



Moranbah North Coal

MORANBAH MINE REPORT 2005

ANGLO COAL AUSTRALIA

Message from the mine's General Manager

Moranbah produced 3.9 million tonnes of saleable coal in 2005, a welcome improvement after the burying of the longwall disrupted production in 2004.

Our safety performance was pleasing. Better management of injuries led to a twenty-five percent improvement in the Lost Time Injury Frequency Rate (LTIFR) over the previous year. Although an improvement on 2004's performance, the Total Recordable Case Frequency Rate (TRCFR) of 36.2 was below expectations, exceeding the target of 22.1. The initiatives we have in place to prevent recordable injuries will continue in 2006 including an injury management program and the provision of an occupational therapist on site.

After achieving certification to both AS 1840 and ISO 14001 in 2004 Moranbah successfully maintained its certification during 2005 and the people concerned with the maintenance of these systems are to be congratulated. We have identified that particulates emitted from underground diesel equipment are a major health and safety hazard at our mine. In 2006 we intend use alternative fuel mixes to reduce the emissions and focus on using low emission technology to minimise this hazard.

A major focus during the year was the completion of a biodiversity action plan (BAP). During the year all regional ecosystems were included on the GIS system and this information was fed into the Plan. The BAP will be integrated into the environmental management system.

'We increased the size of our workforce by 8.8% this year. We continued our Healthy Lifestyles program to increase the wellbeing of our workforce and their partners and families. 60% of our workforce participated and we achieved some significant health and wellbeing improvements as a collective group. We intend to run the program again in 2006.'

| Key Statistics | | |
|----------------|---|-----------|
| Parameter | Indicator | 2005 |
| Safety | Fatalities | 0 |
| | Lost time injury frequency rate | 5 |
| People | New occupational illnesses | 5 |
| | Average number of employees | 267 |
| | Average number of FTE contractors | 234 |
| Environmental | Water used for primary activities (ML) | 1,216 |
| | Water use efficiency (L/saleable tonne) | 312 |
| | Area remaining disturbed end 2005 (ha) | 537 |
| | Rehabilitated land end 2005 (ha) | 644 |
| | Incidents (level 1) | 15 |
| Community | Complaints (level 1) | 2 |
| | Community cash donations (AUD) | \$140,985 |
| Climate | Energy use (Gj) | 379,091 |
| | CO ₂ equivalent emissions (tonnes) | 1,162,358 |
| Economic | Saleable coal (tonnes) | 3,900,880 |





Low production and longwall recovery in 2004 had a negative impact on our energy efficiency for that year. In 2005 the energy use was similar but the efficiency has improved substantially with the increase in production. We intend to review energy efficiency opportunities in 2006 and implement energy saving strategies in 2007. Our primary water use efficiency improved in 2005, and we succeeded in bettering our target of 315 L/tonne. We have a “Take or Pay” contract in place with SunWater, which works against efficient water use. During 2006 we will be installing water meters to monitor underground water use in specific areas.

Moranbah North used the Anglo American SEAT process to complete an analysis to identify gaps in our community engagement processes. A community engagement plan has been developed after listening to the needs and concerns of our stakeholders and we will implement appropriate programs during 2006 to ensure that we address them. In particular we recognise the concerns that the community have over the long-term sustainability of the towns and communities in which we are a part, and issues the surrounding communities face in being so heavily reliant and populated by the mining industry. This report and Anglo Coal Australia's 2005 Report to Society (available at www.anglocoal.com.au) provide a summary of the way this site and the business manages its responsibilities. Your feedback on any aspect of our performance and reporting is welcome.

Ernest Johnson - General Manager

About the Mine

Moranbah North Coal Mine (Moranbah North), an underground mine, is located 27 kilometres north of the town of Moranbah (population approximately 8,000) and 200 kilometres southwest of Mackay in Central Queensland's Bowen Basin.

Safety

Moranbah North has an Occupational Health and Safety Committee, where members from each of the site's operational areas meet monthly. The mine has identified the major health and safety related hazards on the site including noise exposure, dust, people and vehicle interactions and falls of ground. These hazards are contained within the site risk register and programs initiated to address these issues include: hazard awareness and general competency training; employee and environmental monitoring systems; and, procedure controls.

