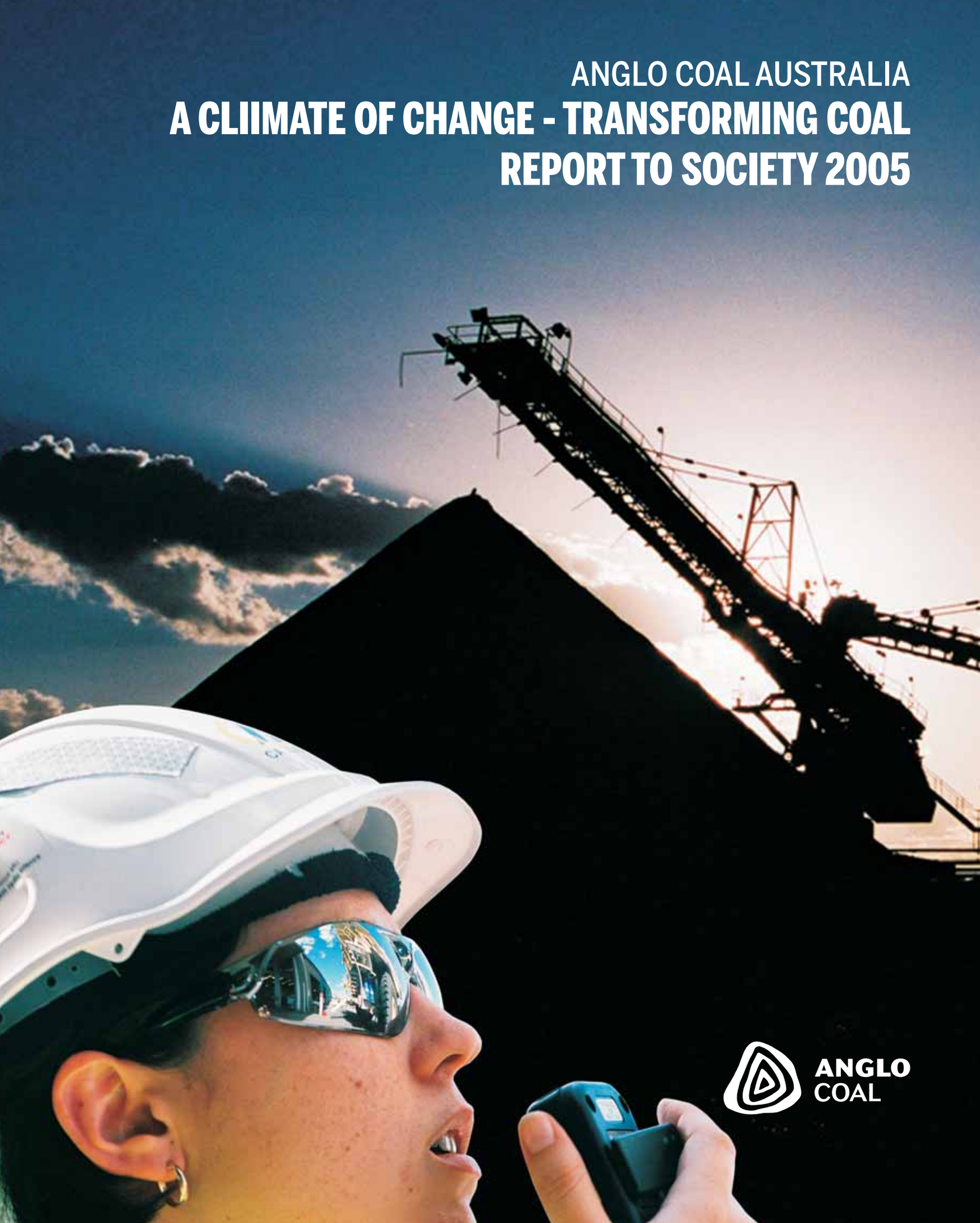
ANGLO COAL AUSTRALIA

A CLIIMATE OF CHANGE - TRANSFORMING COAL
REPORT TO SOCIETY 2005



ANGLO COAL

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About our report

Anglo Coal Australia's 2005 Report to Society for the period 1 January to 31 December covers all of the resource operations and projects in Australia managed by Anglo Coal. Supplementing this report, Safety, Health, Environment and Community (SHEC) reports have been prepared for each mine site and for project development activities. This report is prepared in conjunction with an Anglo Coal South Africa report and an Anglo Coal global report. These reports can be found at **www.anglocoal.com.au**. This is the second Sustainability Report produced by Anglo Coal. The sustainability reports have evolved from annual SHEC reports that were published prior to 2004.

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.

Anglo Coal's reporting is in accordance with the guidelines established by the Global Reporting Initiative (GRI) as they apply to Anglo Coal Australia's operations. Relevant GRI item indicators are located in each section of the report. The data collection necessary for reporting the new G3 GRI requirements that were launched in 2006 will be planned and implemented progressively throughout the year. Anglo Coal's reporting is also evolving according to developments in the GRI mining supplement.

The data used in the reports has been independently audited by KPMG. A verification statement is located on page 42.

Feedback on the report is welcomed. A feedback form is located at the back of the report and should be faxed to Mitch Jakeman, Head of Safety and Sustainable Development, at 07 3834 1384. The feedback form can also be obtained from **www.anglocoal.com.au**

Further information about our sustainability efforts can also be obtained from Mitch Jakeman at **mitch.jakeman@anglocoal.com.au** or at 07 3834 1353.

ANGLO COAL

Message from the Anglo Coal Australia CEO

The year 2005 was, for us, a turning point in our approach to sustainability. We began our journey of business transformation to upgrade, diversify and grow our operations in response to broader issues affecting our industry, such as climate change, energy efficiency and water efficiency. At the same time, we continued systematic efforts to improve our results in the areas of safety, health, the environment and the communities in which we operate.

I am saddened to report a fatality that occurred in September 2005 at one of our sites. Mr Roger Browne, a Senior Mining Engineer at Dawson, was found deceased at the bottom of a disused mine pit. Our sympathies are extended to his family, friends and colleagues. Despite extensive investigations by the Police, Mines Inspectorate and Anglo Coal Dawson mine personnel, no conclusion has been reached about the cause of the accident.

We produced 31 million tonnes of saleable coal in 2005, with our total recordable case frequency rate at its best ever recorded, although our lost time injury rate was slightly worse than our 2004 result. We recorded no breaches of environmental or social regulations during the year.

Our business transformation outlook was shaped in part by a major survey and strategic review undertaken by external parties in 2005, involving more than 50 of our personnel and more than 30 external stakeholders across Australia. This process illustrated that we have a solid foundation of sustainability initiatives, but clearly demonstrated that our position and momentum relative to the pre-eminent sustainability issues facing Australia and our planet are neither well-developed nor well understood. Thus far, we have not integrated sustainability considerations firmly enough into our business strategies. Our 'framework for action', commencing in 2006, will now apply a strategic focus on the following elements of our business.

- Coal has a major role to play in a low-carbon energy future. The implications of community views and expectations for our current and proposed coal operations in New South Wales and Queensland must be understood and responded to.

  Our ability to develop and leverage new technology in future projects to reduce or eliminate carbon emissions must be maximised. Within a decade, we could be ushering in large scale coal-to-gas and coal-to-liquid projects and commercial carbon capture and sequestration schemes. Within two decades, Anglo Coal Australia could have transformed its product from a high-carbon to a low-carbon commodity. These visions of the future must shape our business strategies.

- Our business positioning to reduce or offset carbon emissions, via methods within our reach such as methane capture and energy supplementation, must be better leveraged. Our external stakeholder engagement, which we believe to be currently weak, should be improved to expose us to these opportunities. Our current activities, such as capturing methane to sell into the gas grid and commissioning a gas-fired energy plant to power our Capcoal operation, are only a fraction of what we could achieve.

- Our energy efficiency is an obvious priority, and our record to date on meeting energy efficiency targets has been poor. In late 2005, we engaged external advisors to help us fully understand our energy use baseline and energy saving opportunities across our sites. We will identify and quantify these in 2006/07, and implement real measures to achieve meaningful energy savings. We will extend this culture to our employees and our local communities, to maximise energy efficiency in their homes, their transport and their daily activities.

'We are willing to transform our own business towards a more secure and sustainable future and in doing so adopt a leadership stance among our peers in the coal industry.'

GRI INDICATOR KEY

1.01 | 1.02

EN14

- As parts of Australia feel the pressure of sustained droughts, we need to further consider our water use in the context of the broader community and extend upon the encouraging successes of existing water trade models at some sites. In 2006, we will identify broader economies of scale in water use and quantify their water supply benefits through engaging with external stakeholders such as other mines, industry sectors and communities, as well as with government organisations.

These are not trivial commitments. We are willing to transform our own business towards a more secure and sustainable future, and in doing so adopt a leadership stance among our peers in the coal industry. This will help us attract and retain the best people, connect harmoniously with the communities where we operate and work effectively with governments, their regulatory agencies and civil society.

