation of Revenue

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

The Group achieved total sales from continuing operations of 14.4 million tonnes for the year, 5% down on the previous year of 15.1 million tonnes. The suspension of operations at Newstan on 19 April 2009 and production difficulties at Angus Place in the first half contributed to the decrease in sales tonnes which was partly offset by improved performances at Clarence and Springvale.

Explanation of Profit before Tax

Centennial returned a profit before tax from continuing operations of \$95.4 million for the 2009 financial year compared to \$79.2 million for the 2008 financial year. The profit is derived after taking into account costs associated with the suspension of operations at Newstan \$8.5 million and an unrealised foreign exchange hedge accounting loss of \$6.9 million, which have been treated as significant items in this report (refer note 2). The latter loss relates to the expensing of the time value of the Group's foreign currency collar options as a result of the increase in option volatility arising from significant swings in the A\$ to the US\$ exchange rate during the year. This loss is unrealised and will reverse over the next 12 months as options mature, or sooner if option volatility returns to more normal lower levels.

On a normalised basis, Centennial returned a profit before tax of \$110.8 million (\$82.0 million after tax) compared to the prior year of \$84.6 million (\$68.1 million after tax).

ROM production from the Company's Northern Operations at 9.1 million tonnes was 1.2 million tonnes below that of the previous year due principally to the cessation of operations at Newstan on 19 April 2009 (1.0 million tonnes) and Mannering's production being affected by a reverse-thrust fault and poor mining conditions (0.2 million tonnes). Newstan finished the year with an operating loss of \$16.3 million (2008: \$3.0 million loss) due to the fall in the semi-soft coking coal market having a \$23.3 million adverse impact on its results. Largely as a result of Newstan, the Northern Operations profit declined by \$12.3 million compared to the prior year.

ROM production from the Company's Western Operations at 5.8 million tonnes was in line with the previous year although below plan principally as a result of the production difficulties at Angus Place (0.6 million tonnes). With strong export sales from Clarence, Charbon and Springvale, the Western Operations delivered a profit improvement of \$47.1 million (inclusive of hedging) compared to the prior year. This improved result was inclusive of a \$3.0 million operating loss at Angus Place (2008: \$17.1 million profit).

Treasury

Finance costs, at \$22.4 million, are \$5.3 million lower than the previous year as a result of a reduction in the Group's debt position following the conversion of \$62.1 million of convertible notes together with lower prevailing interest rates.

During the year, Centennial settled 585,000 tonnes of coal hedging (at an average price of US\$48.65 per tonne) representing 14% of the Group's total coal exports (4.2 million tonnes). The opportunity cost of the hedge program was a loss of \$70.2 million, equivalent to A\$16.90 per export tonne.

In addition, with the significant devaluation of the A\$ in the year, a pre-tax hedging loss of \$57.4 million was realised on deliveries into the Group's foreign currency hedge positions versus the prevailing spot market. An average exchange rate of US\$/A\$1 of 0.8060 was achieved which was a 4% improvement on the prior year (2008: 0.8414).

The hedging result reflects the extraordinary volatility in financial markets brought about by the Global Financial Crisis. The GlobalCoal NEWC Index and A\$ were at record highs at the start of the year only to collapse by 58% and 28% respectively by mid-year. The Group's hedging program is designed to reduce adverse cash flow volatility by locking in a proportion of the revenue/margins on the export business.

Tax

The tax expense on profit from continuing operations of \$95.4 million was \$24.2 million, representing an effective rate of 25%. The tax expense was derived after taking into account a tax credit of \$2.8 million for R&D expenditure and an over provision for tax in the prior year of \$0.4 million.

A tax payment of \$47.1 million was paid during the year, in relation to the prior year's result, enabling the Company to return to paying fully franked dividends.

Other factors which will influence future results:**Market conditions**

Centennial continues to experience strong demand for its thermal coal despite the Global Financial Crisis, with customers continuing to focus on security of supply and Centennial's ability to ship through Port Kembla. Based on this demand, the Company has lifted export shipments in the second half above those of the first half and expects further export sales growth in 2010.