After obtaining certification to the Australian Standard for Occupational Health and Safety Management System 4801 in late 2004, Moranbah North successfully retained certification following two surveillance audits in 2005.

There were no fatalities, permanent disabling injuries, safety related fines or breaches recorded in 2005.

The LTI performance was pleasing. Better management of injuries and the services of an occupational therapist contributed to Moranbah North recording a LTIFR of 5.0, an improvement against the 2004 result of 8.2. Although an improvement on 2004's performance, the TRCFR of 36.2 was below expectations, exceeding the target of 22.1. This was due in part to the larger number of contractors on site and an increase in sprains and strains while uncovering the buried longwall.

To continuously improve the safety performance at Moranbah North, management has initiated monthly safety themes that have included hazard awareness and manual handling. To emphasise its importance, the theme of the month is raised at all meetings.

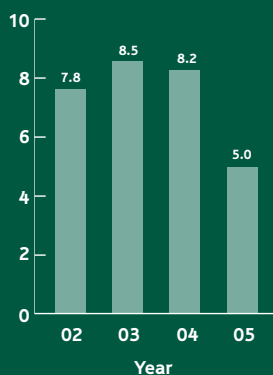
The mine has an emergency response management plan in place and the emergency response team trains monthly. During 2005 a full emergency evacuation from the underground mine was simulated. This valuable exercise identified opportunities for improvement including the need for additional training in self-rescuer use and Compressed Air Breathing Apparatus training for fighting fires.

We have identified that particulates emitted from underground diesel equipment are a major health and safety hazard at the mine site. A plan addressing this issue has been developed. Actions planned for 2006 include:

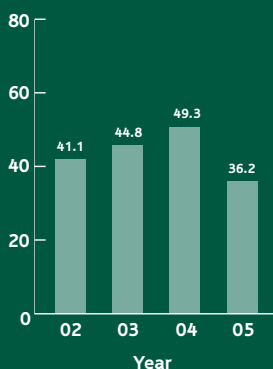
- ▶ The implementation of maintenance procedures and training;
- ▶ A focus on using low emission technology;
- ▶ The modelling of emissions; and
- ▶ The use of alternative fuel mixes to reduce emissions.

The mine will continue to utilise occupational therapists on site and progress the injury management program. The mine also plans to develop safety and safety incident identification management plans based on the Anglo Coal Front Line Leadership behaviour program in 2006.

LTIFR Safety Performance
(per million exposure hours)



TRCFR Safety Performance
(per million exposure hours)



Safety Performance

PER MILLION EXPOSURE HOURS

| | 2005 Target | 2005 Actual | 2006 Target |
|--------------------------------------|-------------|-------------|-------------|
| Lost Time Injury Frequency Rate | 6.8 | 5.0 | 4.8 |
| Total Recordable Case Frequency Rate | 22.1 | 36.2 | 19.2 |



John Wood, Mobile Fleet Diesel Engineer working on a continuous miner.



Danny Ryan, Training and Development Advisor, presenting an induction.

Key Human Resources Data

| | 2004 | 2005 |
|--------------------------------|------|------|
| Number of employees | 260 | 267 |
| Number of contractors | 230 | 234 |
| Number of trainees/apprentices | 9 | 10 |
| Graduate Development program | 10 | 6 |
| Employee turnover % | 22 | 20.7 |



Moranbah North Coal

People

In 2005, Moranbah North employed an average of 267 employees and 234 contractors, a marginal increase of 2%. Moranbah North's staff turnover was 20.7%.

Musculoskeletal disorders are the most common occupational illnesses and five new cases were reported in 2005. Programs on site to reduce significant occupational illnesses include 5 yearly refresher medicals, health screening as part of the Healthy Lifestyles program, access to a professional dietician and a healthy eating education awareness program.

The Healthy Lifestyles program continued as part of the overall strategy to increase the wellbeing of the workforce and their partners and families. Sixty percent of our employees participated in the voluntary program, which includes access to a doctor and physiotherapist. During 2006 it is planned to increase awareness of the program and employee participation numbers.

We communicate with our employees through a range of media including weekly toolbox talks, crew meetings, noticeboards, monthly GM meetings with managers and staff, and a weekly newsletter.

Environment

Moranbah North successfully retained certification of its Environmental Management System to the ISO 14001 standard.

