ANGLO COAL AUSTRALIA

TOWARDS SUSTAINABILITY 2004

ANGLO COAL

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About our report

Anglo Coal Australia's (ACA) 2004 annual Sustainability Report for the period from 1 January to 31 December covers all of the resource operations in Australia managed by ACA. Safety, Health Environment and Community (SHEC) Reports have been prepared for each mine site and for project development activities. These reports are supported by web-based supplementary material which provides detailed information on highlighted topics from the reports. This is the first Sustainability Report produced by ACA, following on from the SHEC Report produced in 2003 and previous years.

This report is prepared for our stakeholders including employees, local communities, business partners, contractors, customers and suppliers, as well as for relevant government and industry bodies.

ACA's reporting is in accordance with the guidelines established by the Global Reporting Initiative (GRI) as they apply to Anglo Coal Australia's operations. GRI item indicators are located on each page.

In previous years, scoring for the Australian Minerals Industry Code for Environmental Management has been reported. This year, the Minerals Council of Australia has changed its reporting requirements and has adopted a number of GRI elements.

ACA's reporting is evolving according to developments in the international guidelines for reporting and the introduction of the GRI mining supplement. The data collection necessary for reporting new GRI mining supplement indicators will be planned and implemented progressively.

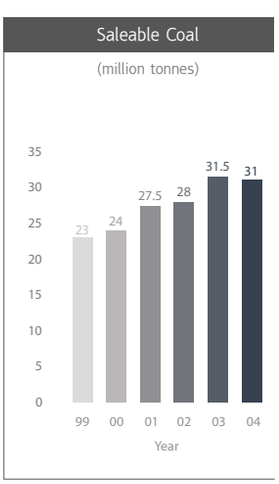
To assist accuracy, transparency and credibility, the data in the reports has been independently audited by KPMG. A verification statement is located on page 26.

Feedback on the reports is welcomed. A feedback form is located at the back of the report and should be returned to Mitch Jakeman, General Manager SHEC, 07 3834 1353, email mitch.jakeman@anglocoal.com.au. Further information about our sustainability efforts can also be obtained from Mitch Jakeman.

Gary Pawley (left) and Paul McCormack at the Coal Treatment plant at Drayton

Chief Executive Officer's report

Anglo Coal Australia Chief Executive Officer, Eric Ford



ACA's total coal sales for 2004 were 31.1 million tonnes, about 1.2% less than 2003. This reduction was primarily due to a eight to nine month stoppage in production at Moranbah North mine from January to July caused by a collapse of strata around the longwall underground mining areas.

The company's overall safety performance showed a pleasing improvement and the total recordable case frequency rate (TRCFR) of 21.4 was the lowest rate ever recorded by ACA. The lost time injury frequency rate (LTIFR) of 5.2 was better than the 2003 result of 6.4 lost time injuries per million exposure hours. Whilst it is pleasing to show improvements in both of these measures, it should be noted that we did not achieve our targets due to a high number of safety incidents occurring over a four month period.

A fatality occurred in May when Mr Jim Adams Jnr, a contract underground miner, died whilst working underground at the Kayuga Mine Project. Our sympathies are extended to his family, friends and colleagues. An investigation of this incident is being conducted by the New South Wales Department of Mineral Resources Incident Investigation Unit. This investigation has not yet been finalised.

This tragic accident has underlined the importance of our vigilance in managing the safety of all of the workers at our operations. We reinforce our commitment to implementing the best risk assessment and management systems to prevent accidents and by regularly training our people to think safely and work safely.

A significant achievement for ACA was completion of certification to AS 4801 for safety and occupational health and ISO 14001 for the environmental standard at all sites by November 2004. Anglo Coal Australia now has a fully implemented, comprehensive and accredited Safety, Health, Environment and Community Management System.

Each mine participated in the implementation of the Anglo American Socio-Economic Assessment Toolbox (SEAT) process during the year. While every mine has been an active participant in its local community for many years, the SEAT process will provide us with a long term strategy, built on partnerships with our local communities to deliver more sustainable locally focussed post-mining benefits. Further work will be undertaken to implement SEAT at all sites during 2005.

An important long-term environmental initiative was the establishment of the Willawa Nature Refuge at Theodore. The 187 hectare Nature Refuge area was declared for the region and Queensland, to protect significant conservation values, establish a monitoring program and protect the flora and fauna on this parcel of land. This initiative represents a lasting obligation to conservation of biodiversity and it is likely that further nature refuges will be established at our sites.

During 2005, ACA expects to renew its participation in the Greenhouse Challenge, an Australian Government initiative aimed at reducing greenhouse gases.

Voluntarily signing up for the Greenhouse Challenge will provide an impetus for us to develop strategies and action plans for improving our performance reducing our CO_2 emissions. One of the main actions already identified as reducing greenhouse emissions will be the capture and utilitisation of methane in coal.

The new Dawson mine (incorporating Moura) is currently one of the largest coal seam gas operations in regional Queensland, producing 15 terajoules per day and increasing to 18 terajoules per day in the next year. In 2006 Capcoal will begin using coal seam methane for onsite electricity production.

ACA's purchase in September 2004 of Australian Power and Energy Ltd (renamed Monash Energy), which is a potential new energy source in the Latrobe Valley provides us with an opportunity to develop and demonstrate a coal business with sustainable outcomes using a range of new clean technologies. This project aims to find a way to unlock a large deposit of energy and turn it into a useable fuel source without emitting large quantities of greenhouse gases into the atmosphere. The plant would turn brown coal into syngas and liquid fuel, and would include geological sequestration technologies to contain greenhouse gas emissions. In addition, electricity will be produced from excess heat and gas from the manufacturing process.

This year our reporting has been linked with Anglo Coal's operations in South Africa and South America, to convey our combined regional performance to our global stakeholders. It is in accordance with 2002 GRI Guidelines and represents a balanced reasonable presentation of our economic, environmental and social performance. As always your views on our conduct and performance shape the way we lead our operations and we welcome your feedback on our efforts in 2004.

Eric Ford
Chief Executive Officer

About Anglo Coal Australia

Anglo American is one of the world's largest mining and natural resource groups. With its subsidiaries, joint ventures and associates, it is a global leader in gold, platinum group metals and diamonds, with significant interests in coal, base and ferrous metals, industrial minerals and forest products. The group is geographically diverse, with operations in Africa, Europe, North and South America, Australia and Asia.

Anglo Coal is a wholly owned subsidiary of Anglo American plc (Anglo American) and is one of the largest private sector coal producers in the world with mining operations in South Africa, Australia, Colombia, Venezuela and an office in China. The Australian coal operations are managed by Anglo Coal Australia Pty Ltd (Anglo Coal Australia or ACApl), an Australian proprietary company.

ACA does not produce public financial statements or report to the Australian Stock Exchange. However, comprehensive information about the financial performance of Anglo American and its subsidiaries is available in reports on its web site, www.angloamerican.co.uk/.

ACA operates coal mines at six sites in Queensland and New South Wales, produces coal seam gas from one mine and is planning five further coal mine projects. During 2004, the Kayuga Project was integrated into Dartbrook Mine and the Grasstree Project was integrated into the Capcoal operations.

Capcoal Mine includes the Grasstree Mine and the Lake Lindsay Project

Dawson Mine includes the Theodore and Dawson North Projects

Dartbook Mine includes the Kayuga Project

Mine	Type of mining	Ownership	2004 Mt sold	Coal use
Callide	Open cut	100%	9.34	Thermal coal for domestic power production.
Dartbrook and Kayuga Project*	Underground	78%	2.93	Thermal coal exported for power generation and industrial use. Low sulphur bituminous coal.
Dawson	Open cut	51%	7.02	Thermal and coking coal for export.
Drayton*	Open cut	88%	4.85	Thermal coal for domestic and export markets.
Capcoal and Grasstree Project*	Open cut and underground	70%	5.78	Premium hard coking coal for export steel markets. Hard coking coal for export markets.
Moranbah North*	Underground	88%	1.24	Premium hard coking coal for export.
Moura Seamgas				Commercial coal seam gas.
Total			**31.16**	

Project	Coal use
Dawson Project	Export thermal and coking coal.
Grosvenor Project (adjacent to Moranbah North)	Hard coking coal for export.
Lake Lindsay Project (adjacent to Capcoal)	Coking coal for export and thermal coal.
Moranbah South	Export coking coal.
Saddlers Creek Project (adjacent to Drayton)	Thermal and coking coal.

*Coal processing plant at site

Sustainability and Anglo Coal Australia

ACA utilises the Brundtland definition of sustainability which is the one that has gained most international acceptance. This definition of sustainability is "meeting the needs of current generations, without compromising the ability of future generations to meet their own needs."

ACA's commitment to sustainability was demonstrated in 2004 through the following actions:

Social performance

- Investment in social capital including skills development and training;
- Participating in community initiatives; and
- Preservation of indigenous cultures.