We have already commenced this transformation journey with future prospects such as Monash Energy. Our feasibility efforts revolve around a major brown coal-to-liquid fuel plant in Victoria that, combined with carbon capture and sequestration, could dramatically reduce the project's carbon emissions. We have yet to build the shareholder, government and community confidence necessary to make this bold project a reality, but we are pursuing this vision diligently.

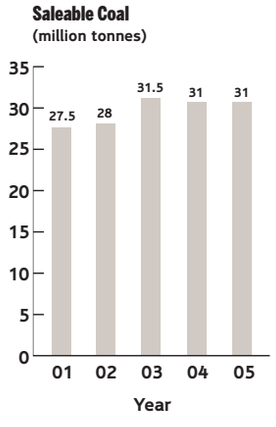
We make these commitments without diluting our focus on the readily achievable measures at our operations. In 2006, these will include:

- integrating the Anglo Safety Way system into existing standards of management and performance. This system includes a peer review process, through which high risk areas receive direct management focus. We have committed to train all line management and front line supervisors in this approach during the year;
- reducing our employee turnover rate by providing incentives to our workforce, including improved roster systems that provide employees with a more family-friendly work structure;
- building on the work carried out in 2005 to ensure that safety and sustainable development considerations are part of the normal decision-making processes of management and employees; and
- continuing our People, Performance, Growth transformation initiative from 2005, which is aimed at leadership development, organisational streamlining and better definition of roles and accountabilities. This gives us the management potential to achieve our short-term and long-term sustainability goals.

We are now understanding our place in a carbon-constrained future and accept that a share of the responsibility for the success or failure of society in responding to the challenges this future brings will rest with the coal industry. We need to ensure that we are adaptable, efficient, effective and respected as we take up the challenge to transform our business to position ourselves for this future. I am pleased to report overwhelming internal support for Anglo Coal Australia to play a leadership role in the coal industry's transformation journey and I am confident that we can lead by example.

Our reporting is linked to Anglo Coal's operations in South Africa and South America to convey our combined performance to our global stakeholders. This report is in accordance with the 2002 GRI guidelines and represents a balanced, reasonable presentation of economic, environmental and social performance. As always, your views on our conduct and performance shape the way we manage our operations and projects and we welcome your feedback on our efforts in 2005.

Eric Ford
Chief Executive Officer



Key Challenges

As a leading coal producer, we are faced with issues every day that challenge us in our quest to become a leader in sustainable development. We have identified the key challenge areas as Safety, People, Environment, Community and Climate Change. This report has been structured to highlight and discuss our response to each of these key challenges and the ways in which we are striving to improve our performance.

Safety

Despite our vigilance and comprehensive safety programs, we recorded one fatality in 2005. Eliminating fatalities and serious injuries is a key challenge for Anglo Coal. To find out how we are meeting these challenges see Page 17.

People

Anglo Coal recognises that the key challenge in relation to our people is the attraction and retention of skilled personnel. The growth and expansion of our business is providing both exciting career opportunities and stresses in finding skilled employees. To read more see page 23.

Environment

As a major user of water in the Australian coalfields, effective water management and conservation is critical to our future. To understand more about what we are doing to make better use of regional water supplies and increase water reuse within the minesites and in the regions see Page 26.

Community

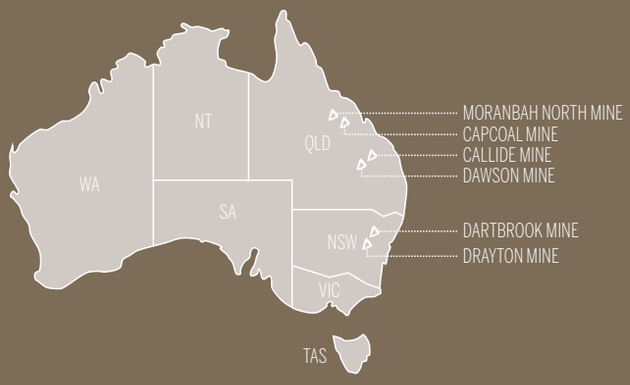
We are aware of the importance of proactive engagement with communities where we are developing projects, as well as with stakeholders interested in our established operations. See page 33 to find out more about the systems we have put in place to engage with our stakeholders and address the key issues that impact on them.

Climate Change

Various solutions have been put forward by the coal industry to minimise its impact on global warming. We have begun to respond to this need on three fronts, reducing greenhouse gas emissions, developing and deploying technology and improving energy efficiency. To read more about our response see pages 6 and 39.

Key Statistics

Parameter	Indicator	Callide	Capcoal	Dartbrook	Dawson	Drayton	Moranbah North	Projects	Anglo Coal
Safety	Fatalities	0	0	0	1	0	0	0	1
	Lost Time Injury Frequency Rate	1.9	9.5	11.1	3.2	5.8	5		5.6
People	New occupational illnesses	5	17	7	6	5	5	1	46
	Average number of employees	426	547	240	497	246	267	32	2,255
	Average number of FTE contractors	110	324	118	368	67	234	420	1,641
Environmental	Water used for primary activities (ML)	707	4,459	103	1,112	1,117	1,216		8,714
	Disturbed land remaining end 2005 (ha)	1,742	2,695	220	3,711	697	537		9,602
	Rehabilitated land at end 2005 (ha)	542	1691	696	628	511	644		4,712
	Incidents (Level 1)	14	25	7	10	22	15		93
	Incidents (Level 2)	13	1	0	0	0	0		14
Community	Complaints (Level 1)	2	0	18	2	22	2		46
	Complaints (Level 2)	0	0	1	0	0	0		1
	Corporate Social Investment expenditure AUD$	30,480	54,926	29,000	925,000	20,000	140,985		1,200,391
Climate	Energy use (GJ)	1,451,307	1,048,875	302,338	2,149,069	934,922	379,091		6,267,097
	CO_2 equivalent (tonnes)	183,743	1,467,295	428,091	281,970	119,637	1,162,358		3,643,094
Economic	Saleable tonnes	9,482,283	4,979,342	1,929,668	6,069,069	4,648,644	3,900,880		31,009,886



GRI INDICATOR KEY

2.02 | 2.03 | 2.04 | 2.05 | 2.06 | 2.08 | 2.14

3.18

EN3 | EN5 | EN8 | EN23

LA1 | LA7 | MM13

About Anglo Coal Australia

Anglo Coal Australia's parent company, Anglo American plc (Anglo American), is a global leader in mining and natural resources. The parent company has interests in gold, platinum group metals, diamonds, 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 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, an Australian proprietary company.

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

Anglo Coal operates six world-class coal mines in Queensland and New South Wales. Apart from mining coal, Anglo Coal produces coal seam gas from one mine and is planning expansions into five new areas and two gas projects. No new mines were opened and no mines were closed in 2005. In 2005, Anglo Coal produced 31 million tonnes of saleable metallurgical and thermal coal.

Mine	Type of mining	Coal processing	Ownership	2005 saleable production (million tonnes)	Coal type
Callide	Open cut		100%	9.482	Thermal coal for domestic power production.
Dartbrook	Underground	*	78%	1.930	Thermal coal exported for power generation and industrial use.
Dawson Central and South (Moura)	Open cut and highwall mining	*	51%	6.069	Thermal and coking coal for export.
Drayton	Open cut	*	88%	4.649	Thermal coal for domestic and export markets.
Capcoal (German Creek)	Open cut and underground	*	70%	4.979	Premium hard coking coal for export steel markets. Hard coking coal for export markets.
Moranbah North	Underground	*	88%	3.901	Premium hard coking coal for export steel.
Moura Seamgas			100%		Commercial coal seam gas.

*Coal washplant situated on site

Project	Coal use
Dawson North	Export thermal and coking coal.
Lake Lindsay	Export thermal and coking coal.
Bundoora	Export coking coal.
Aquila	Export coking coal.

ANGLO COAL

Sustainability at Anglo Coal Australia

Above: Methane capture plant at Capcoal.

Over the past few years, we have made significant advances in the way we manage safety and the environment. Avenues for continual improvement remain open to us in the safety and environment areas and we continue to explore and commit to these. Whilst our community engagement and socioeconomic efforts have increased each year, we recognise that we are capable of achieving much greater levels of contribution to the social and socioeconomic prosperity of the communities we work with.

Above: Eric Ford, CEO Anglo Coal Australia, discusses the Woorabinda Agreement with Steve Kemp, Woorabinda Community Development and Employment Program Coordinator, and Brad Carter, Regional Director, Department of State Development and Innovation (see case study page 35).

'Various solutions have been put forward by the coal industry to minimise its impact on global warming.'

We have now entered an era of challenges posed by the global warming phenomenon and the strong economic growth that is occurring in East Asia. The burning of coal and other industrial processes producing greenhouse gases are seen as primary contributors to climate change. Our mission now includes the transformation of our business to confront and manage climate change risks associated with our products.