Moranbah North presents inductions with an environmental component and in 2005 also conducted training in Cultural Heritage Awareness and audit standards for Safety, Health, Environment and Community Management Systems.

There were no environmentally related orders, fines or prosecutions imposed on Moranbah North in 2005 and no Level 2 or 3 incidents were reported. The majority of the level 1 incidents recorded were minor diesel spills.

Environmental Incidents

| | 2005 |
|---------|------|
| Level 1 | 15 |
| Level 2 | 0 |
| Level 3 | 0 |



Rachel Mitchell, Graduate Environmental Advisor, at a dust fallout gauge.

Types of Waste

| | 2004 Disposed | 2004 Recycled | 2005 Disposed | 2005 Recycled |
|-------------------------|---------------|---------------|---------------|---------------|
| Hazardous Waste (t) | 10.5 | 26 | 21 | 17 |
| Non-hazardous waste (t) | 294.5 | 129 | 237 | 221 |

Rehabilitation and Land Management >

Being an underground mine, the operation's main land rehabilitation focus is on subsided areas to return them to the pre-mining land use. During the year 201 hectares of subsided land was rehabilitated, 73 ha less than the target of 274 hectares.

Rehabilitation of subsidence related disturbance of a 500 m stretch of the Isaac River bed and banks progressed well. The rehabilitation target for 2006 is 234 hectares.

To control surface disturbance, an Intranet based Permit to Disturb Procedure is utilised. Both surface clearing and excavation requests must be signed off by the environment, surveying, electrical and safety and health departments. In 2006 the mine intends to initiate a study to determine the effect of subsidence on Cultural Heritage scar trees. The study will identify strategies to minimise these impacts.

Biodiversity >

A Biodiversity Action Plan (BAP) was completed in late 2005 with a focus on protecting Endangered Regional Ecosystems from disturbance using the Permit to Disturb system. During the year all mapped regional ecosystems were included in the site GIS system and this information was fed into the Plan. The BAP will be integrated into the environmental management system.

Other biodiversity related initiatives in 2005 included:

- ▶ Participating in a Sustainability Opportunities and Threat Assessment (SOTA) risk assessment in conjunction with ACA's Capcoal mine. This assessment uses risk management techniques to identify and prioritise key sustainability threats and opportunities; and
- ▶ After three seasons, flora and erosion monitoring at 11 reference plots was completed. The monitoring was carried out over both wet and dry seasons and on different soil and vegetation types. The information gathered will be used to develop mine closure parameters and assess rehabilitation performance.

During 2006, workforce awareness of biodiversity values will be included in on-site training programs.

Water > Moranbah North obtains its raw water from Eungella Dam. Water use for primary activities in 2005 was 1,216 ML, an increase on last year due to increased production. The water use efficiency improved to 312 L/tonne and we were successful in meeting our target of 315 L/tonne of saleable coal. The 850ML "Take or Pay" water supply contract, whereby Moranbah North is obliged to take its full allocation of water whether it is required or not, works against efficient water use.

During 2005 water management on site focused on:

- ▶ Improving the mine water balance model;
- ▶ Optimising the transfer of water around the site; and
- ▶ Reducing the likelihood of flood related discharge from the production dam.

Moranbah North is contributing to ACARP's Northern Bowen Basin Water and Salt Management Practices project. This project will document current mine water management practices and expand the 'best practice' knowledge base throughout the Basin.

During 2006 the mine intends to maintain optimum water levels in the production dam to reduce the likelihood of unplanned discharge. Planning and design for the construction of a new water storage dam will also be undertaken and water meters will be installed to monitor underground water use in specific areas.

Other Emissions > Moranbah North is required to report to the National Pollutant Inventory, Australia's national database of pollutant emissions. To obtain further detail on Moranbah North's emissions during 2004/05 please refer to <http://www.npi.gov.au>.

Waste > Waste contractors are used to manage both general and hazardous waste and to sort waste streams for recycling, reuse, refurbishment or disposal. Regulated waste, such as waste oil, is removed by a licenced contractor for off-site disposal. The transfer of waste was identified during the annual risk register review as the biggest environmental risk faced by the operation. Moranbah North intends engaging a contractor to seek ways to minimise the amount of waste being transported offsite to reduce the risk. Forty-six percent of the total non-mineral waste generated on site was recycled. The majority of this was scrap metal.