Economic performance

- Providing direct employment for 2,382 employees and 1,197 contractors.
- Paying $275 million in taxes.
- Spending $881 million on buying goods and services.
- Contributing to Australia's export economy.

Environmental performance

- Reducing the fugitive gas emissions by investing in technology to utilise methane as a fuel source;
- Rehabilitation of the natural environment, with 1768.7 hectares completed;
- Identifying opportunities to protect and promote biodiversity; and
- Capturing much of the methane from extensive drilling programs to reduce Greenhouse Gas Emissions.

Governance

ACA has a SHEC Committee with members drawn from the executive committee whose brief is to:

- Drive SHEC leadership and commitment across the business and increase senior management focus on SHEC issues;
- Provide a high level review forum for SHEC incidents and initiatives and ratify SHEC standards and policies; and
- Provide a governance support role on SHEC matters.

This committee comprises the Chief Executive Officer, the General Counsel, the General Manager Open Cut Operations, the General Manager Underground Operations, the General Manager SHECTRA, General Managers from each mine, the Executive Officer Growth and Business Strategy, the General Manager Projects, the General Manager Human Resources, the Safety and Health Coordinator, the Environmental Coordinator and the Sustainable Development Manager.

In accordance with company policy, the executives responsible for regional operations annually submit a Safety, Health and Environment Letter of Assurance to the Chief Executive Officer of Anglo Coal. This submission reviews the effectiveness of risk management procedures and the extent of operational compliance with legal requirements, internal company policies and management principles.

Managing and reporting for a sustainable future

2001
- SHEC report published
- Baselines established for environmental performance and occupational health

2002
- Commitment to Anglo American Good Citizenship Business Principles
- SHEC report published

2003
- Divisional management systems consistent with ISO 14001 and AS 4801
- Trials of SEAT
- SHEC report published

2004
- Increased emphasis on public Sustainability Reporting
- All operations certified to ISO 14001 and AS4801
- Adoption of Enduring Value – the Australian Minerals Industry Framework for Sustainable Development

2005
- Increasing integration of economic, social and environmental reporting
- Progressive inclusion of GRI Mining and Metals supplement elements
- SEAT Action Plans formulated
- Biodiversity Action Plans developed

2006
- Reporting on GRI Mining and Metals supplement elements
- SEAT Plans implemented
- Biodiversity Action Plans integrated into management systems
- Extensive environmental greenhouse gas projects developed

Economic indicators

	2004	% Change from 2003	2003	2002
Turnover $million	1,092	.45% ▼	1, 097	1337
Cost of goods, materials and services $million	646	21.6% ▲	531	795
Total labour costs $million	251	15.1% ▲	218	199
Total employees	2,382	12.7% ▲	2114	2000
Net taxes paid $million	275	1.1% ▲	272	246
Subsidies received $million	32	52.4% ▲	21	21
Exploration expenditure $million	15	36.4% ▲	11	12
Donations $million	.610	19.6% ▲	.510	.450

Other economic indicators

	2004
Cash payments to suppliers $million	876.8
Percentage of contracts paid in accordance with agreed terms	90%
Distribution to providers of capital $million	227.5
Decrease in retained earnings $million	119.6

2004 Highlights

- Certification to environment, safety and health systems ISO 14001 and AS 4801.
- Introduction of workplace health and fitness programs.
- Increase in production and use of coal seam methane.
- Establishment of the Willawa Nature Refuge at Theodore by Dawson.
- Integration of new Kayuga and Grasstree projects into Dartbrook and Capcoal mines respectively.

Capcoal mine - new Oak Park open cut operations

Local, national and international purchasing

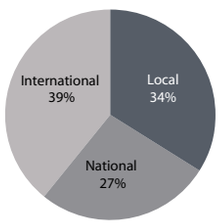
Information on the suppliers of both contractors and materials was used to prepare these graphs.

These selected suppliers were then referenced in the supplier data base to determine their mailing address.

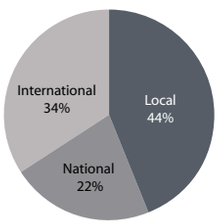
The classification of local, national and international supplier was then arrived at using the philosophy that "local" referred to suppliers in the local area, region or state, "national" referred to suppliers with origins in other states within Australia and "international" referred to suppliers with origins outside Australia.

Dartbrook

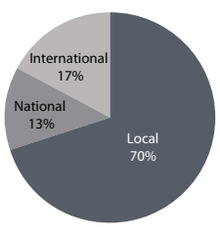
Callide



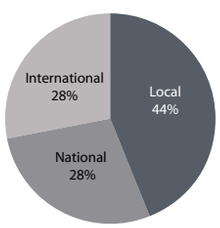
Capcoal



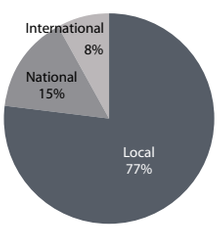
Drayton



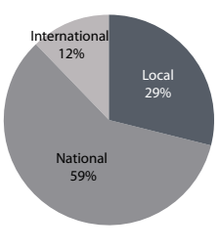
Moranbah



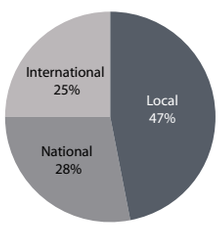
Dawson



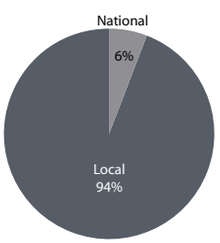
Kayuga



Grasstree



Dawson Project



Safety and health

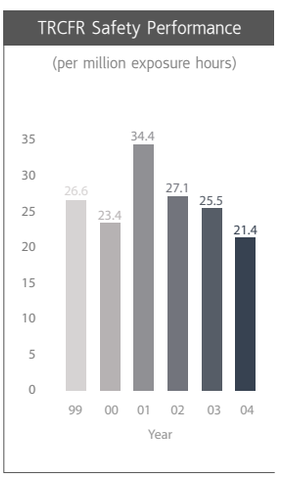
Drayton employees Peter O'Brien, Ross Bailey and Richard McCallum at mines rescue training

2004 Target	Progress on 2004 target
We will implement a more systematic approach to SHEC data management.	SiteSafe data management system is used at each site.
By the end of 2004, all sites will have increased their use of the SiteSafe SHEC management database, which allows standardisation of analysis functions and reporting tools.	SiteSafe is now fully implemented at each site.
By the end of 2004, all of our sites will be operating under Occupational Health and Safety Management Systems certified to AS 4801. These systems will improve our management control of safety, health and environmental risks.	All Anglo Coal Australia sites had achieved certification to AS 4801 by November 2004.

Performance indicator

Safety performance (per million exposure hours)	2003 Result	2004 Target	2004 Result	2005 Target
Fatalities	1	0	1	0
Total Recordable Case Frequency Rate (TRCFR)	25.5	13.0	21.4	12.0
Lost Time Injury Frequency Rate (LTIFR)	6.4	3.3	5.2	4.0

Occupational illness resulting in lost time or permanent partial disability is classified as a reportable incident.



The 2004 results for TRCFR and LTIFR were an improvement over the 2003 results and the TRCFR of 21.4 was the lowest rate ever recorded by ACA. There were no fines incurred in 2004.

Unfortunately, despite the overall improvement in safety performance, a contractor was fatally injured in 2004. Mr Jim Adams Jnr, a contract underground miner died while working underground at the Kayuga Project on 28 May 2004. An investigation of the incident is being conducted by the New South Wales Department of Mineral Resources Incident Investigation Unit. This investigation has not yet been finalised.

An important initiative for continual improvement and a major milestone in health and safety management was achieved in 2004, with all sites achieving certification to the Australian Standard for Occupational Health and Safety Management Systems, AS 4801.

The process of implementation and certification to the safety standards has embedded a rigour and discipline in establishing and ensuring compliance with procedures, monitoring, controlling and taking corrective actions. The process of developing site risk registers has allowed for improved identification of hazards, the analysis of associated risks and the implementation of appropriate controls.

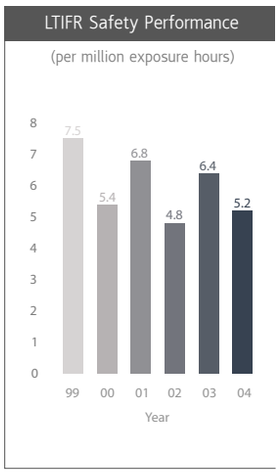
The implementation of the SiteSafe data management system was completed, and during 2005, use of the system will be increased to improve the rigour of analysis and reporting.

A new initiative for 2004 was the monthly 'significant incident' video conference which provides a forum for managers, supervisors and other personnel from all ACA sites to review high potential and actual incidents, and in turn, share operating experiences.

Each ACA site runs safety training and incident prevention initiatives which address the specific needs of its employees. All sites have safety committees which involve extensive consultation with all employees and contactors.

This year at Dartbrook mine, all employees and contractors participated in ZIP, a Zero Incident Program, aimed at empowering employees to understand their own behaviour towards safety. Safe Day Boards, with green, red and orange markers were also introduced at Dartbrook to emphasise actions which were done well.