Various solutions have been put forward by the coal industry to minimise its impact on global warming. We see the short- and medium-term challenge for the coal industry lying in the capture of carbon emissions from combustion of coal in a safe and competitive way to produce low or zero carbon energy in quantities that meet market demands.

Are we leading by example?

In 2005, we commissioned ECOS consultants to conduct a survey to review our position and performance within the framework of the question: *What constitutes leadership on sustainable development for a coal company in Australia?* ECOS develops 'business strategies' for companies seeking to integrate sustainability into their operations.

ECOS interviewed our leadership team as well as Anglo Coal and Anglo American executives overseas. The consultants conducted workshops and interviews at all of our mines and held discussions with our project leaders and members. ECOS also talked extensively to external stakeholders including Greenpeace, researchers, industry bodies, regulatory agencies, suppliers and partners.

The results indicated that whilst our corporate citizenship was perceived to be similar to that of our peers, we are not, at present, leaders in sustainable development.

Water cart operator Leya Williams, with Tony Melichar electrical technician at Drayton.

GRI INDICATOR KEY

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EN14

Nevertheless, our ability and willingness to take a leadership stance is high. It was noted by internal and external participants that our business strategy could be strengthened in the following ways to pursue leadership in sustainable development within the coal mining industry:

- our safety commitment, whilst unquestioned, could benefit from even greater effort in managing our employees' and contractors' safety and wellbeing and in 2006 we will embark on more initiatives to encourage a safer working environment;
- more forthright advocacy of climate change risk management and the harnessing of opportunities for cleaner energy production;
- management of energy and water consumption, with attention paid to achieving efficiencies through integrating our consumption patterns with those of external parties;
- investment in technological advances that could concurrently support better energy economics and more responsible stewardship of our planet and its climate;
- the development of partnerships with local and regional communities to achieve advances in socioeconomic prosperity, amenity and quality of life; and
- the building of capacity, both for us and for the wider community, through the active development of skills and careers for people associated with our industry.

Where do we intend to go?

We recognise that our sustainability as a company relies not just on our performance today, but on our ability to adapt to new business drivers, including climate change, now and in the future. This adaptability will allow us to transform our business towards becoming, in the short to medium term, a low-carbon energy provider. In the medium-longer term, we look to our own innovations and the innovations of our stakeholders to lead us into new models of energy production.

These are not small steps for us and we acknowledge the commitment this entails. We intend to play an active role in the transformation of the coal industry and, wherever we can, to lead through innovation, the integration of climate change and energy efficiency considerations in our business strategies and investment in the technological advances that will catalyse our transformation. Significant people, resources and investment have been initiated in key areas to build the capability and capacity within the business.

Water storage dam at Moranbah North.

'We recognise that our sustainability as a company relies not just on our performance today, but on our ability to adapt to new business drivers, including climate change, now and in the future.'

ANGLO COAL

Stakeholders

Anglo Coal recognises that we can create value by working more closely with all our stakeholders. We acknowledge that we have legal and other obligations to all legitimate stakeholders including shareholders, employees, contractors, and the communities in which we operate. Our stakeholder engagement covers a number of sectors, each of which has a significant influence on the way we manage our safety and sustainable development activities.

We play an active role in significant national and international industry associations, through membership, funding, the provision of and participation in committees. These include:

Minerals Council of Australia (MCA)

The MCA is the peak mining industry body in Australia and MCA committees have been established to consider key issues such as sustainability. The MCA 'Enduring Value' framework for sustainable development is based on similar International Council on Mining and Minerals' (ICMM) principles. We have committed to implementing the 'Enduring Value' principles and are represented on the Environment and Social Committee, the Safety and Health Committee and the Social Practice Task Force. The Chief Executive Officer (CEO) of Anglo Coal Australia Anglo Coal is a director of the MCA.

Queensland Resources Council (QRC)

The QRC is the main mining industry body in Queensland. Anglo Coal's Chief Executive Officer is a director of the organisation and Anglo Coal representatives serve on all key committees and strategic advisory groups.

NSW Minerals Council (NSWMC)

We are a member of the NSW Minerals Council, the peak mining industry body in NSW. An Anglo Coal representative serves on key safety and health and environment committees.

ANGLO COAL AUSTRALIA'S STAKEHOLDERS

Australian Minerals Industry Cooperation Initiative

We are a sponsor of the Australian Minerals Industry Cooperation Initiative (MICI) which was established to provide national industry resources to assist all operations with the management of safety and health risks in the Australian minerals industry. Amongst other initiatives, MICI developed the National Minerals Industry Safety and Health Risk Assessment Guideline to help various users achieve effective and efficient deliverables from risk assessment.

COAL21

COAL21 is a partnership between the electricity and coal industries (including Anglo Coal), unions, federal and state governments and the research community. The formal objectives of COAL21, adopted by the participants in 2003, include creating a national plan to scope, develop, demonstrate and implement near zero emissions coal-based electricity generation that will achieve major reductions in greenhouse gas emissions over time while maintaining Australia's low cost electricity advantage.

The Coal Industry Advisory Board

The Coal Industry Advisory Board (CIAB) comprises executives from coal-related industrial enterprises, established by the International Energy Agency (IEA) to provide advice to the IEA on issues relating to coal. The CIAB currently has 40 Members (including the Anglo Coal CEO) from 16 countries, who account for about 40% of world coal production. The CIAB is supporting the IEA in delivering its responses to the Group of Eight countries Gleneagles plan of action on climate change, clean energy and sustainable development in the areas of:

- zero emissions technologies;
- creating commercial drivers for clean coal technologies;
- enhancing energy security; and
- spreading best practice - with a focus on India and China.

International Council on Mining and Metals

Through Anglo American, we support the ICMM principles of sustainable development and are committed to measuring our sustainable development performance against them.

Industry Alliance Group

The Industry Alliance Group brings together national industry associations to collaborate on national areas of interest. The MCA represents the mining industry in this group.

Sustainability Minerals Institute

We are a sponsor of the Sustainable Minerals Institute which comprises six University of Queensland research centres. It is focused on identifying major sustainability challenges facing the global mining industry and developing new expertise and research to meet these challenges. Anglo Coal's General Manager Safety and Sustainable Development is a director of the SMI.

Australian Coal Association

Anglo Coal is a member of the Australian Coal Association, representing the interests of the producers in New South Wales and Queensland that contribute 98% of Australia's black coal. The Australian Coal Association is closely affiliated with the NSWMC and the QRC.

Research

Anglo Coal contributes five cents per tonne of saleable coal to the Australian Coal Association Research Program (ACARP) along with other producers of black coal. ACARP's mission is to research, develop and demonstrate technologies that lead to the safe, sustainable production and utilisation of coal. Research projects that Anglo Coal is involved with through ACARP include:

- CO_2CRC, CRC for Coal in Sustainable Development;
- development of a monitoring system to assess the impacts of blasting;
- using a risk assessment methodology to develop a site-based approach to sustainability issues;
- documenting current mine water management practices in the Bowen Basin;
- studying mechanisms affecting the stability of highwalls;
- investigating the enhancement of microbat fauna habitat values and increasing the rates of colonisation within mine rehabilitation areas;
- understanding the socioeconomic impacts of mining on local communities and developing community engagement strategies to reduce conflict and maximise opportunities; and
- reducing injury risk associated with the ergonomics of underground mining equipment.

GRI INDICATOR KEY

2.09

3.09 | 3.10 | 3.14 | 3.15

Top: Roderick Tobane, Mayor of Woorabinda Council, Bill Thaiday and Helen West, Mimosa Community Development Employment Program Directors, sign the Woorabinda Agreement on behalf of the local community (see case study page 35).

Above: Microbat habitat research at Dawson.

Governance

Governance of our Commitment to Sustainable Development

Anglo Coal has a Corporate Safety and Sustainable Development (S&SD) team consisting of a General Manager (GM) Safety and Sustainable Development, an Environment Manager, Safety and Health Manager and a Sustainability Manager. The GM S&SD reports directly to the CEO of Anglo Coal.

Anglo Coal also has an S&SD Committee whose brief is to:

- drive SHEC leadership and commitment across the business and increase senior management focus on SHEC issues;
- develop sustainable development initiatives and opportunities as part of the strategic planning of the business;
- 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.

The committee, which comprises the CEO, General Counsel, GM S&SD, and GMs of key functional areas, meets monthly. Senior SHEC personnel from corporate are also present. The operational GMs and project GMs attend every quarter with senior S&SD corporate personnel.

'The Anglo American Board, comprising three executive and 11 non-executive directors, meets at least six times a year.'

Governance Structure and Responsibilities

Anglo Coal Australia (Anglo Coal) is a wholly owned division of Anglo American plc, and does not operate with its own formal board of directors. Anglo American plc's board of directors is responsible to shareholders for setting the direction of Anglo American plc and its subsidiaries, through the establishment of strategic objectives and key policies. These objectives and policies are applied to Anglo Coal, often as part of a broad Anglo American plc direction, and sometimes as part of a direction that is specific to Anglo Coal.