The Japanese benchmark price, effective from 1 April 2009, settled at US\$70.50 per tonne. Since that time commodity markets have continued to recover and market prices for thermal coal are now some 10% higher. The stabilisation and improvement in commodity prices has also led to the recovery of the Australian dollar.

Operations

Production performance in the 2010 financial year is expected to be marginally higher than 2009, despite the suspension of operations at Newstan due to higher planned production from Mandalong, which has only one longwall relocation in the year and Angus Place returning to normal production levels. The 2010 sales mix envisages an approximate 25% uplift in export shipments when compared with 2009, as Mandalong begins to export thermal coal in the June 2010 quarter.

The Airly mine, in the western coalfields, is currently under construction with first coal production due towards the end of the 2010 financial year.

Balance Sheet

As at 30 June 2009, total assets were \$1,189.3 million, a decrease of \$38.5 million from 30 June 2008.

Centennial seeks to finance its assets and growth opportunities with a mix of equity and debt financing that best balances risk and reward to shareholders. Under Centennial's Senior Facility Agreement, seven banks provide a \$175 million term loan, a \$150 million revolving working capital facility and a \$135 million Guarantee and LC facility. The maturity date for these facilities is 18 December 2011. At 30 June 2009, the term loan of \$175 million is fully drawn and the revolving working capital facility is drawn down by \$5 million, providing headroom of \$145 million on the balance of the facility.

In relation to the Company's \$165 million 6.2% Subordinated Convertible Note issue, completed in March 2007, \$62.1 million has been converted into 27,356,819 shares during the year. Notes outstanding at 30 June 2009 total \$36.5 million. As the result of payment of a fully franked interim dividend of 7 cents, on 20 April 2009, in accordance with the terms and conditions of the Notes, the conversion price was adjusted down to \$2.21 per share.

At 30 June 2009, the Group had a net debt position of \$163.3 million with gearing (measured as net debt to net debt plus equity) at 19.8% (30 June 2008: 17.5%).

Total equity, at \$660.7 million, represents a \$91.3 million increase from 30 June 2008. Major movements in the year were a \$69.7 million increase in issued capital principally as a result of convertible note conversions, a \$34.1 million decrease in unrealised losses in the hedging reserve and a decrease of \$16.8 million in retained earnings due to dividends paid exceeding the full year profit.

Cash Flow Statement

Cash flow from operations for the year ended 30 June 2009 was \$164.2 million (including a \$47.1 million tax payment) compared with \$184.2 million for the previous year. Adjusting for the corporate tax paid of \$47.1 million, relating to the previous year's profit, cash flow improved by \$27.1 million or 15%. This improvement was driven by higher profitability resulting from strong export prices and increased export sales volumes.

Capital expenditure for the year was \$174.6 million, \$20.4 million lower than the previous year and comprises various mining equipment upgrades, initial design and development work at Airly and land purchases (\$18.2 million).

During the year, \$5.0 million was drawn under the revolving working capital facility and \$4.7 million of lease liabilities were repaid. Cash reduced by \$92.2 million to fund dividends and tax payments relating to the previous financial year.

Dividends

Taking into consideration the operating result and current export market environment, the Directors have declared a final fully franked dividend of 4 cents per share to be paid on 8 October 2009 with the record date for entitlements being 24 September 2009. Centennial's Dividend Reinvestment Plan ("DRP") will apply, with a discount of 2.5%. The pricing period for the DRP has been changed to the 5 trading days commencing with the fourth day after the record date.

Notes to the financial statements

1. Basis of preparation of the financial report

This financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

It is recommended that this report be considered together with any public announcements made by Centennial Coal Company Limited and its controlled entities during the reporting year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The financial statements were authorised for issue by the Directors on 19 August 2009.

Basis of accounting

This financial report is for the year ended 30 June 2009, and has been prepared in accordance with the Australian Securities Exchange Listing Rules as they relate to Appendix 4E and in accordance with Accounting Standards, other mandatory professional reporting requirements, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on the basis of historical cost, except for financial instruments that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

Entities within the Group have entered into a deed of cross guarantee with Centennial Coal Company Limited, pursuant to ASIC Class Order 98/1418.

The accounting policies and methods of computation adopted in the preparation of the financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2008.