At Dawson, a Major Hazard Facility Safety Case Study was completed during the year for the Seamgas operation, based on the Fault Tree methodology. They also utilised a "Step Back – Take 5" program which focuses on awareness and identification of risks.



In 2004, many sites introduced workplace programs designed to improve employee health and fitness through lifestyle improvements. The programs are run under a range of names at different sites including the Working Bodies Program at Callide, the DrayTonne Challenge at Drayton and Corporate Bodies at Dawson Central.

Some of the early results from the program include reports of weight loss, body fat loss and increased exercise levels. It is anticipated that the increased fitness levels will assist in a reduction of musculoskeletal injuries and general health conditions.

In 2004, a project commenced to develop a Safety Health and Environment Plan for the farming and agricultural land managed by ACA. This proactive rural training initiative fulfils a community responsibility and will ensure consistent training in safety, health and environment standards occurs on all ACA rural properties.

The project involves:

- developing and maintaining a safety, health and environment plan for each property;
- developing and implementing training for all licensees, their contractors and employees working on properties; and
- ensuring that property management planning is consistent with Anglo Coal Australia's environmental standards.

In 2005, a program of behaviour based auditing will start at all sites and a major occupational health program will continue.

2005 Target
Eliminate all safety and health incidents greater than 2 on the Incident Potential Matrix.
Ensure that all sites maintain certification to the AS 4801 occupational health and safety standard.
Achieve a consolidated LTIFR of 4.0 per million hours worked and TRCFR of 12.0 per million hours worked.
Report and analyse all "high potential incidents".

Compressed Air Breathing Apparatus training at Dartbrook

Investing in our people

Anglo Coal Australia workforce:

As at 31 December	2003	2004
Number of Employees	2114	2382
Number of Contractors	831	1177
Number of Trainees and Apprentices	59	101
Graduate Development Programs	31	67
Employee Turnover %	9.4	9.8
Number of Vacation Employees	47	37
Number of Scholarships Awarded	24	39
Scholarship Value	$127,000	$215,000

Tracey Messer (Environment graduate) Martin Ross (Mining Engineering graduate) and Hayley Pyne (Safety and Health and Human Resources graduate)

Employee numbers increased by 12.7% in 2004, to 2382 people, reflecting the increased business expansion occurring at most sites. Total labour turnover for 2004 was 9.8%. Employee relations in ACA sites are managed directly with the workforce at the enterprise level.

ACA employs its people according to a range of industrial relations legislation, awards and agreements and in keeping with International Labour Organisation principles of decent work and the UN-UK Voluntary Principles on Security and Human Rights. Many rights of employees on issues such as freedom of association, discrimination, equal opportunity employment, child labour and forced labour are protected within the Australian legal system.

Training and development

ACA's commitment to training in 2004 was approximately $30 million, representing 12.6% of employment costs.

A major business transformation initiative entitled People•Performance•Growth was started in 2004. This initiative involves major development of the ACA Leadership team, streamlining of organisational structures and systems, further work on the definition of roles and accountabilities, optimising business performance to deliver agreed business strategies and an increased capacity to manage and influence the external environment.

To date, some 92 employees who report directly to the Leadership team have been surveyed, to assess what our culture is and the areas for improvement across the business.

Two teams from Australia, consisting of 5 people each, participated in the Anglo Management Development program and two senior managers participated in the Anglo Executive Development Program.

ACA operates a three year Graduate Development Program for university graduates in Mining Engineering, Minerals Process Engineering, Chemical Engineering, Mechanical and Electrical Engineering, Environmental Science, Geology and Earth Science, Commerce, Accounting, Human Resources and Occupational Health and Safety.

During the three year program, graduates can expect to undertake two different placements, at either an open cut mine, an underground mine or in the corporate office. In 2004, 65 people were employed on the Graduate Development Program.

This represents an increase of over 110% from previous years and reflects the importance of our professional development program for the business.

ACA also provides scholarships for secondary and university students to study recognised courses relevant to the mining industry. In 2004, 39 scholarships were offered with the students receiving $5,000 per annum over the course of their studies (for a maximum 4 years) while undertaking at least one vacation work placement at a mining operation.

Workplace policies and practices

ACA has in place anti-discrimination policies and grievance procedures that are initiated in the event of any complaints. These are underpinned by a strong state and federal regime of legislation which relates to all forms of discrimination. As well as strict adherence to these laws and its own policies, ACA also has in place policies and practices which encourage employment and study opportunities for workers from disadvantaged backgrounds.

In addition to the Anglo American Good Citizenship Business Principles and state and federal legislation, ACA has a Freedom of Association policy that regulates our approach to this matter.

In 2004 the Employee Code of Conduct, which clarifies the behaviour expected from every employee, was updated. To support the core elements of transparency and accountability, a Speakup program was introduced. It provides an anonymous external mechanism for employees to report any breaches of the ACA standards of behaviour or any unethical business dealings.

The Speakup program rollout to employees was part of a general Corporate Governance Awareness program that also included a presentation on the Anglo Coal Australia Code of Conduct (which was reviewed and revised during 2004) and the Anglo Good Citizenship Business Principles.

In 2004, the Speakup process was used to report two issues.

Dartbrook longwall employees Denis Bianco (left) and Paul Adams

Stakeholders

Contractor Andrew Abell conducting maintenance work at Callide Mine

ACA's stakeholders are those groups and individuals who have an interest in the activities of the company's operations. This section aims to highlight the major stakeholders identified by ACA and provides a summary of their major issues. Engagement with stakeholders, specifically the type of engagement and frequency of interactions, varies according to the nature of the relationship and the issues involved.

Communities

Formal and informal consultation activities are held with the communities impacted by mining operations. Further information about community programs is located on page 14.

Group	Key areas of concern expressed by local communities
Biloela Middlemount Moranbah Moura Muswellbrook Aberdeen	Impacts of mining operations (eg dust, noise from blasting) Impact on local and regional economy Long term continuation of operations Water usage Regional services Specific local issues such as accommodation

Indigenous groups

ACA has established Cultural Heritage Investigation Management Agreements (CHIMA) with some indigenous groups. These agreements provide a mechanism for carrying out cultural heritage surveys and the management or protection of significant areas.

Group	Areas of interest
Barada Barna Kabalbara Yetimarla people Wiri people Wonnarua Communities Palmtree Wuturu Gangulu	Cultural Heritage Native title Local employment

Workforce

2,382 direct employees and 1,177 contractors are employed by ACA. Further information about employees and employee programs is detailed on page 10.

Group	Areas of interest
Employees Contractors Trade unions Trainees Graduates Vacation students Apprentices	Safety and health Shortages of skilled people Ageing workforce Regional services Difficulty attracting young people to mining industry

Non government and industry organisations

ACA is a member of the Australia-Southern Africa Business Council, Australia-Japan Business Council, and the Central Queensland Regional Partnership Forum. It is also a member, through Anglo Coal and Anglo American, of the World Coal Institute, the International Energy Agency and the International Council on Mining and Metals.

A number of international non-government organisations are also stakeholders of ACA and Anglo American.

Group	Areas of interest
Minerals Council of Australia Queensland Resources Council NSW Minerals Council Sustainable Minerals Institute Australian Conservation Foundation Queensland Conservation Council Australian Coal Association	Employee and safety issues Water use Sustainability of mining Greenhouse gas emissions Protection of biodiversity Cleaner coal technology

Anglo American shareholders

Anglo American shareholders receive a broad range of investor communications to keep them informed of the financial and non-financial performance of the company.

Group	Areas of interest
Shareholders Providers of capital	Commodity prices Shareholder returns Investment risks Investment confidence Future growth Corporate reputation

Government

ACA interacts with a broad range of Government agencies through the course of its regular activities. ACA does not make any donations to political parties, either at a State or Federal level.

Agency	Areas of interest
Queensland Department of Natural Resources and Mines	Legislative and regulatory compliance
Queensland Environmental Protection Agency (including Queensland National Parks and Wildlife Service)	Mine safety
New South Wales Department of Mineral Resources (including the New South Wales Environmental Protection Authority)	Greenhouse gases
Commonwealth Department of Environment and Heritage	Local development
New South Wales Department of Infrastructure Planning and Natural Resources	Water use
Sunwater	Infrastructure requirements
Queensland Rail and NSW Railcorp	Employment
Local and regional councils	Future of mining
	Local facilities and infrastructure
	Emissions to atmosphere
	Biodiversity

Apprentices from Drayton Ben Garland (left) and Matt Russell

Partners, suppliers and customers

ACA operates many of its mines with joint venture partners. Customers include domestic power generators, industrial markets and steel producers.