The Anglo American board, comprising three executive and 11 non-executive directors, meets at least six times a year. Eight of the directors, including the chairman, are independent. Presentations are made to the board by business management on the activities of operations, and both executive and non-executive directors undertake regular visits to operations and projects.

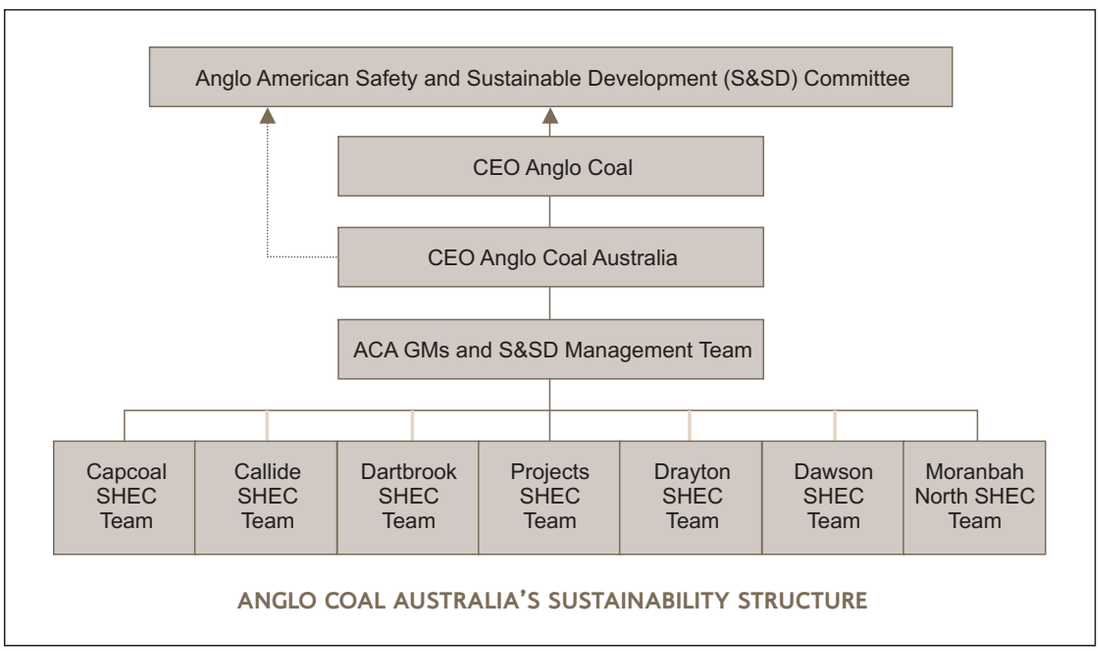
In addition to the corporate governance processes that manage the broader affairs of the company, Anglo American plc has a Board Safety and Sustainable Development (S&SD) Committee, responsible for developing the framework, policies and guidelines for the management of sustainable development issues, and ensuring the progressive implementation of the same throughout the group. The committee normally meets four times each year, including a visit to an operation, and business unit heads are invited to attend committee meetings. The CEOr of Anglo Coal, Eric Ford, is required to make an annual presentation to the Anglo American S&SD Committee, to report on Anglo Coal's key sustainable development challenges and the organisation's progress against them.

Above: Shane Chalk, Shift Supervisor, and Lincoln Katz, Production Operator, observing trials of a new excavator at Dawson.

'The CEO of Anglo Coal is required to make an annual presentation to the Anglo American S&SD Committee, to report on Anglo Coal's key sustainable development challenges and the organisation's progress against them.'

In addition, the Anglo Coal CEO submits an annual Safety, Health, Environment and Community Letter of Assurance to the Chief Executive Officer of Anglo Coal. The head of Anglo Coal is then required to provide an annual Letter of Assurance on adherence to Anglo American's Good Citizenship Business Principles and the Group's SHE Policy to Anglo American.

The Anglo Coal Australia SHEC structure is illustrated below:



ANGLO COAL AUSTRALIA'S SUSTAINABILITY STRUCTURE

Above: Ventilation shaft at the new Grasstree mine.

Left: Patrick Clancy Commercial Manager Hans Hayes General Manager and Pam Simpson Environmental Coordinator at the monthly Drayton SHEC meeting.

Right: Clint Bull, Supply Officer, Alan Azzopardi, Safety and Health Advisor, Scott Andrews, Fitter, and Peter Arthur, Trainer Service Provider, undergoing Supervisor Legislative training at Callide.

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

Anglo American Good Citizenship Business Principles

In 2002, Anglo American plc defined and launched a Good Citizenship framework, setting out its Business Principles. Our conduct in Anglo Coal today is underpinned by the following four pillars:

- business integrity and ethics;
- corporate citizenship;
- employment and labour rights; and
- safety, health and environmental stewardship

Our Business Principles are fully implemented at all our sites and apply to every operation we manage, every action we perform as Anglo Coal, and in every part of the world in which Anglo American operates. The Business Principles can be found at **http://www.angloamerican.co.uk/corporateresponsibilty/**

Global Compact

Anglo American plc, Anglo Coal's parent, is a signatory to the United Nations Global Compact, a voluntary corporate responsibility initiative that supports 10 universal principles in the areas of human rights, labour, the environment and anti-corruption. Anglo Coal Australia supports this important initiative.

SHEC Management Systems

All our mines operate under Occupational Health and Safety Management Systems certified to AS 4801 in 2004.

Our sites also operate under Environmental Management Systems certified to ISO 14001. Surveillance audits in 2005 reaffirmed certification at all sites. The international standard was amended in 2004 and the operations are working to ensure that their systems comply with the amendments by May 2006.

Community issues are managed through the Anglo American Socio-Economic Assessment Toolbox (SEAT) process, which is intended to help operations benchmark and improve the management of local social and economic impacts. Each site has conducted a gap analysis and developed a community engagement plan under this process.

Risk Management and Audits

The management of risk occurs at different levels. Along with the maintenance of environment and safety registers, ongoing work on specific risk considerations is conducted.

Whistleblowing

The independently managed 'speakup' facility guarantees anonymity to those reporting irregularities about behaviour that may endanger the health or safety of people, damage the environment, result in failure to comply with business principles or legal obligations, fraud, bribery and corruption, and miscarriages of justice.

During 2005 three speakup 'reports' were received by Anglo Coal. Investigations were undertaken, and none of the issues required follow-up actions.

Political Donations

No donations were made during 2005. The company has a policy of not making political donations.

Bribery

The Business Principles reinforce that no-one in Anglo American will offer to pay or accept bribes.

The Precautionary Principle

During 2004, Anglo American started a group-wide project for identifying and ranking short-, medium- and long-term sustainable development risks and opportunities and for ensuring consistency across the group in sustainable development activities. During 2005, we contributed to the project inputs and built risk minimisation into site business plans.

GRI INDICATOR KEY

3.07 | 3.13 | 3.15

S02 | S03

Dragline removing overburden above coal at Callide.

Economic Review

Above: Operator at Bundoora underground mine at Capcoal.

Our economic impacts relate not only to the return we provide to our shareholders and investors, but also to the direct and indirect contributions we make to the economic sustainability of stakeholders. These include the communities in which we live and work, the suppliers of materials and services, employees and governments who use tax revenues to fund public services.

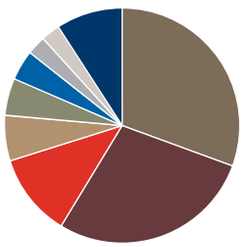
Details of the contributions we made and key economic indicators are summarised in the table below. Further information on our full financial results can be found in the Anglo American 2005 Annual Report, located on their website at **www.angloamerican.co.uk**.

$ million	2005	2004
Turnover	1,746	1,092
Costs of goods materials and services	853	646
Total labour costs	280	251
Net taxes paid	296	275
Subsidies received	0.32	32
Exploration expenditure	17	15
Corporate social investment expenditure	1.29	0.61
Cash payments to suppliers	1,284.4	876.8
Percentage of contracts paid in accordance with agreed terms	90%	90%
Distribution to providers of capital	286.5	227.5
Decrease in retained earnings	94.8*	119.5

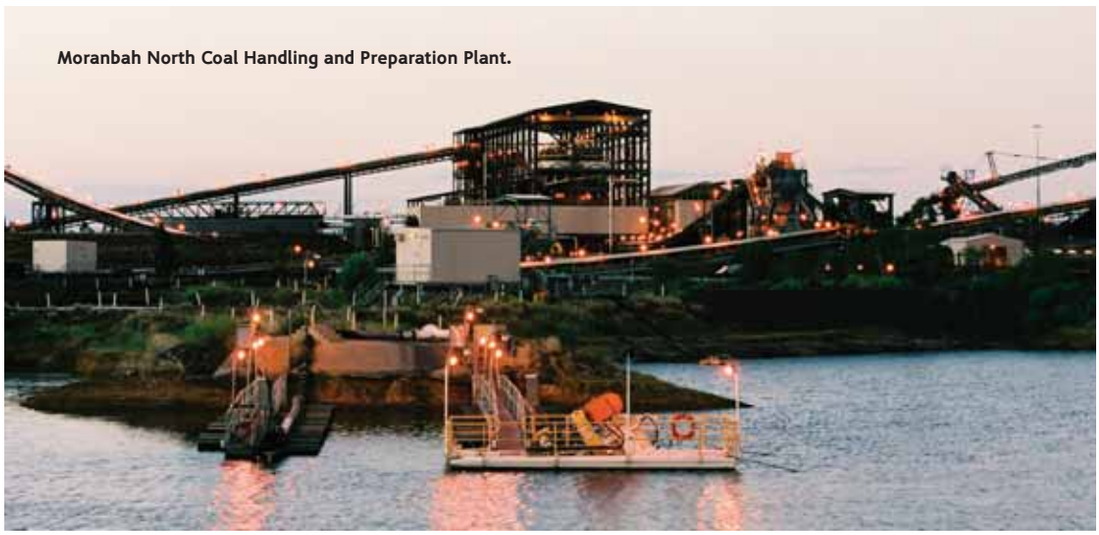
* Does not include adjustments relating to Pre-AASB139 ICRS. These adjustments were booked retrospectively to the 2004 year and increased 2004 retained earnings by $391.1 million.