2. Significant items

	2009 A\$M	2008 A\$M
Continuing operations:		
Unrealised foreign exchange hedge accounting loss	(6.9)	-
Costs incurred on suspension of production at the Group's Newstan coal mine	(8.5)	-
Provision for doubtful debts on property sale	-	(5.4)
	(15.4)	(5.4)
Discontinued operations:		
Gain on sale of Anvil Hill Project	-	212.7
Gain on sale of Austral Coal Limited shares	-	133.9
Termination costs on repayment of US Private Placement	-	(18.8)
	-	327.8
Effect on Profit before tax	(15.4)	322.4

3. Revenues and expenses

Profit before income tax includes the following revenues and expenses whose disclosure is relevant in explaining the performance of the Group:

	2009 A\$M	2008 A\$M
(a) Revenue		
Coal sales - Continuing operations	886.0	763.9
- Discontinued operations	-	39.0
Interest received/receivable	3.8	10.8
(b) Expenses		
Depreciation and amortisation - Continuing operations	91.8	85.8
- Discontinued operations	-	10.1
Interest paid/payable - Continuing operations	16.9	17.0
- Discontinued operations	-	6.2
Amortisation of deferred borrowing costs	4.3	6.6
Unwind of discounts relating to provisions	1.2	4.1
Royalties - Continuing operations	58.3	42.9
- Discontinued operations	-	1.6

4. Income tax

	2009 A\$M	2008 A\$M
(a) Prima facie tax reconciliation		
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:		
Profit from continuing operations	95.4	79.2
Profit from discontinued operations (note 5)	-	316.8
Profit from operations	95.4	396.0
Income tax expense calculated at 30%	(28.6)	(118.8)
Non-deductible expenses	(2.1)	(1.2)
Other deductible expenses	3.3	2.4
Deductible expenditure in issued capital	-	0.2
Research and development deductions	2.8	3.0
	(24.6)	(114.4)
Over/(under) provision of income tax in previous year	0.4	5.6
Income tax expense	(24.2)	(108.8)
Attributable to:		
Continuing operations	(24.2)	(14.9)
Discontinued operations	-	(93.9)

(b) Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Centennial Coal Company Limited.

(b) Tax consolidation (continued)

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Centennial Coal Company Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

5. Discontinued operations

There were no discontinued operations in the year ended 30 June 2009. Production at the Group's Newstan coal mine was suspended in May 2009 but plans are being progressed to access its remaining reserves in the Awaba East area.

Details of prior year discontinued operations are as follows:

Disposal of Anvil Hill project

On 17 September 2007, the Directors announced the sale of the Anvil Hill Project for \$425 million which was substantially in excess of its book value and the Group's internal valuation. The disposal was completed on 18 October 2007.

Sale of Austral Coal Limited

Also on 17 September 2007, the Directors advised that they had been informed that Xstrata Coal intended to make an off-market takeover offer to acquire all of the shares in Austral Coal Limited, the owner of the Tahmoor mine. The offer valued the Group's 86% shareholding at \$479 million. The offer represented a significant premium to the Group's internal valuation and book value. A formal offer was subsequently received and accepted by the Company on 30 October 2007.

The combined results of the discontinued operations that have been included in the income statement are as follows:

	2009 A\$M	2008 A\$M
Profit/(loss) from discontinued operations:		
Revenue from sale of goods	-	39.0
Cost of sales	-	(38.2)
Gross profit	-	0.8
Other income	-	0.3
Distribution expenses		(5.3)
Administration expenses		(0.6)
Finance costs	-	(6.2)
Other expenses	-	-
Profit/(loss) before tax from operations	-	(11.0)
Gain on disposal of operations (note 2)	-	327.8
Profit before tax from discontinued operations	-	316.8
Attributable income tax (expense)/benefit	-	(93.9)
Profit after tax for the year from discontinued operations	-	222.9
Cash flows from discontinued operations:		
Net cash flows from operating activities	-	(2.0)
Net cash flows from investing activities	-	948.7
Net cash flows from financing activities	-	1.1
Net cash flows	-	947.8

6. Earnings per share (EPS)

		2009	2008
From continuing and discontinued operations:			
Basic earnings per share	cents	19.5	92.0
Diluted earnings per share	cents	18.8	79.5
From continuing operations:			
Basic earnings per share	cents	19.5	20.5
Diluted earnings per share	cents	18.8	19.0

Weighted average number of shares used in the calculation of earnings per share:

	Number of shares	
	2009 '000	2008 '000
Number for basic earnings per share	364,879	313,693
Effect of share options on issue	9,110	13,417
Effect of convertible notes on issue	16,079	43,436
Number for diluted earnings per share from continuing and discontinued operations	390,068	370,546
Number for diluted earnings per share from continuing operations	390,068	370,546

7. Segment information

During the financial year, the Group operated in the coal mining industry in New South Wales, Australia.