Group	Areas of interest
SsangYong Resources Pty Limited	Reliability of supply
Mitsui Drayton Investment Pty Ltd	Quality of coal
Mitsui Mining Australia Pty Ltd	Commodity prices
Mitsui German Creek Investments Pty Ltd	Payment terms
Mitsui Moura Investment Pty Ltd	Investment risk
Hyundai Australia Pty Limited	Investment confidence
Daesung Australia Pty Limited	
Kokan Kogyo (Australia) Pty Ltd	
Shinsho Australia Pty Ltd	
NS Resources Australia Pty Ltd	
Nippon Steel Australia Pty Ltd	
Marubeni Coal Pty Ltd	

Community engagement and support

2004 Target	Progress on 2004 target
During 2004, operations will develop formal site community relations plans including measurable objectives, strategies and targets. All sites will report on the progress and milestones reached in community partnerships using the Socio-Economic Assessment Toolbox (SEAT).	SEAT implementation review completed at all mine sites.

Local farmer Geoff Walsh and Martin Aicken from Dartbrook

Community consultation

ACA aims to contribute to the communities near its operations. This is done by consulting and engaging with local stakeholders and implementing agreed actions that benefit the communities. All operations have formal and informal interactions with their stakeholders. On average, formal Community Consultative Committees meet quarterly to discuss community concerns and operational initiatives. Other interactions include community open days for neighbours, participation in local agricultural shows and school group tours of the mine. Mine management is often actively involved with local Chambers of Commerce and Development Associations.

In 2004, all Australian sites participated in the implementation of the Socio Economic Assessment Toolbox (SEAT).

This toolbox provides structured tools for reviewing the mine's role and impact on local and regional stakeholders and economies. It aims to identify opportunities for communities to develop and provide lasting benefits to the areas where Anglo Coal operates.

One of the main advantages of SEAT is that it provides an analytical framework to assist operations to assess their overall sustainability, balancing the extraction of natural resources with an enhancement of social and human capital.

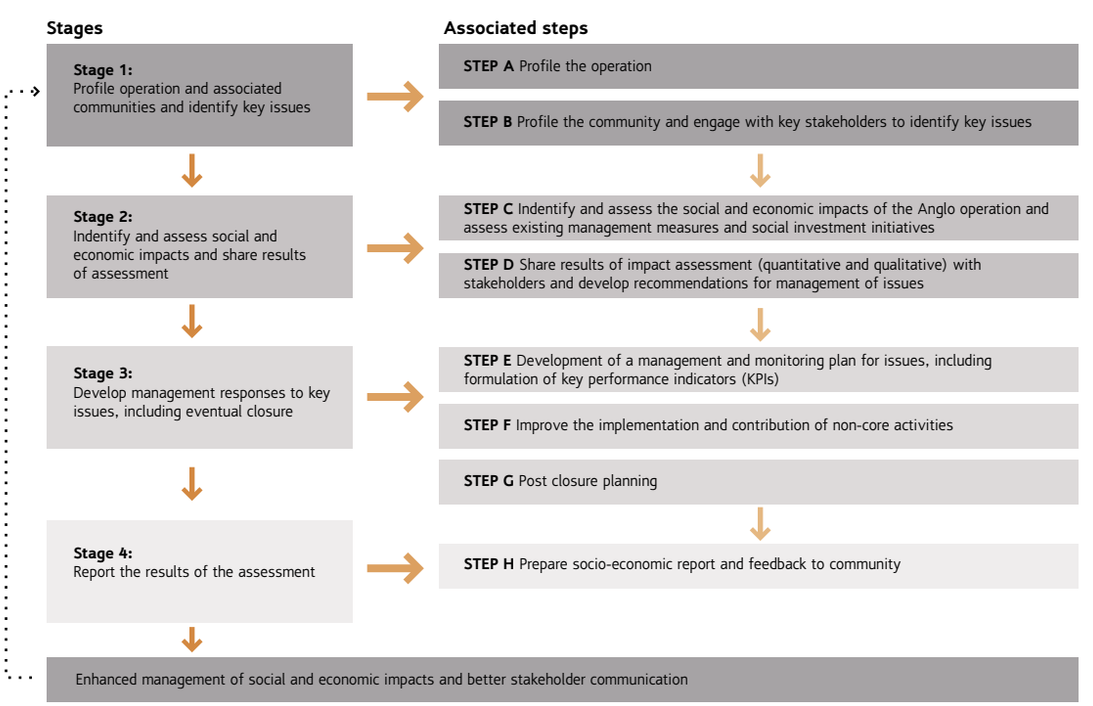
SEAT will continue to be used by sites to develop prioritised community development programs and in 2005 action plans will be developed to implement these.

This year, ACA's Drayton operation collaborated with the University of Queensland's Centre for Social Responsibility in Mining (CSRM) in a project to improve processes used to monitor and manage the impacts of its activities on the local community. This project will be continued in 2005. (See Case Study on Page 25.)

Indigenous programs

ACA respects the traditions and cultures of Aboriginal people and seeks to work in partnership and close cooperation in a relationship of mutual respect, understanding and trust. A policy on Aboriginal Relations guides our relationships with indigenous groups.

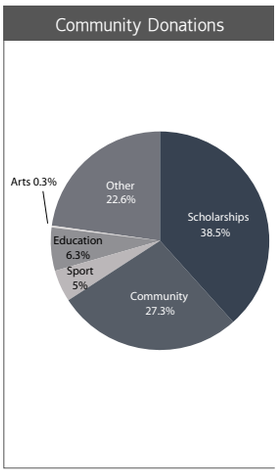
Key stages and steps in the SEAT process



Formal Cultural Heritage Investigation Management Agreements, providing a mechanism for carrying out cultural heritage surveys and how issues arising from the surveys are to be managed, are in place at Callide, Capcoal and Moranbah North mines.

At Drayton, indigenous field studies in a new development area, were commenced by the Wonnarua communities in 2003 and continued during 2004.

A program of 'Hearth' experiments was conducted in the Drayton buffer zone during 2004. The experiments objective was to recreate the traditional Aboriginal 'hearth' fireplaces so as to identify the shape of the buried hearth in future archaeological investigations.



Community donations

ACA provides donations and sponsorships at a company level as well as from the mines to their local community. In 2004, over $600,000 was donated to various organisations, almost 20% more than in 2003.

The largest single contribution is given to the Queensland Community Foundation (QCF) which is a public charitable trust set up to serve the state's communities by providing a permanent funding source for charity. QCF is a collection of endowed funds which are invested in perpetuity and the income is distributed to charitable causes. ACA's donation meets the fund's administrative costs ensuring that 100% of all other funding given through donations and bequests is used where it is most needed.

ACA also assists the children's cancer group, Camp Quality, by funding its Central Queensland coordinator and by providing access to the employees at the mines to assist with fundraising.

Late in 2004, the Asian tsunami caused widespread devastation. ACA's employees voluntarily donated funds to assist in the relief efforts and the company matched their personal goodwill with an equivalent corporate donation, raising a total of $105,000 for the disaster management program.

ACA actively participates and invests in its local communities to provide long term development. To date, the donations have aimed to improve the quality of facilities and lifestyle. Donations and sponsorships from ACA's mines for the year totalled $237,000. This money has been provided to a range of local groups, clubs, sports and schools.

Dust suppression at Capcoal

Community complaints

A total of 122 Level 1 complaints from members of the community were recorded relating to issues such as dust, noise and blasting. All complaints were investigated and the complainant informed about the actions taken to resolve the issue. No Level 2 or Level 3 complaints were received.

Where defined, dust issues were the most common complaints received, particularly because rainfall was lower than average in Queensland and New South Wales during 2004.

In 2004, Dartbrook trialled a dust suppression agent made from calcium lignosulphates. This product is a natural polymer which causes dust particles to bind to each other. It was sprayed on the dry evaporation ponds to act as a sealant to minimise dust. Continuing usage of this polymer will depend on the success of the trials.

At Dawson Central, a water filtration and dust suppression system was commissioned at a dump station to reduce dust emissions.

All dust emissions were within Environmental Protection Agency Guidelines and there have been no exceedances.

Community impacts

The development of a mining operation is a significant undertaking which has the potential, in certain situations, to impact upon the communities in which it will be located. Where impacts arise, the existing landowners and surrounding households may need to be relocated away from the mining lease, or compensated for this impact. In 2004, none of ACA's mining operations or projects required relocation of landowners and households, or the payment of compensation. No local trust funds or community foundations were established or used.

2005 Target

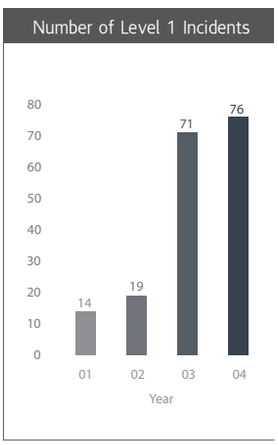
All sites are to use the Socio-Economic Assessment Tool for assessing, developing and improving areas around community relationships.