Geographic Breakdown of Markets

Australia	32%
Japan	26%
India	12%
Taiwan	7%
Korea	4%
Traded	3%
China	2%
Brazil	2%
Rest	12%



Moranbah North Coal Handling and Preparation Plant.



Mahdi Mason, Graduate Environmental Advisor from Capcoal.

GRI INDICATOR KEY

2.07 | 2.08

EC1 | EC2 | EC3 | EC4 | EC5 | EC6
EC7 | EC8 | EC9 | EC10 | MM3

✓ Achieved
✗ Not Achieved
❖ Ongoing

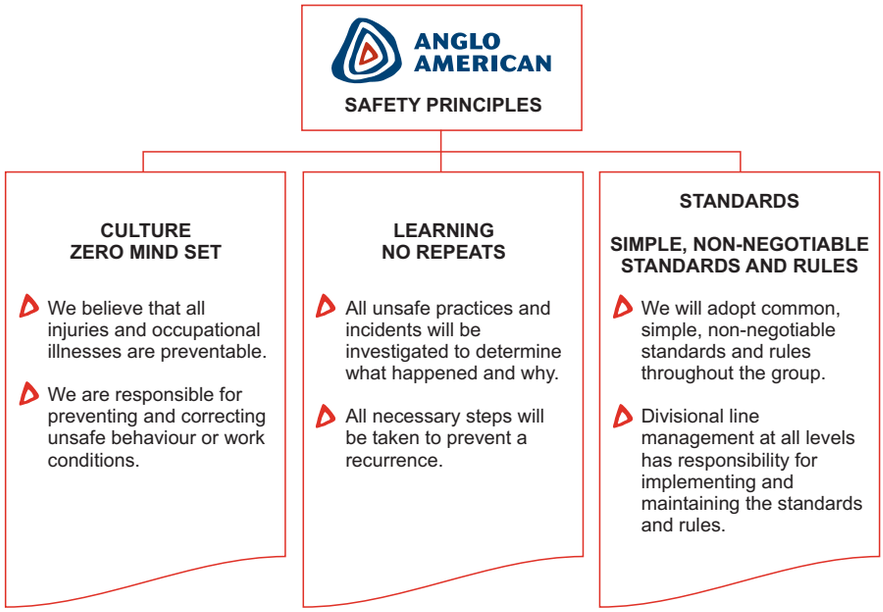
Sustainability Targets Performance

Parameter	2005 Target	Plan	Actual	Progress against 2005 Target	2006 Target
Safety and Health	Lost Time Injury Frequency Rate (per 1 Million exposure hours)	4	5.6	✗	2.9
	Total Recordable Case Frequency Rate (per 1 million exposure hours)	11.9	20.5	✗	9.5
	Eliminate all safety and health incidents greater than 2 on the incident potential matrix	-	No	✗	Develop and implement a 'Managing Safety' program for managers and supervisors
	Maintain certification to Australian Standard Occupational health and safety management systems - AS 4801	-	Yes	✓	Identify and implement appropriate innovative strategies for reduction of vehicle/equipment interaction risks
	Report and analyse all 'high potential incidents'	-	Yes	✓	Implement a comprehensive framework for the management of occupational health
Community	All sites to use Socioeconomic Assessment Tool (SEAT) for assessing, developing and improving areas around community relationships	-	Yes	✓	Prioritise and regularly report key community indicators
	Sites to develop and maintain formal site Community Relations Plans that include measurable objectives, strategies and targets	-	Yes	✓	Develop strategies to identify indigenous employment opportunities
Environment	Zero Level 3 environmental incidents	0	0	✓	0
	Zero environmental fines	0	0	✓	0
	Efficiency of water use for primary activities (litres/tonne saleable coal)	226	281	✗	280
	Energy efficiency (Gigajoules/tonne saleable coal)	0.147	0.202	✗	0.190
	Greenhouse gas efficiency (CO_2-e tonnes/tonne saleable coal)	0.083	0.117	✗	0.110
	Develop action plans for protection of biodiversity values (and include in site business plans)	-	Partial	❖	Review biodiversity action plans
	Each site develops a Biodiversity Action Plan	6	4 sites	✗	

Safety

A key initiative finalised and implemented in 2005 was the updated 'Control of Energy' Standard. Amongst other requirements, this new standard requires the use of personal locks as part of the energy control process, as an improvement on the total reliance on the use of Danger Tags as the means of personal protection from unplanned releases of energy.

Attaching an isolation lock to a truck.



Tragically, we recorded one fatality in 2005, when a senior mining engineer, Roger Browne, was found deceased at the bottom of a disused pit at Dawson. Extensive investigations have been undertaken by Police, Mines Inspectorate and Dawson personnel, but they have not yet been able to establish the cause of the fatality.

Anglo Coal will not compromise on the safety of our employees, contractors and communities and our vision is to achieve zero harm through effective management of safety in all operations. The Anglo Coal CEO has committed to implementing the 'Anglo Safety Way', an overarching safety campaign that incorporates the Anglo American Safety Management Principles, Framework and Management Standards. The safety principles set the foundation of the desired culture, expected behaviours and performance standards within the organisation (see above). The 12 safety management standards known as the 'Anglo Safety Way' integrate the Visible Felt Leadership, the 'Golden Rules', the concepts of behaviour-based safety as well as best practice into a single framework. The Safety Way will be implemented by aligning our site SHEC systems and a communication program to emphasise the changes and focus on these safety initiatives.

In 2005 we focused on auditing the sites' Multiple Fatality Risk Management Plans. These plans concentrate on risks involved in the interactions of vehicles and equipment with other vehicles, highwall stability and explosives management in the open cut mines, roof stability, ventilation and gas management in the underground mines.

Whilst the audits found that the plans for the underground operations were comprehensive and well developed, additional improvement opportunities were identified. With regard to the open cut operations it was determined that although there were procedures and other measures in place to manage multiple fatality risks, for the most part, these had not been collated into specific multiple fatality risk management plans.

Hence, in 2006, it is planned to develop generic multiple fatality risk management plans for risks that are common to all open cut operations.

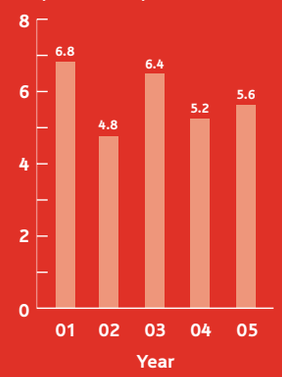
Each mine's safety and health risks are recorded on the site risk register which is regularly reviewed to ensure that the current controls remain effective and appropriate.

Managing Risks

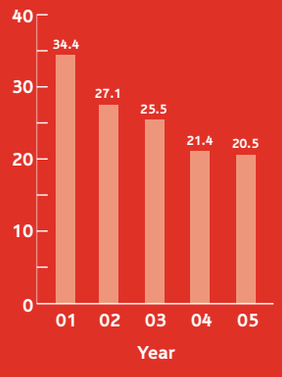
All our sites have comprehensive programs to manage safety and health risks. Program requirements are specified in the Anglo Coal SHEC Management System. The programs include the use of standardised risk assessment tools and techniques and the subsequent development of:

- multiple Fatality Risk Management Plans;
- standard operating procedures;
- safety and health monitoring programs; and
- training programs to ensure all employees and contractors are competent to perform the tasks required of them.