8. Dividends

	Note	2009 A\$M	2008 A\$M
(a) Dividends paid			
Paid in cash		88.6	9.6
Satisfied through the issue of shares	8(b)	13.1	2.5
		101.7	12.1

A fully franked final dividend of 17 cents per share, amounting to \$61.9 million, was paid on 8 October 2008 with respect to the 2008 financial year. A fully franked interim dividend of 7 cents per share, amounting to \$26.1 million, was paid on 20 April 2009, with respect to the 2009 financial year. In addition, a fully franked dividend of 4 cents per share amounting to \$13.7 million was paid on 15 July 2008, that was provided for in the accounts for the 2008 financial year.

Since year end, the Directors have declared a fully franked final dividend of 4 cents per share, amounting to \$15.0 million, to be paid on 8 October 2009, with the record date for entitlements being 24 September 2009. This has not been recognised as a liability at year end.

(b) Dividend Reinvestment Plan

Centennial offers shareholders resident in Australia and New Zealand the opportunity to reinvest part or all of their dividends in additional Centennial shares through our Dividend Reinvestment Plan ("DRP"). The terms and conditions for the DRP may be found on Centennial's website at www.centennialcoal.com.au.

During the year 3,774,109 shares with a value of \$13.1 million were issued under the Dividend Reinvestment Plan.

The Directors have determined that Centennial will continue the DRP, with a 2.5 percent discount. The pricing period for the DRP has been changed to the 5 trading days commencing with the fourth day after the record date. The last date for receipt by the company of an election notice for participation in or termination of an existing participation in the DRP with respect to the 2009 final dividend is 24 September 2009.

9. Capitalised outlays

	2009 A\$M	2008 A\$M
Borrowing costs capitalised (into property, plant & equipment)	0.3	5.0
Transaction costs capitalised (into borrowings)	-	3.1

10. Issued capital

	Note	2009 A\$M	2008 A\$M
Fully paid ordinary shares	10(a)	378.1	301.6
Convertible notes equity component		2.6	9.7
Unquoted employee option premium		2.5	2.2
		<u>383.2</u>	<u>313.5</u>

(a) Ordinary shares

	Number of shares	Issue price A\$	Issued capital A\$M
Fully paid shares as at 30 June 2008	341,603,378	Various	301.6
<i>Changes during the current year:</i>			
Increase in fully paid shares following:			
a) Issue of shares under the Dividend Reinvestment Plan:			
- 2008 Interim dividend	398,518	5.59	2.2
- 2008 Final dividend	1,331,496	5.05	6.8
- 2009 Interim dividend	2,044,095	2.01	4.1
b) Issue of shares on conversion of convertible notes	27,356,819	2.27	62.1
c) Exercise of options	861,000	Various	1.3
d) Employee retention share issue	198,000	-	-
Total increase in fully paid shares	<u>32,189,928</u>		<u>76.5</u>
Fully paid shares as at 30 June 2009	<u>373,793,306</u>	Various	<u>378.1</u>

(b) Unquoted employee options

	Number issued	Number quoted	Exercise price	Expiry date
Unquoted employee options to acquire fully paid ordinary shares as at 30 June 2009	405,000	Nil	\$1.980	14 Dec 2009
	667,500	Nil	\$1.890	16 Dec 2010
	2,566,000	Nil	\$0.896	21 Dec 2011
	3,505,000	Nil	\$2.900	25 Jan 2013
	<u>496,448</u>	Nil	\$1.895	23 Feb 2014
	<u>7,639,948</u>			
Options issued during the current year	<u>496,448</u>	Nil	\$1.895	23 Feb 2014
Options exercised during the current year	306,000	Nil	\$1.140	16 Jun 2009
	140,000	Nil	\$1.980	14 Dec 2009
	295,000	Nil	\$1.890	16 Dec 2010
	<u>120,000</u>	Nil	\$0.896	21 Dec 2011
	<u>861,000</u>			
Options lapsed during the current year	<u>130,000</u>			