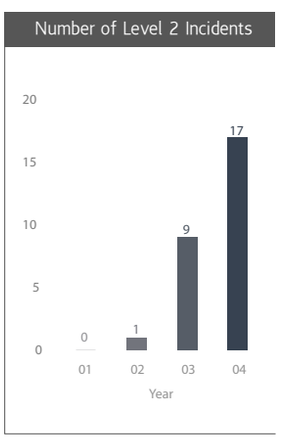
Sites are to develop and maintain formal site Community Relations Plans including measurable objectives, strategies and targets.

Environmental management

Performance indicator	2004 Target	2004 Result	2005 Target
Level 3 environmental incidents	0	0	0
Environmental fines paid ($)	0	9,000	0

2004 Target	Progress on 2004 target
By the end of 2004, all of our sites will be operating under Environmental Management Systems certified to ISO 14001. Certification will improve our management control.	All ACA sites achieved certification to ISO 14001 by November 2004.





Environmental incidents

	2003	2004
Level 1 Minor impact or disturbance with no long term effect	71	76
Level 2 Moderate impact or disturbance with medium term effect	9	17
Level 3 Significant impact with extensive or long-term effect	0	0
Total	**80**	**93**

Two environment related fines totalling $9,000 were received during 2004. These were for a non-compliance with Exploration Permit requirements and deficiencies in water management measures at Dawson.

An Environmental Management Program for Callide was prepared and submitted to the Queensland EPA in August 2004, and subsequently approved in December 2004. The program was developed in response to water discharges where suspended solids and sulphates exceeded licence conditions. These exceedances did not result in environmental damage or complaints.

Rehabilitation at Drayton

Low pH recordings in the Capcoal waterway in 2003 were reported to the Queensland EPA in February 2004. A long term action plan was developed and its implementation is currently under way.

The EPA was notified of a water release at Moranbah North in February which exceeded licence requirements for the site. This occurred when all of the dams were at capacity and further prolonged rainfall was experienced. A decision was made to allow a small controlled discharge rather than risk an uncontrolled overflow.

At Dartbrook, broken pipes that were not monitored led to uncontrolled discharges of mine water onto farming land from the old underground seam workings. These incidents were reported to the New South Wales EPA. The EPA was satisfied with measures put in place to ensure no recurrence of similar incidents.

There were no significant discharges of oil, fuel or chemicals.

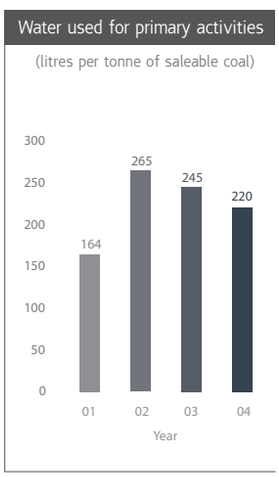
2005 Target
Eliminate all reportable environmental incidents greater than level 3 on the Incident Potential Matrix.
Ensure that all sites maintain certification to ISO 14001.

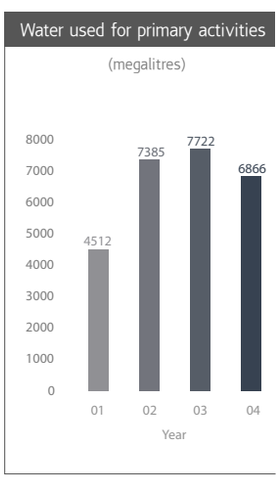
Joanne Rimmington, environmental adviser checking submerged piping in a dry creek bed at Capcoal

Water

2004 Target	Progress on 2004 target
During 2004, all sites will improve the accuracy of water measurements and refine water balance models.	All sites have developed water balance models.

Performance indicator	2003	2004 Target	2004 Result	2005 Target
Efficiency of water use for primary activities (Litres/tonne saleable coal produced)	245	257	220	226
Water used for primary activities (ML)	7,772		6,866	





Water is an increasingly valuable commodity in Australia and in 2004 many mine sites experienced lower rainfall, causing drier than usual conditions. Many sites have implemented initiatives to address the need to improve monitoring and reduce water use. These initiatives are reflected in the reduction in water used for primary activities and the litres of water use per tonne of saleable coal produced.

At Moranbah North mine, initiatives included design and construction of a new dam to reduce surface area and evaporation. The dam also allows for recycling of water from the coal processing plant.

Dartbrook commissioned a new dewatering plant in 2004, allowing water to be pumped from the underground mine into surface water dams to be reused in the operation.

Dartbrook also preferentially stored water in old underground workings, reducing evaporation losses, and the risk of algal blooms and unplanned discharges.

Other improvements to water management at Dartbrook in 2004 included the recommissioning of a pipeline and the installation of automatic pressure loss detection on all overland pipelines that had potential to leak.

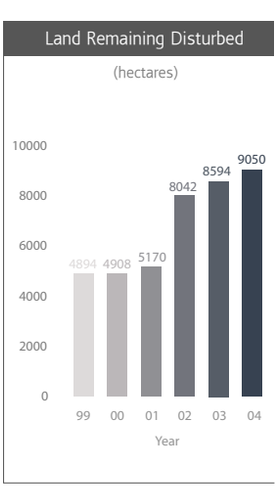
2005 Target
Improve the accuracy of water balance models.
Improve water use efficiency.

Pelicans at Moranbah North

Biodiversity and land

2004 Target	Progress on 2004 target
All of our mine sites will continue to follow biodiversity guidelines provided by Anglo American.	All sites have programs and strategies which address the biodiversity guidelines.
We will improve our preparedness for eventual site closures by simultaneously reducing rehabilitation liability and making financial provisions for the cost of closure. All operations will maintain up-to-date fully costed rehabilitation plans to meet the business rehabilitation objectives.	Each site has calculated its rehabilitation and mine closure liabilities.

Microbat habitat at Dawson



Biodiversity programs

Biodiversity programs which contribute to conservation are in place at some of ACA's sites where the local environment provides suitable conditions.

Dawson is working with the Queensland Parks and Wildlife Service to voluntarily establish the Willawa Nature Refuge at Theodore. This 187 hectare parcel of land was identified by the mine as suitable for the protection and monitoring of flora and fauna. Establishing this nature refuge carries with it long term obligations to manage the land in accordance with State Government requirements.

A remnant vegetation study was completed on a 700 hectare site in the Malakoff Range at Dawson Central and this area is also being considered as a possible nature refuge.

A unique project to provide habitat for microbats continued at Dawson, where disused mine tunnels have become home to three species of bats. The bat populations have been monitored and the habitat has been enhanced to make it more suitable for bat colonies.

Callide Mine has commenced a project with the Callide Valley Landcare Group and the Department of Natural Resources and Mines to formulate ways of regenerating softwood scrub systems as part of the mine rehabilitation program. New techniques will help regenerate ecosystems such as Bottle trees, Crow's Ash, Burdekin Plum and others, that are classed as endangered under the *Vegetation Management Act*. The ecosystems will provide dense shade habitat for native birds. This would compliment Callide's exisiting efforts to re-establish eucalypt woodland on mining disturbed land and improve the success of the biodiversification program.

At Callide Mine there are 10 species of flora listed under the *Nature Conservation Act 1992* that are found in the Callide Basin. Several botanical surveys have been undertaken of species within semi evergreen vine thicket communities and attempts will be made to introduce these species into areas being rehabilitated.

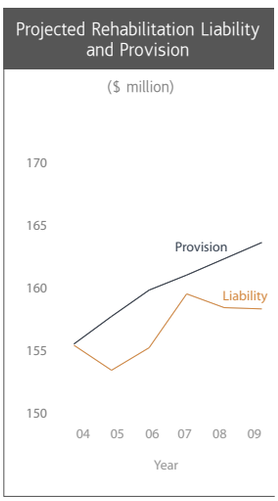
During late 2004, Callide commenced discussions with the Queensland National Parks and Wildlife Service regarding a proposal for a Nature Refuge (under the *Queensland Nature Conservation Act 1992*) over a number of regionally significant remnant vegetation types on and around Mt Murchison. The area under consideration is on Callide owned or managed land outside planned mining areas.

Capcoal has commenced an aquatic macro invertebrate study that will, over time, assist in determining potential impacts of mining on the local biological community. The use of macro invertebrates as indicators of biodiversity has been increasing within Australia and overseas.

The study comprised collecting macroinvertebrate and water quality samples from six freshwater ephemeral streams and a dam, located upstream, downstream and within the mine site. The study identified 98 macroinvertebrates, with insects being the most abundant.

Capcoal's biodiversity plan for 2005 includes undertaking invertebrate biodiversity benchmarking on peripheral (undisturbed) areas not impacted by mining.

ACA does not have any operations or projects in protected or sensitive areas.



Environment Co-ordinator, Sally Rayner, at Dawson

Rehabilitation

During 2004, 1768.7 hectares of land disturbed by mining was rehabilitated. To date, 15,891 hectares of land have been altered for mineral extraction activities and 9,050 hectares remain disturbed.

In 2004, 3,221 hectares of land were fully rehabilitated compared with 3,643 hectares in 2003.