LTIFR Safety Performance
(per million exposure hours)

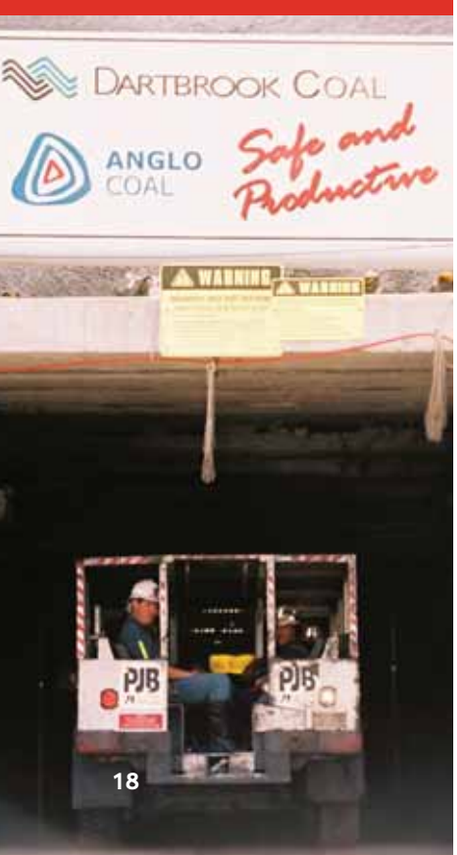


TRCFR Safety Performance
(per million exposure hours)



Above: Rhonda Stubbins, Callide Human Resources Advisor, discussing the safety 'Golden Rules' with employees.

Below: Entrance to the Dartbrook underground mine.



In addition, Anglo Coal has also used innovative risk assessment techniques (in conjunction with minerals industry risk management specialists from Queensland University) to examine specific risks. In 2005, a project involving a unique risk assessment technique based on a 'defence in depth' philosophy was used to identify additional improvements to risks associated with vehicle-equipment operations. This project, titled SOMEFIRE (Surface Operation of Mobile Equipment Fatality Incident Reduction Exercise) took the form of two risk assessment workshops involving key personnel for all Anglo Coal open cut operations. Innovative improvement opportunities were identified and these will be reviewed and progressively implemented throughout 2006 and subsequent years.

Each site has an Occupational Health and Safety Committee that includes members from each of the sites' operational areas. The committees meet every five to six weeks to review progress and initiate improvements to processes and performance. Sites also hold monthly SHEC Management System meetings and send delegates to the annual Anglo SHEC Mining and Industry Safety Conference.

All sites maintained certification of their Safety, Health, Environment and Community SHECM Management Systems to the Australian and New Zealand Standard for Occupational Health and Safety Management Systems AS 4801 following surveillance audits in 2005.

The surveillance audits revealed only one major non-conformance where absence of 'work at height' controls were noted and a number of minor non-conformances. Sites have improved procedures in the identified areas.

Internal audits were conducted at all sites including a tyre safety audit at all mines following a tyre-related fatality industry alert in 2004.

Contractor management will be a major area of focus for audits in 2006 to ensure that they are in compliance with our rigorous safety management processes and procedures following the current expansion of activity in the industry.

Training

Our sites conduct a comprehensive range of regular health and safety training programs. Safety training includes, but is not limited to, risk assessment and risk management, incident reporting, explosive awareness and first aid.

There are comprehensive safety training competencies that detail the technical aspects as well as ensuring the audit actions are reviewed by the appropriate people in the organisation. These are part of the initial induction training as well as the periodic refresher training for all levels of employees.

All of our sites have commenced implementation of the People, Performance and Growth Program (PPG), a quality program focusing on informing employees of the standards expected when conducting work on site.

All health and safety incidents are reported, recorded on SiteSafe (the Anglo Coal safety database) and fully investigated. The SiteSafe database is continuing to be developed as an analysis tool to trend data and assess causation factors.

Emergency Response Training and Evacuation Simulation

All business units have in place site or operation-specific emergency/crisis procedures and plans appropriate to their identified level of risk. In addition, emergency response teams conduct monthly training to maintain a high state of readiness.

For example in 2005, Callide mine undertook a major mine rescue exercise to test the mine's emergency response system. The mock electrocution of an employee at the dragline prompted a shutdown of the mine and evacuation of all employees from the dragline.

Also in 2005, Capcoal ran 6 emergency scenarios of which five were run without prior warning to minesite employees, to test the response and preparedness of the site.

David Vaughan and Alan Suttner from Drayton inspecting emergency response first aid equipment.

GRI INDICATOR KEY

2.20

3.20

LA5 | MM12

A full emergency evacuation from the Moranbah North underground mine was also completed. This valuable exercise identified opportunities for improvement including training in self-rescuer use and breathing apparatus training for fire fighting.

Our mine rescue teams frequently participate in regional and state competitions and the Dartbrook Mine's rescue team came first in the Hunter Valley Mines Rescue Competition in 2005.

Safety Performance

Anglo Coal uses the recording of high potential incidents with the potential for fatality or very serious injury as a leading indicator. Leading indicators seek to gauge performance before an injury takes place and are proactive, prevention-focused actions. These high potential incidents are the 'free lessons' and whilst no person was injured, the potential for an incident to happen was there. In 2005, 27 such incidents were reported, comparing favourably with 34 incidents in 2004.

The elimination of high-potential incidents will be a major focus for all Anglo Coal operations in 2006. For each high-potential incident reported a more detailed formal investigation, as if an incident occurred, will be conducted.

Forty-four lost time injuries (LTIs) and 164 total recordable cases (TRCs) were reported in 2005. These injuries resulted in an LTIFR and TRCFR of 5.6 and 20.5 respectively. While it is disappointing that these results fell short of the targets of 4.0 and 11.9, the TRCFR improved on the 2004 rate to be the lowest ever recorded by Anglo Coal and the LTIFR was only marginally above 2004.

Significant safety achievements were reported by Capcoal mine in 2005:

- the Coal Handling Preparation Plant was five years LTI free in November 2005;
- the open cut operation worked for 324 days without an LTI; and
- Grasstree mine recorded 549 days free of LTIs during the year.

A safety sign at Dawson.

Right: Carmen Dyer Environmental Graduate at Drayton.

Below: Eric Ford presenting the CEO's Safety Award to Steve Hedges, General Manager of Drayton.

Bottom: Bundoora, Capcoal, underground tag board.

Safety Performance

	2004 Result	2005 Target	2005 Result	2006 Target
Fatalities	1	0	1	0
Total Recordable Case Frequency Rate (TRCFR)	21.4	12.0	20.5	9.5
Lost Time Injury Frequency Rate (LTIFR)	5.2	4	5.6	2.9

Sites have implemented significant initiatives to improve their safety performance including:

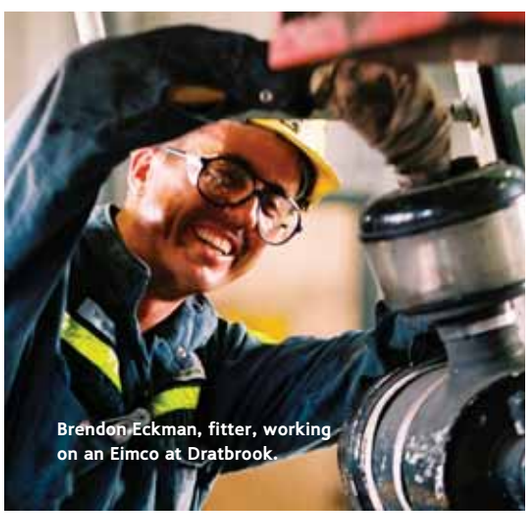
- Callide introducing non-negotiable 'Golden Rules' relating to the key areas of confined spaces, working at heights, vehicle safety, hazardous energy, mining operations and lifting and material handling and provides all employees with high visibility yellow clothing, gloves and locks. Contractors are monitored to ensure that they are also wearing correct high visibility clothing;
- Capcoal and Dartbrook continuing the behavioural safety management program known as Zero Incident Program (ZIP) which assists employees to identify and manage their own risky behaviour;
- Dartbrook presenting safety awards to personnel with five years of service and no recordable injuries, and safety awards to crews with 12 months free of recordable injuries;
- Capcoal and Dawson organising employee seminars hosted by paralympian James Wood and international cricketer Merv Hughes on safety at work and back care;
- the development of a supervisor mentoring program at Drayton where site inspections are held with coordinators and a specialist to assist in building the skills of site employees in identifying potential hazards has shown some good results. This will be now taken to Callide in 2006; and
- the development of monthly safety themes such as hazard awareness, personal protection equipment and manual handling at Moranbah North.

Fines and Prosecutions

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

However, in November 2005, Anglo Coal (Kayuga Management) Pty Ltd was formally charged with breaches of the New South Wales (NSW) *Occupational Health and Safety Act 2000* in relation to a fatality that occurred at the Kayuga project in 2003.

At Dartbrook mine, the NSW Department of Primary Industries (DPI) undertook a site inspection and requested that action be taken regarding dust generation on the longwall. An action plan that includes the establishment of a longwall dust management committee has been prepared for, and accepted by, the DPI.



Brendon Eckman, fitter, working on an Eimco at Dratbrook.

Safety hats at Moranbah North.

GRI INDICATOR KEY

LA7

Fatigue Monitoring Device Trial at Callide

In 2005 Callide mine volunteered, on behalf of Anglo Coal, to take part in a trial of fatigue monitoring equipment for trucks.