Below: Rachel Mitchell, Graduate Environmental Advisor, inspecting subsidence rehabilitation trials.

Bottom: A lined water storage pond.





Above: Members of the Moranbah North Coal Mine Community Liaison Forum inspecting the Isaac River subsidence rehabilitation.

Below: Helen Ford, Executive Assistant to the General Manager (left), with Meaghan Smith, Human Resources Officer, discussing people issues.

Community

Moranbah's local stakeholders include:

- ▶ The mine workforce (employees and full-time contractors) and their families;
- ▶ Regular contractors and service providers;
- ▶ Near neighbours/adjacent landholders;
- ▶ Aboriginal traditional owners;
- ▶ Belyando Shire Council and the Moranbah community;
- ▶ Customers and suppliers; and
- ▶ Regulators.

Moranbah initiated a bi-annual Moranbah North Coal Mine Community Liaison Forum providing an opportunity for mine management to detail current and future initiatives, and for stakeholders to provide feed back. Apart from mine personnel, forum members include local government and regulator representatives and local landholders. Minutes of meetings are kept and provided to members.

Under the auspices of the Anglo American Socio Economic Assessment Toolbox (SEAT), Moranbah North prepared a gap analysis to identify and prioritise the key social impacts that need to be addressed by the company and provide information for input into a Community Engagement Plan (CEP).

The gap analysis identified a number of issues including:

- ▶ A positive influence on employment and income in the district;
- ▶ An improvement in the development of local skills leading from the mine's range of training opportunities and graduate and apprentice programs; and
- ▶ A lack of housing due to the high level of coal related activity in the area.

An internal community/stakeholder survey was undertaken in mid 2005 to assist in the development of the CEP. A key message from the survey was the desire for more regular and pro-active communication with the mine. Other key issues identified in the survey were the desire for training, education and employment of local youth and increased efforts to diversify industry in Moranbah to promote less reliance on mining, particularly as mines move towards closing.

Moranbah North also initiated an external survey of a sample of the Moranbah community and other surrounding mining communities to provide an understanding of general community sentiments on key issues facing Moranbah. Moranbah residents were found to be more supportive of the mining industry than occupants of other centers but are concerned about the lack of water and the lack of quantity, quality and increasing cost of housing.

Two level one complaints were recorded during the year about a local grazier's gates being left open. The issues were investigated and the complainants contacted and advised of the outcome.



Climate

Low production and longwall recovery in 2004 had a negative impact on the mine's energy efficiency for the year. The energy use was similar in 2005 but the efficiency has improved threefold due to increased coal production.

A review to determine energy efficiency opportunities will be undertaken in 2006 and recommended strategies will be actioned in 2007 and beyond. Energy monitoring devices will be installed to assist in the review.

Anglo Coal Australia is a signatory to the Greenhouse Challenge Plus initiative and annually reports greenhouse gas emissions and progress with minimisation initiatives. After discussions with the Queensland Department of Natural Resources and Mines, Moranbah North began flaring methane at the end of June 2005. The operation also reached an agreement with a coalbed methane company to capture the gas and this will commence in January 2006.

Improved monitoring and measurement of methane emissions has led to an 84% increase in greenhouse gas equivalent emissions since 2004. Notwithstanding this increase, the greenhouse efficiency improved over the year because of the increased coal production.

| | 2003 | 2004 | 2005 |
|---|---------|---------|---------|
| Energy use (GJ) | 361,339 | 380,460 | 379,091 |
| Energy efficiency (GJ/t saleable coal) | 0.101 | 0.306 | 0.097 |
| Greenhouse gas emissions (kt CO ₂ -e) | 269 | 630 | 1,162 |
| Greenhouse gas efficiency (t CO ₂ e/t saleable coal) | 0.075 | 0.507 | 0.298 |
| Methane (tonnes) | 8,234 | 25,771 | 50,497 |



Above: Moranbah North coal stockpiles.



This Sustainability Report covers the period of 1 January to 31 December 2005. Further details on the content of this report can be obtained by contacting Leslie Merton on 07 4968 8633 (email: leslie.merton@anglocoal.com.au). This report, its links to web-based supplementary material and an electronic feedback form can be viewed on <http://www.anglocoal.com.au>