Closure planning

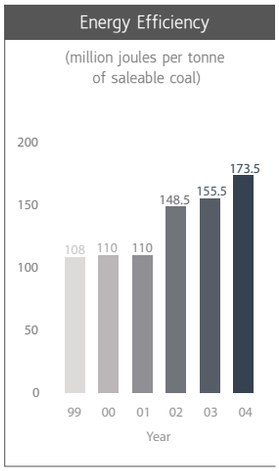
Each site has a Life of Mine Plan which presents the proposed steps and costs involved with closure. Each Life of Mine Plan contains geological, geotechnical, economic, community and environmental data and considers legal, financial and regulatory requirements.

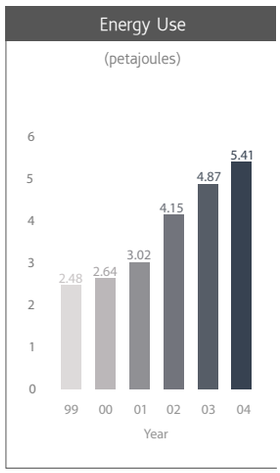
The plan covers the operation of a mine site for a minimum period of 25 years or until the mineable resource is extinguished, whichever is lesser.

The plans are reviewed every five years or when there is a major change to the coal reserve.

2005 Target
Develop action plans for protection of biodiversity values to be included in site business plans.
Meet the requirements of Anglo American by having a Biodiversity Action plan in place at each site.

Energy





Bayswater Power Station in the Hunter Valley receives coal from nearby Drayton Mine

Energy use for the year increased due to increased levels of coal production at most sites. Energy efficiency declined as the mines entered a more mature phase of production requiring stripping of increasing amounts of overburden and greater travelling distances for trucks hauling run of mine coal.

Methane as an energy source

In recent times, coal seam methane gas has been identified as a useable energy resource. Extraction of gas is now increasing and becoming a significant area of new business for ACA.

Dawson has one of the largest coal seam gas operations in regional Queensland, currently producing 15 terajoules of gas per day, with plans to produce up to 18 terajoules per day. This gas is sold under long term contracts to a number of natural gas wholesalers.

Natural gas utilisation reduces the release of methane gas, which is a potent greenhouse gas, into the atmosphere. It is estimated that the Dawson Seamgas operation utilises about 119,000t of methane per annum. Greenhouse gas emissions associated with this level of methane, vented to the atmosphere would be about 2.5Mt per annum CO_2 equivalent. Taking into account fuel substitution, the recovery and utilisation of methane at Dawson Seamgas will result in overall emission savings of 2.8Mt per annum CO_2 equivalent.

Construction of plant to use coal seam methane gas for electricity generation at Capcoal will begin in 2005. This will provide a cleaner energy source to the local electricity grid and be operational in early 2006.

Energy and emissions

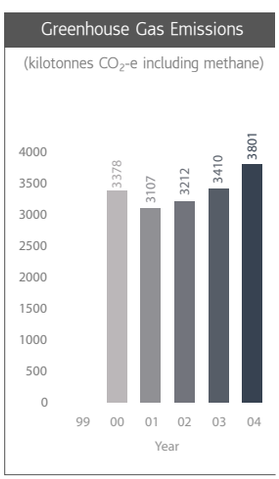
Performance indicator	2004 Target	2004 Result	2005 Target
Energy efficiency (GJ/tonne saleable coal)	0.166	0.174	0.147
Greenhouse gas efficiency (t CO_2-e /tonne saleable coal)	0.118	0.122	.083

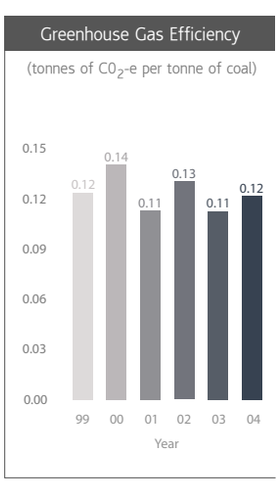
Other Key Statistics		2003	2004
Total energy used	GJ	4, 871,190	5,409,286
Greenhouse gas emissions (including methane)	Mt CO_2-e	3.41	3.80
Methane (methane from coal mining)	t CH_4	not reported	128,863
SO_2 from processes	t	1,458	1,828
NO_x from processes	t	2,076	2,543
Ozone depleting compounds (vented/released to atmosphere)	t	0.15	0.163
Saleable Coal	t	31,500,538	31,161,580

Energy use values in this report are based on net calorific values. This differs from the reporting of energy use in the sustainability report of Anglo American plc, the parent company of Anglo Coal Australia, where gross calorific values are used.

Greenhouse gas and other emissions

The Seamgas operation at Dawson





ACA, as a subsidiary of Anglo American, has adopted the company's policy on climate change. This policy can be found at www.angloamerican.co.uk/

Total emissions of greenhouse gas increased in 2004 corresponding with the increased energy use and an increased volume of overburden moved. Greenhouse efficiency declined for the year as deeper underground reserves with higher concentrations of methane were mined.

Anglo Coal Australia will renew its participation in the Australian Government's Greenhouse Challenge program during 2005. This is a voluntary initiative between the government and industry to monitor and abate greenhouse gas emissions.

The Anglo Coal Australia Greenhouse Challenge Plus agreement will include an emissions inventory and list actions to reduce greenhouse gases. Actions will include:

- The use of methane for electricity generation at Capcoal to provide a cleaner energy source to the local electricity grid; and
- Implementation of energy efficiency measures for new projects.

ACA has adopted the Anglo American policy for integrating carbon costs/benefits into its investment decision making. ACA has traditionally evaluated energy projects solely on the basis of economic returns, approving only those projects that met hurdle rates. The approach is now being broadened to also consider the value of projects that demonstrate commitment to sustainable development. This change requires evaluation of potential energy projects to fully encapsulate all the benefits that will accrue from such projects.

The Anglo American plc Investment Evaluation Guidelines require managers of new coal projects carry out a carbon sensitivity analysis and include forecast carbon costs in the project cashflow analysis.

Anglo American regards climate change as a real concern and has committed to contribute to finding and implementing solutions to the challenges it poses.

Other emissions

ACA reports emissions of 27 substances from its facilities to the National Pollutant Inventory (NPI), which is an internet database of emissions prepared in cooperation by State, Federal and Territory Governments. The ACA data for the financial year from 1 July 2003 to 30 June 2004 can be viewed on www.npi.gov.au

Waste management

Waste

Type of waste	2003 Disposed	2004 Disposed	2004 Recycled
Hazardous waste (t)	325	311	1,237
Non-hazardous waste (t)	6,978	6,377	411

Waste collection and disposal is contracted to private companies and the contractors' management of waste documentation is monitored. The use of private waste contractors has improved waste control.

Recycled hazardous waste includes used oil recycled in processes plus used oil sent to an external recycler. All non-recycled hazardous waste is sent from the mines to licensed facilities for treatment or disposal.

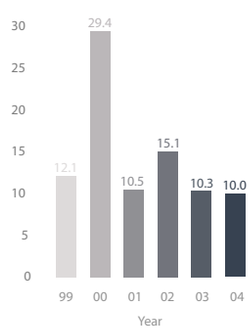
Non-hazardous waste recycled includes metal, paper, scrap steel, aluminium cans, cardboard, hydraulic hoses and vent tubes.

Further improvements in recycling rates and reductions in waste generation rates will be pursued in 2005.

At Dartbrook, the commissioning of a tailings filter press, the first of its kind in Australia, has created the potential to recover fine coal material from the waste stream. The commercial potential of the recovered tailings as a domestic combustible fuel source will be investigated in 2005.

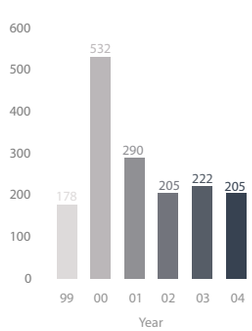
Hazardous waste disposed to legal landfill

(grams waste per tonne of saleable coal produced)



Non-Hazardous waste disposed to legal landfill

(grams waste per tonne of saleable coal produced)



Tim Baker and Hayley Pyne at Dartbrook's Tailings filter press

Safety case study

ACA has utilised a systematic approach to Safety, Health, Environment and Community (SHEC) management for many years, however our early systems only provided a broad framework under which the mines developed their own management systems and specific approaches to SHEC management.

Having recognised the potential inefficiencies, duplication and a limited ability to improve SHEC management throughout the business which could result from a fragmented approach, it was decided that there would be substantial benefits in applying a consistent and standardised approach.

During 2002, ACA committed to the development of a detailed, standardised approach to SHEC management. Further, it was decided that certification to ISO 14001:1996 (the International Standard for Environmental Management Systems) and AS/NZS 4801:2001 (the Australian / New Zealand Standard for Occupational Health and Safety Management Systems) would be sought to ensure that high levels of rigour and discipline were incorporated within the resultant SHEC Management System.