Fatigue management across industry has to date been primarily focused on operator awareness with minimal active management. This is due to the inability to accurately monitor fatigue risk levels through a shift.

The trial involved fitting four trucks with a fatigue monitoring system that detects and determines fatigue levels in operators by monitoring four parameters that have been identified in studies in the United Kingdom as being significant factors for the onset of fatigue. These parameters include:

- quality of prior sleep;
- circadian rhythm;
- length and type of driving; and
- driver steering characteristics.

Driver steering characteristics are actively monitored and the other three factors provide a weighting in calculating a fatigue score. If the steering responses start to slow, then an alarm is sounded which alerts the operator to possible early onset of fatigue.

The aim of the trial was to correlate operator diary entries with the data that is retrieved from the system. This correlation would provide a level of confidence that the system reflected how the operator felt.

The initial results from the trial were positive. Operator acceptance was high as the system is not intrusive. Other findings included:

- the overall Advisory System for Tired Drivers/operator correlation was 88%;
- the trial registered 52 alarms, 44 of which took place at night;
- 88% of alarms occurred between 2.00 am and 5.00 am; and
- that Callide mine has built-in fatigue controls including short haulage routes and high level of operator rotation that reduce fatigue potential.

The results of the study have indicated that further trials need to be conducted before Anglo Coal invests in the purchase of the equipment. Tentative arrangements are being made for further trials on a site that has longer haulage routes.

Coal haul truck.

People

We recognise that our workforce is our single most important asset. We strive to be an employer of choice, providing learning opportunities for our employees that will benefit them at work as well as in their home life. These opportunities are provided through our employee training programs and community involvement. We employ our people according to a range of industrial relations legislation, awards and agreements and in keeping with International Labour Organisation principles of decent work.

Moranbah North's John Wood, Mobile Fleet Diesel Engineer, working on a continuous miner.

Anglo Coal is an equal opportunity employer which values diversity and actively encourages the employment of all, regardless of gender, age, race or ethnicity. Whilst we recognise that within the mining industry the workforce is predominantly male, we have been proactive and successful in recent years in attracting and retaining female employees across all areas of our business. We intend to put in place specific workforce diversity targets for female and minority employees and report against these on an annual basis from 2006.

We continued our major business transformation initiative entitled People, Performance, Growth (PPG) in 2005. This initiative involves programs including the major development of the Anglo Coal Leadership Team, the streamlining of organisational structures and systems, further work on the definition of roles and accountabilities, the optimisation of business performance to deliver agreed business strategies and an increased capacity to manage and influence the external environment. We believe that the PPG initiative will produce an achievement culture within Anglo Coal by enhancing our capability and improving our leadership, systems and processes.

We take our people and their career development, safety, health and wellbeing seriously and demonstrate this by investing in a range of programs and processes. Examples of these are highlighted in this section and also in the Safety section on pages 16-21.

Anglo Coal has in place anti-discrimination policies and grievance procedures underpinned by strong state and federal anti-discrimination legislation.

Through the Anglo American Business Principles, Anglo Coal Australia supports the principles found in the Universal Declaration of Human Rights and will not tolerate inhumane treatment of employees including any form of forced labour, physical punishment or other abuse and prohibits the practice of child labour.

In addition to the Anglo American Good Citizenship Business Principles, Anglo Coal has a Freedom of Association Policy.

Attraction and Retention of our Workforce

Anglo Coal recognises that the key challenge in relation to our people is the attraction and retention of our workforce. With the tightening of the labour market in the mining and resources industry over the past few years we have experienced a higher than acceptable turnover rate which has led to both financial and non-financial negative impacts upon our operations.

We have begun addressing these issues by providing incentives to our workforce including:

- improved roster systems that cater for a more family-friendly lifestyle;
- implementing training courses that provide employees with transferable skills;
- completion bonuses for our apprentices;
- housing and rental subsidies;
- employee assistance programs; and
- health and wellbeing initiatives (detailed below).

We will continue to monitor our turnover rate over the coming years and invest in ways to ensure we better understand the needs and concerns of our workforce. We began the process of rolling out the Anglo Coal Employee Survey across the sites to evaluate employee satisfaction. The results of the survey will be available in 2006.

At our operations we communicate with our employees through media including weekly toolbox and stump talks, crew meetings, noticeboards, monthly general manager meetings with managers and staff, quarterly review meeting with general managers and managers, and weekly newsletters. These communication tools help ensure that any workforce issues are communicated throughout the operations and addressed with minor disruption to the business.

Top: Neil Parkinson, controller, in the Dartbrook control room.

Above: Nutritionist Trent Watson explaining the 'Clued on Food' program to Drayton employee Dave Mephan.

In 2005 each site negotiated new Enterprise Bargaining Agreements (EBAs) with a section of their workforce in line with the Federal government's new Workplace Relations Amendment (Work Choices) Bill 2005. These negotiations were undertaken over a six month period and involved extensive collaboration and co-operation from all parties involved. The consultative approach to the EBA's ensured that all those impacted were given the opportunity to discuss their concerns, and that the mine operations did not suffer any lost time or additional costs during the process. The agreements were certified in late 2005.

Demographics

2005 saw an increase in employee and contractor numbers as we expanded our operations at two of our sites Capcoal and Dawson. We plan to increase our workforce again in 2006 as the Dawson project expansion continues. Turnover rates also increased, as the labour market in the mining industry continued to tighten.

As at 31 December	2004	2005
Number of employees	2,382	2,255
Number of contractors	1,177	1,647
Number of trainees and Apprentices	101	99
Graduate development Programs	67	72
Employee turnover %	9.8	15.9

Health and Wellbeing

The health and wellbeing of our employees and the community is vital to our business. We understand that the health of our employees includes not only occupational illnesses but other issues such as inactive lifestyles, obesity, smoking and stress.

We have developed an Occupational Health Framework that identifies and details all aspects of the management of occupational health. Under this framework, mine sites have begun rolling out a range of key health and wellbeing initiatives including a focus on whole body vibration monitoring, management of diesel particulate, fitness for duty and better management of injuries and illness. At our Callide site, as part of the whole body vibration program, we have replaced a number of seats in mine vehicles to reduce vibration impacts upon mine employees (see case study page 21).

A number of other occupational health initiatives were also rolled out during the year. At our Drayton site these included:

- flu vaccinations offered to all employees and their families;
- sponsorship of hypnosis and nicotine patches to assist employees in giving up smoking;
- mandatory attendance at a nutritional awareness session; and
- a weekly onsite physiotherapist session for preventing and managing injuries.

We also continued our 'Healthy Lifestyles' and 'Working Bodies' programs which are aimed at employees and their families in an effort to increase their wellbeing, through raising awareness and education about lifestyle choices. We recorded some pleasing results from the programs including weight loss, a lower incidence of high blood pressure and an increase in hours spent exercising. These programs will continue to be rolled out in 2006.

Anglo Coal's occupational health programs include the identification of hazards, monitoring of exposure and implementation of controls to minimise or eliminate exposure. In 2005 there were 46 new cases of occupational disease reported. This was a 23% improvement from 2004.

Training

Our commitment to training in 2005 was approximately $34 million equating to around $15,000 per permanent employee. We are committed to ensuring that our workforce gain valuable and transferable skills whilst in our employ, and invest considerable time and effort in appropriate development programs at all levels. Some of the training and development programs we ran in 2005 are listed below:

- leaders - People-Performance-Growth (PPG) Program involving development of the Anglo Coal Leadership Team;
- supervisors - Foundation and Frontline Leadership (FFL) and Supervisor Essentials programs for our Mine Supervisors;
- employees - selected employees trained to become certified Deputies and Mine Examiners;
- graduates - Employment and training under the Anglo Coal Graduate Development Program;
- trainees and Apprentices - the Anglo Coal traineeship and apprenticeship programs; and
- ongoing technical and operational training for all employees.

New Occupational Illnesses 2005			
Mine	**Musculoskeletal Disorders**	**Noise Induced Hearing Loss**	**Skin Disorder**
Callide	3	2	
Capcoal	13	2	2
Dartbrook	7	0	
Dawson	6	0	
Drayton	5	0	
Moranbah North	5	0	
Projects	1		
Total	**40**	**4**	**2**

Grasstree People Performance

In 2004/05 Anglo Coal Australia developed Grasstree, a new underground mine adjacent to the existing Capcoal operations. Grasstree is expected to produce approximately 5 million tonnes of saleable coal per annum and started longwall production in late 2005.

The Grasstree development requires a stable workforce of approximately 220 people to operate, maintain and manage the site each year. In order to successfully recruit and retain a suitable workforce, Anglo Coal Australia invested $8m in best practice recruitment, induction, training and development programs.

The recruitment process involved a systematic selection and screening process whereby applicants drawn from local towns and wider regions took part in telephone interviews and psychometric testing. All levels of the operation participated in the recruitment process with selection panels comprising a cross-section of the workforce.