(c) Performance rights

	Number issued	Number quoted	Exercise price	Expiry date
Unquoted employee performance rights to acquire fully paid ordinary shares as at 30 June 2009	2,625,000	Nil	Nil	25 Jan 2013
	<u>192,197</u>	Nil	Nil	23 Feb 2014
	<u>2,817,197</u>			
Performance rights issued during the current year	<u>192,197</u>	Nil	Nil	23 Feb 2014

11. Details of associates and joint venture entities

Name of associate entity	Ownership interest (%)	
	2009	2008
Springvale Coal Sales Pty Limited	50%	50%
Port Kembla Coal Terminal Limited	20%	20%

12. Changes in the composition of the group

There have been no acquisitions or losses of control of material entities in the year ended 30 June 2009.

13. Contingent assets and liabilities

	2009 A\$M	2008 A\$M
Contingent assets		
None		
Contingent liabilities		
Performance guarantees provided to external parties	25.8	28.9
Guarantees provided in respect of the cost of restoration of certain mining leases, Given to government departments as required by statute	30.6	30.1
Guarantees provided in respect of employee entitlements inherited as part of the acquisition of Powercoal Pty Limited	29.0	35.0
Contingent liabilities arising from service contracts	3.7	3.6

14. Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material or unusual nature which has or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future periods.

15. Annual General Meeting

The Annual General Meeting of Centennial Coal Company Limited will be held as follows:

Place: Amora Hotel, Whiteley II Room, 11 Jamison Street, SYDNEY
Date: Friday, 27 November 2009
Time: 10.30am

The 2009 Annual Report of Centennial Coal Company Limited will be available in October 2009.

16. Shareholder information as at 31 July 2009

(a) Capital Structure

(i) Ordinary Share Capital

373,793,306 fully paid ordinary shares are held by **12,511** Shareholders.

All issued ordinary shares carry one vote per share and carry the right to receive dividends when declared.

(ii) \$36,500,000 6.2% Subordinated Convertible Notes due 2012

The holder of each Note has the right to convert such Notes into ordinary shares at any time. The number of ordinary shares to be delivered upon conversion shall be determined by dividing the principal amount of the Note by the conversion price in effect on the conversion date. The current conversion price is \$2.21 per share. As at 31 July 2009, the Convertible Notes are convertible into 16,515,837 ordinary shares.

(iii) Senior Executive & Director Option Scheme

With the exception of the final tranche, all of the following option tranches are subject to a Performance Hurdle which requires that the options can only be exercised if the Total Shareholder Return ("TSR") over a rolling 12 month period from the date of issue, as measured against the S&P/ASX 200 Index, is as follows:

<i>If at any time during the exercise period of the options the TSR of the Company</i>	<i>The percentage of options which become exercisable is</i>
Does not reach the 50th percentile of the TSR of the S&P/ASX 200 Index	0%
Reaches the 50th percentile of the TSR of the S&P/ASX 200 Index	50%*
Reaches or exceeds the 75th percentile of the TSR of the S&P/ASX 200 Index	100%

* The percentage of options which become exercisable increases from the 50th percentile up to the 75th percentile by 2% for each 1% increase in the percentile of the TSR of Centennial, compared to the TSR of the S&P/ASX 200 Index.

- 405,000 options are held by 13 individual optionholders.**
Executive options to subscribe for one ordinary share exercisable at \$1.98 on the second anniversary of their issue and up to 5 years from 14 December 2004, being the date of original grant of such options. The performance criteria for this tranche has been met.
- 677,500 options are held by 32 individual optionholders.**
Executive options to subscribe for one ordinary share exercisable at \$1.89 on the second anniversary of their issue and up to 5 years from 16 December 2005, being the date of original grant of such options. The performance criteria for this tranche has been met.
- 2,566,000 options are held by 69 individual optionholders.**
Executive options to subscribe for one ordinary share exercisable at \$0.90 on the third anniversary of their issue and up to 5 years from 21 December 2006, being the date of original grant of such options. The testing period for this tranche of options is quarterly from the third anniversary.