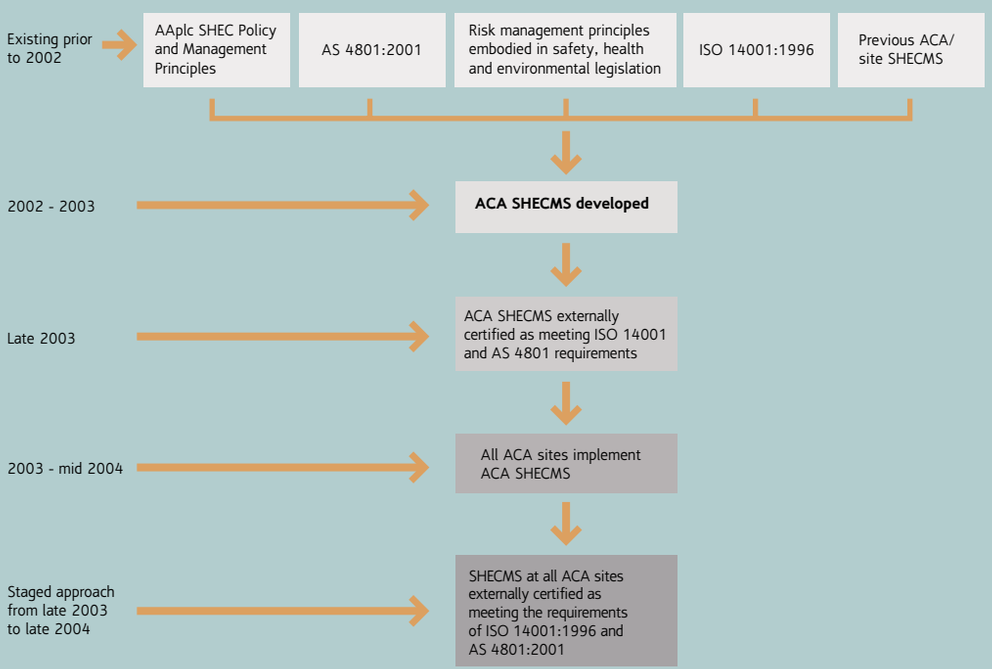
A two-stage process was necessary to achieve the required standardised approach to SHEC management:

1. Development of a detailed Anglo Coal Australia SHEC Management System (SHECMS) that:
   - built upon the systems previously implemented at corporate and site levels; and
   - appropriately interpreted and incorporated various internal and external requirements of the business; and
2. Implementation of the Anglo Coal Australia SHECMS at site level in a consistent and standardised manner.

The overall Anglo Coal Australia SHECMS is based on the quality management system model shown in Figure 1.

Figure 1. Anglo Coal Australia SHEC Management System Model

Figure 2. The process of SHECMS



Development and implementation of the SHECMS

The process of development, implementation and certification of the SHECMS is depicted in Figure 2. Cross functional teams comprising SHE personnel from all sites and corporate ACA personnel were involved in developing and reviewing the SHECMS and associated Standards over a period of 18 months.

The results

ACA now has a standardised SHECMS that has been implemented uniformly throughout the business. All sites have achieved certification to ISO 14001:1996 and AS/NZS 4801:2001 standards. Ongoing six-monthly surveillance reviews by the certifying auditors, Lloyds Register Quality Assurance, will ensure that the systems continue to drive improved management of SHEC through a more rigorous, structured and standardised approach to this critical aspect of the business.

Environment case study

Kangaroos at Dawson

Willawa Nature Refuge

An important long-term environmental initiative at Dawson was the establishment of the Willawa Nature Refuge. The 187 hectare Nature Refuge area was declared to protect significant conservation values including:

- Areas containing, or providing habitat for, flora and fauna listed as rare or threatened under state legislation;
- Habitat or vegetation types that are threatened, such as 'endangered' and 'of concern' regional ecosystems;
- Remnant vegetation of significant conservation value; and
- Regional ecosystems and habitat types for which conservation is recommended on scientific grounds, irrespective of conservation status.

In setting aside Willawa as a Nature Refuge, ACA has agreed to manage the land according to the principles contained in the Nature Conservation Act 1992. These principles are to:

- conserve the area's significant natural resources;
- provide for the controlled use of the area's natural resources; and
- provide for the interests of the landholder to be taken into account.

The Theodore, Dawson and Moura mining lease land have been subjected to a history of vegetation clearing; pasture improvement, agricultural cropping, cattle grazing and mining related operations. In the long-term mining plan, several areas remain undisturbed by mining and will support areas of re-growth and 'remnant' vegetation as defined under the Queensland Vegetation Management Act 1999 (VMA).

Over the past several years, extensive vegetation monitoring, soil and erosion monitoring, terrestrial fauna, water quality and aquatic fauna studies have been conducted across the Dawson Mine. The purpose of this work is to evaluate end uses of rehabilitated land following coal mining and to quantify the progress of rehabilitated areas.

The Nature Conservation Agreement with Queensland Parks and Wildlife Service is intended to protect and enhance the following values of the land:

- Two corridors of natural communities within the Dawson River Downs Subregion of the Brigalow Belt Bioregion. Due to the presence of endangered and of concern regional ecosystems and a major river system these corridors have State conservation significance;
- A range of vegetation types between the low crest of the Malakoff Range and the alluvial stream banks of the Dawson River. Mature and regrowth woodland/open woodland of silver-leaf ironbark and poplar box on hill crests and slopes is the most widespread vegetation community. Areas of endangered brigalow forest and semi-evergreen vine forest on metamorphic geology occur, throughout the woodland areas.
- The alluvial flats and channel of the Dawson River with a fringing forest of coolibah and blue gum and small remnants of brigalow/belah forest on alluvial upper terraces. These remnants are linked to much larger areas of viable young brigalow regrowth, with black tea groves, gilgaied swamps and areas of Queensland blue grass.

The Dawson Mine uses suitable remnant areas for baseline studies. These environmentally significant areas outside the mining footprint have been identified and will be used as a baseline against which rehabilitated sites can be assessed. The Willara Nature Refuge is one site that may be used as a natural analogue site to establish baseline criteria for Dawson Mine rehabilitation sites.

The preservation of these areas as a nature refuge may allow flora and fauna to move into nearby rehabilitation sites.

ACA is undertaking many environmental initiatives at its mine sites. This Case Study was included in the 2004 Sustainability Report because it was judged to have the most direct and significant environmental benefit in a review of environmental projects at all ACA mine sites. The judging panel comprised Professor David Brereton, Director, Centre for Social Responsibility in Mining; Professor Chris Moran, Director, Centre for Water in the Minerals Industry; and Associate Professor David Mulligan, Director, Centre for Mined Land Rehabilitation.

Community case study

Drayton aims to promote strong relationships with the community and other Hunter Valley stakeholders

Stakeholders get involved with Drayton

ACA's Drayton mine is located near the Hunter Valley town of Muswellbrook in New South Wales. In this region, the economy is supported by coal mines, two large coal-fired power stations and a range of agricultural industries.

For Drayton, formal consultation mechanisms have been in place since 1994 and Community Consultative Committee meetings are held quarterly.

This year, the mine worked in collaboration with the University of Queensland's Centre for Social Responsibility in Mining (CSRM), in developing a project to enhance the way Drayton's impacts on the local community are monitored and managed.

The project involved consultation in two stages: an initial round of one-on-one interviews with community representatives and other stakeholders, followed by a facilitated workshop involving a range of stakeholders.

A total of 28 interviews were conducted involving stakeholders from near neighbours, regulators, MineWatch (a local advocacy group), Indigenous organisations, local government, local business, education, health, community development and other land users.

The interviews identified that the positive impacts of mining included economic benefits, increased employment opportunities and skills base and community support in the form of infrastructure and sponsorships.

The issues of concern raised through the interviews included environmental impacts such as dust, noise, water, traffic; the income divide of mining households compared with non-mining households; a perception that mining had contributed to a shortage of skilled tradesmen; a dependency on mining making the community vulnerable to closures; and insufficient employment and training of young people.

The interviews were followed by a half-day workshop attended by 15 people (most of whom had participated in the interviews). The primary aim of the workshop was to promote dialogue amongst stakeholders, to reach agreement on the key issues that warranted attention by local mines and how progress in dealing with issues could be managed. The workshops provided the opportunity for stakeholders to communicate directly with management from Drayton.

The workshop reiterated some of the issues identified in the interviews, but also found additional concerns such as global purchasing (instead of buying locally), 12 hour shifts and continuous rosters impacting families and community. Another concern was the cumulative impacts from the mining industry on Muswellbrook, not just from individual mines.

Importantly, the workshops identified some actions which could be taken. These included undertaking surveys of 'near neighbours' on issues and satisfaction, surveying the wider community about views on mining, reporting on youth employment and local purchasing, monitoring and reporting on employees working 12 hour shifts and developing methods for measuring the cumulative impacts of mining on Muswellbrook.

It is believed that many of the issues raised at Muswellbrook could be applied generally across the Australian mining industry. The community cares about what will happen to its town when mines cease operating, it cares about the environmental aspects such as dust, noise, water quality and loss of farming land and finally, the community cares about how the local mines perform and wants to be kept informed about it.