An option does not entitle the holder to a vote in respect of that option nor participate in dividends until such time as the option is exercised and subsequently registered as an ordinary share.

(iv) *Performance Rights and Option Plan*

- **2,625,000 Performance Rights are held by 37 individuals.**
Performance Rights to subscribe for one ordinary share exercisable on the third anniversary of their issue and up to 5 years from 24 January 2008, being the date of original grant, provided that the TSR Performance hurdle noted above is achieved over an initial 3-year period, with testing each 6-months for the subsequent 2 years to expiry.
- **192,197 Performance Rights are held by 39 individuals.**
Performance Rights to subscribe for one ordinary share exercisable on the third anniversary of their issue and up to 5 years from 23 February 2009, being the date of original grant, provided that the TSR Performance hurdle noted above is achieved over an initial 3-year period, with testing each 6-months for the subsequent 2 years to expiry.
- **3,505,000 Performance Options are held by 37 individuals.**
Performance Options to subscribe for one ordinary share exercisable at \$2.90 on the third anniversary of their issue and up to 5 years from 24 January 2008, being the date of original grant, provided that the TSR Performance hurdle noted above is achieved over an initial 3-year period, with testing each 6-months for the subsequent 2 years to expiry.
- **496,448 Performance Options are held by 39 individuals.**
Performance Options to subscribe for one ordinary share exercisable at \$1.895 on the third anniversary of their issue and up to 5 years from 23 February 2009, being the date of original grant, provided that the TSR Performance hurdle noted above is achieved over an initial 3-year period, with testing each 6-months for the subsequent 2 years to expiry.

(v) *Deferred Shares Incentive Plan*

- **358,500 Retention Shares are held by 95 individuals**
Retention Shares have been issued to a number of the Company's professional staff. The Retention Shares vest over a period of three years, dependent on the continued employment of the employee. Dividends are payable as announced and act as an additional incentive despite the fact that the Retention Shares may have yet to vest.

(b) Statement regarding Shareholders of the Company as at 31 July 2009

Distribution Analysis

Size of Holding	Number of Shareholders
1 - 1,000	3,243
1,001 - 5,000	5,667
5,001 - 10,000	1,904
10,001 - 100,000	1,561
100,001 - and over	<u>136</u>
Total holders	<u>12,511</u>
Holdings less than a marketable parcel	607
Dividend Reinvestment Plan Take-up	<u>18%</u>

Substantial Shareholders (as advised*)	Number of Shares	Percentage (%)
Barclays Group	36,042,799	9.65%

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

List of the Top 20 Shareholders of the Company - Ordinary Shares

Shareholders' Names	Number of Shares	(%)
National Nominees Limited	60,804,582	16.27
HSBC Custody Nominees (Australia) Limited	60,430,449	16.17
JP Morgan Nominees Australia Limited	52,343,485	14.00
ANZ Nominees Limited <Cash Income A/C>	21,241,669	5.68
Citicorp Nominees Pty Limited	14,302,872	3.83
Mr Stephen Craig Jermyn	8,447,260	2.26
Cogent Nominees Pty Limited	7,436,227	1.99
UBS Nominees Pty Ltd	6,426,782	1.72
ANZ Nominees Limited <SL Cash Income A/C>	3,098,935	0.83
Queensland Investment Corporation	3,076,722	0.82
AMP Life Limited	2,787,950	0.75
ANZ Nominees Limited <Income Reinvest Plan A/C>	2,635,797	0.71
Citicorp Nominees Pty Ltd <CFS Future Leaders Fund A/C>	2,618,950	0.70
HSBC Custody Nominees (Australia) Limited – A/C 2	2,315,943	0.62
UBS Wealth Management Australia Nominees Pty Ltd	2,230,474	0.60
Australian Reward Investment Alliance	2,210,804	0.59
Mr Patrick John Hogan	2,000,000	0.54
UCA Growth Fund Limited	2,000,000	0.54
Argo Investments Limited	1,938,624	0.52
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,898,632	0.51
Top 20 Sub-total	260,246,157	69.62