The next stage of the project which will be developed with input from CSRM is to prepare an impact monitoring and management strategy for Drayton. The strategy will also identify issues which need to be addressed collectively by all of the mines in the Muswellbrook area.

Other outcomes from the project will be a report by CSRM documenting the processes used so they can be adapted for use by other Anglo Coal Australian operations and provide a sourcebook of potential community impact measures.

Verification statement

Independent review report to Anglo Coal Australia Pty Ltd on its Sustainability Report 2004

Introduction

We have been engaged by Anglo Coal Australia Pty Ltd (Anglo Coal Australia) to review selected quantitative Safety, Health, Environment and Community performance data (the Performance Data) for the year ended 31 December 2004, as reported in the Anglo Coal Australia Sustainability Report 2004 (the Sustainability Report) on pages 1 to 7 and 13 to 20.

Purpose of report

This report is made solely to Anglo Coal Australia in accordance with the terms of our engagement. Our work has been undertaken so that we might state to Anglo Coal Australia those matters we have been engaged to state in this report and for no other purpose. We disclaim any assumption of responsibility for reliance on this report to any party other than Anglo Coal Australia, or for any other purpose other than that for which it was prepared.

Responsibilities of directors and reviewers

The directors of Anglo Coal Australia are responsible for the preparation of the Sustainability Report and the information and assessments contained within it, for determining Anglo Coal Australia's objectives in relation to sustainability performance, and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived. Management's assertions about the effectiveness of the performance management and internal control systems, within the limitations described in the Chief Executive Officer's Statement in the Sustainability Report, are included in a separate letter that we have received from management.

Our responsibility is to report, based on our review, whether anything has come to our attention in relation to the Performance Data that would lead us to believe that:

- it has not been presented fairly in accordance with the Criteria established by management; or
- we have not received all the information and explanations we required to conduct our review.

Scope

We have reviewed the following quantitative Performance Data reported in the Sustainability Report for the year ended 31 December 2004: number of fatal injuries, lost time injury frequency rate, total recordable case frequency rate, energy used, methane emissions, SO_2 emissions from processes, NO_x emissions from processes, water used for primary activities, land altered for mineral extraction activities, land fully rehabilitated, number of environmental incidents and number of community complaints.

There are no generally accepted standards for the preparation, publication or review of sustainability performance data. Anglo Coal Australia applies its own internal guidelines for sustainability reporting (the Criteria). The selection and suitability of the Criteria is the responsibility of Anglo Coal Australia management, and our review did not include an assessment of the adequacy of the Criteria. Our review also did not include an assessment of whether the report is in accordance with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI).

We conducted our work in accordance with the International Standard on Assurance Engagements ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board, and with Australian Auditing Standards AUS 108 *"Assurance Engagements"* and AUS 902 *"Review of Financial Reports"*. We have not performed an audit and, accordingly, do not express an audit opinion.

We visited the three sites of Dartbrook, Drayton and Capcoal operations. Our review was planned and carried out to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to provide limited assurance that the Performance Data are presented fairly in accordance with the Criteria established by management.

Inherent limitations

Because of the inherent limitation in any system of internal controls it is possible that errors or irregularities may occur and not be detected. Further, the performance management and internal control systems which management have established and from which the Performance Data is derived, have not been reviewed and no view is expressed as to their effectiveness.

Qualification

Based on our work, we identified inconsistencies in the calculation of water used for primary activities at one site that we visited that could result in an error for Anglo Coal Australia. This site contributes approximately 7% to the water use for primary activities for Anglo Coal Australia.

Review statement

Based on our review, which is not an audit, except for the above qualification, nothing came to our attention to indicate that the Performance Data in the Sustainability Report for the year ended 31 December 2004 has not been presented fairly in accordance with the Criteria established by management.

KPMG

Mitchell Petrie
Partner

Brisbane, 10 June 2005

Glossary

Blast overpressure	A transient air pressure, such as the shock wave from blasting, that is greater than the surrounding atmospheric pressure.
Gigajoule	Measure used for energy content of fuels.
Goaf	The part of a mine from which the mineral has been partially or wholly removed; the waste left in old workings.
Greenhouse gas	Atmospheric trace gases that keep the Earth's surface warm are known as greenhouse gases. About three-quarters of the natural greenhouse effect is due to water vapour. The next most significant greenhouse gas is carbon dioxide. Methane, nitrous oxide, ozone in the lower atmosphere, and chlorofluorocarbons (CFCs) are also greenhouse gases.
Geological sequestration	Geological sequestration involves the capture, separation, injection and storage of CO_2 into underground geological formations.
Highwall mining	Mining a coal seam by boring in from a completed open cut pit using a cutting head and conveyor.
Longwall	Large rectangular blocks of underground coal extracted in a single continuous operation using a shearer and conveyor belts connected to the surface
Magnetometer	An instrument for measuring the magnitude and direction of a magnetic field.
Petajoule	Measure used for energy content of fuels (10^{15} joules).
pH	A measure of the acidity or alkalinity of a solution, numerically equal to 7 for neutral solutions, increasing with increasing alkalinity and decreasing with increasing acidity. The pH scale commonly in use ranges from 0 to 14.
Rehabilitation	Returning land that was altered by the operation's activities to its final intended condition.
Salinity	A measure of salt levels in water and soil.
Subsided Land/ Subsidence	Ground on the surface that is lower than the surrounding area (subsided) because the roof of a mined out coal seam directly below has collapsed.
Terajoule	Measure used for energy content of fuels (10^{12} joules).

Abbreviations

ACA	Anglo Coal Australia
AS 4801	Australian Standard for Occupational Health and Management Systems
CH_4	Methane
CO_2	Carbon dioxide
CO_2-e	Carbon dioxide equivalent
CSRM	University of Queensland's Centre for Social Responsibility in Mining
EMP	Environmental Management Program
EMS	Environmental Management System
EPA	New South Wales Environment Protection Authority
EPA	Queensland Environmental Protection Agency
GJ	Gigajoules (10^9 Joules)
GRI	Global Reporting Initiative
ISO 14001	International Standards Organisation Environmental Management System
LTI	Lost Time Injury
LTIFR	Lost Time Injury Frequency Rate
Mt	Megatonne
NO_x	Oxides of nitrogen
NPI	National Pollutant Inventory
QCF	Queensland Community Foundation
SEAT	Anglo American Socio-Economic Assessment Toolbox
SHEC	Safety, Health, Environment and Community
SO_2	Sulphur dioxide
TRCFR	Total Recordable Case Frequency Rate

Community Complaints

Level 1	Isolated or "one-off" complaints
Level 2	Widespread or repeated complaints
Level 3	Widespread public, national or international objections

More detailed definitions can be found at www.anglocoal.com.au

Feedback form
ANGLO COAL AUSTRALIA
Sustainability Report 2004

Report (please ✔)

☐ Callide ☐ Capcoal Operations ☐ Dartbrook ☐ Drayton ☐ Moranbah North

☐ Dawson ☐ Projects and Resources ☐ 2004 Sustainability

Which sections were you most/least interested in:

Most	Least		Most	Least	
☐	☐	About our report	☐	☐	Environmental management
☐	☐	About Anglo Coal Australia	☐	☐	Water
☐	☐	Economic indicators	☐	☐	Biodiversity and land
☐	☐	Local, national and international purchasing	☐	☐	Energy
☐	☐	Chief Executive Officer's report	☐	☐	Greenhouse gas and other emissions
☐	☐	Sustainability and Anglo Coal Australia	☐	☐	Waste management
☐	☐	Safety and health	☐	☐	Safety case study
☐	☐	Investing in our people	☐	☐	Environment case study
☐	☐	Stakeholders	☐	☐	Community case study
☐	☐	Community engagement and support	☐	☐	Verification statement

How should we change the report in future?

More	Less		More	Less	
☐	☐	Information on Anglo Coal Australia	☐	☐	Information on the community
☐	☐	Information on safety	☐	☐	Photos
☐	☐	Information on health	☐	☐	Case studies
☐	☐	Information on the environment	☐	☐	Other (please specify)

How do you rate the information?

☐ Excellent ☐ Good ☐ Fair ☐ Needs improvement

Was the report easy to read?

☐ Yes ☐ No

How can our report or our performance be improved?

Stakeholder category (please ✔)

☐ Employee group ☐ Member of the mining industry ☐ Community member near an Anglo Coal Australia site ☐ Community or environmental

☐ Media representative ☐ Regulatory body ☐ Researcher ☐ Student ☐ Other (please specify) _____

Your feedback on our reports will assist us with producing our future reports. Your comments can be submitted by going to www.anglocoal.com.au and completing the form online or could be emailed to mitch.jakeman@anglocoal.com.au

Or please send your response in an envelope to: Mitch Jakeman, General Manager SHEC, Anglo Coal Australia Pty Ltd, GPO Box 1410, Brisbane QLD 4001, or fax to 07 3834 1353.