Applicants were then short-listed to attend an assessment day where they participated in experiential activities and face-to-face interviews following which successful applicants were offered positions. Once recruited, each employee attended an intensive 14-day induction program focusing on statutory and behavioural training programs prior to commencing work.

We are proud to report that in 2005, Grasstree met all of its targets in relation to the site's operation, production, safety and environmental obligations.

On the downside, we, like most of the mining industry in Australia at present, have suffered higher-than-acceptable turnover rates due to the tight labour market conditions.

We are of the understanding that the primary reason for our turnover rate at Grasstree is the seven-day on/off roster and the social and family issues this presents to some people. In response to this, we now ensure that all potential employees are made aware of the roster during the interview process and that we emphasise the ways in which it could impact them and their families.

With the majority of the recruitment process completed, we are now focused on ensuring that our employees are appropriately informed and trained to ensure the mine's successful operation.

We have initiated the following communication and training programs for our workforce:

- monthly meetings to discuss team and business performance and gain feedback from employees;
- every month, each crew spends one shift in safety and environmental training and development sessions;
- twice-yearly, mine management visit the mine's local towns to meet with mine employees, their spouses and children to discuss mine issues and receive feedback; and
- every year the mine will be shut down for 24 hours to allow mine employees to meet and discuss the mine's annual performance and interact with other mine teams.

We are confident that the considerable time and effort invested in the recruitment, induction and ongoing training and development programs at Grasstree has resulted in a trusted, rewarded and committed workforce that will continue to achieve excellent results for Grasstree as it moves into the Capcoal mine operation in 2006.

Above: Darren Binstead, fitter, and contractor Anthony Prestipino.

Environment

We are committed to achieving the goals stated in the Anglo American Environment Policy which are to:

- **conserve environmental resources;**
- **prevent or minimise adverse impacts arising from our operations; and**
- **demonstrate active stewardship of land and biodiversity.**

Anglo Coal Australia uses environmental resources and disturbs land. The impact of our operations and the efforts we are making to remediate our disturbance and conserve resources are discussed in this section. For more detail on the environmental performance and initiatives on the Anglo Coal sites see individual site reports at www.anglocoal.com.au

Matt Crisp, Graduate Environmental Advisor, calibrating water monitoring equipment.

Left: Environment Graduate Carmen Dyer taking a water sample at Drayton.

'No environmental fines were imposed on any operation and no prosecutions were initiated.'

GRI INDICATOR KEY

2.20

3.20

EN13 | EN16 | MM10

Management

Anglo Coal achieved its 2005 target of zero environmental fines and zero Level 3 environmental incidents.

Following certification of the Anglo Coal sites to the international standard for environmental management systems ISO 14001 by the end of 2004, ongoing surveillance audits were conducted at all operating sites during 2005. All sites maintained certification and only two major non-conformances were identified.

The original 1996 version of ISO 14001 was upgraded in 2004 and steps are being taken by all sites to ensure that certification to the amended standard is achieved by May 2006. It is planned that all projects, such as Lake Lindsay, will be operating under a Safety, Health, Environment and Community Management System by the end of 2006.

The identification of environmental risk occurs at a number of levels. Risk registers are maintained as a component of the site environmental management systems and higher level environmental risk reviews are also conducted.

Each site has a Life of Mine rehabilitation and decommissioning plan to manage the closure of the mine. The plans are reviewed every five years or whenever there is a major change to the operation. Annual financial provisions for rehabilitation and decommissioning are made during the life of each site's operation. At the end of 2005, US$102.5* million had been allocated for these purposes by Anglo Coal.

Environmental performance at Anglo Coal is assessed in a number of ways. Internally, sites carry out audits in areas carrying the most risk to the operation. Externally, environmental management systems are audited and experts are commissioned to carry out specific audits.

The performance of Anglo Coal sites is also reviewed by state environmental regulators. In 2005, this entailed the following:

- the Queensland Environmental Protection Agency (QEPA) conducted a compliance audit of Capcoal. The audit noted a non-compliance relating to an incident reported to the QEPA in 2004. The Agency issued three improvement notices; and
- an NSW DPI rehabilitation inspection at Dartbrook identified the need for some improvements while a similar audit at Drayton found that the rehabilitation was in an acceptable condition given the extended drought.

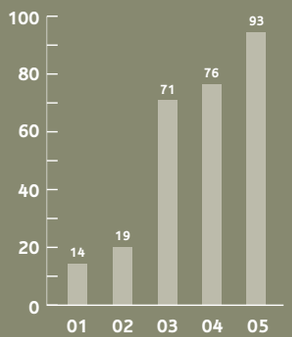
In July 2005, Anglo Coal signed a voluntary agreement with the Commonwealth Government under the Greenhouse Challenge Plus program. The agreement includes a statement of estimated 2004 greenhouse gas emissions and proposed mitigation measures. We have committed to annual public reporting of emissions and progress with mitigation projects. We are also required to report to the National Pollutant Inventory, Australia's national database of pollutant emissions. To obtain further detail on our mines emissions during 2004/05 please refer to **http://www.npi.gov.au/**

Anglo Coal maintains its commitment to the Minerals Council of Australia's Framework for Sustainable Development, also known as Enduring Value. Under this commitment, we are required to report on our performance against specific key indicators from the Global Reporting Initiative. These can be found in specific site reports accompanying this Sustainability Report on the Anglo Coal website **www.anglocoal.com.au**

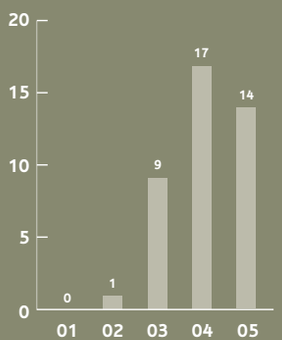
No environmental fines were imposed on any operation and no prosecutions were initiated. The reporting of environmental incidents increased in 2005 with improved awareness of incidents and more rigorous reporting. The 14 Level 2incidents related to exceedences of effluent and water discharge licence limits, oil and diesel spills and air blast overpressure exceedences.

* 100% terms, discounted.

Number of Level 1 Incidents

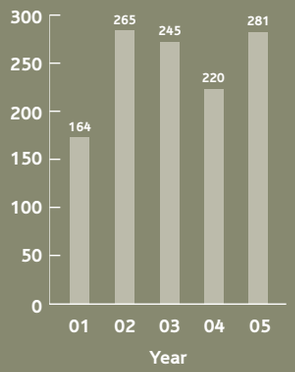


Number of Level 2 Incidents

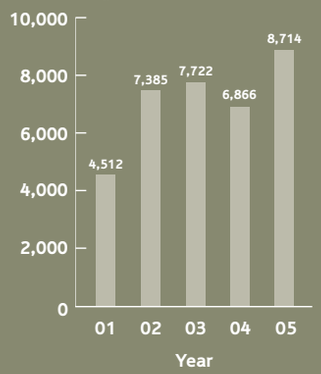


Above: Water quality sampling of a stream diversion at Callide.

Water Used for Primary Activities
(Litres per tonne of saleable coal)



Water Used for Primary Activities
(Megalitres)



Water

There is general recognition that water is becoming a scarce commodity in central Queensland, the home of four of our mines and other proposed projects. We recognise we have a responsibility to manage water efficiently.

Mine sites can be broadly classified as either those that generally accumulate water or those short of water. The challenge we face together with our stakeholders is to implement water management practices to make better use of regional water supplies and reuse or recycle more water within our mine sites.

Our definition of water use refers to primary activities. These are activities carried out in the process of producing coal. They include water used for dust suppression, washing coal and underground longwall production. Anglo Coal's use of water for primary activities rose 27% in 2005 to 8,714 megalitres. Additional use of water for dust suppression in open cut mining operations at the new Oak Park mining area at Capcoal and development of the Dawson North project were the major contributors to this increase. The depth to coal reserves is also increasing as our mine sites mature, resulting in greater haulage distances and increased requirements for dust suppression.

With the increase in primary water use and similar tonnes being sold in 2005 compared to 2004, the efficiency of water use for primary activities declined to 281 litres/tonne of saleable coal. This was well above the 2004 ratio and above our target of 226 litres/saleable tonne. As can be seen in the table below, efficiencies at three of our sites declined over the year.

To identify new ways of reducing raw water consumption on our sites, we are sponsoring an ACARP project to collate, model and distribute information on current and potential water management practices in the Northern Bowen Basin.

An important area of focus will be identification of opportunities for improving water management and reducing raw water demand and thus reducing the need for additional regional water infrastructure.

It is expected that improvement opportunities will be found in both municipal and site water use. Where the project provides opportunities appropriate to our operations, these will be implemented to improve water use efficiency.

Water management indicators developed within Anglo Coal during the latter half of 2005 will be used as a basis for tracking the status of water management systems at our mine sites.

Whilst pursuing continual improvement of site water monitoring and validation of water balance models Anglo Coal's mines are responding to current drought conditions. Specific projects are:

- construction of a pipeline to utilise water stored in inactive mining voids at Dawson Mine. This will significantly reduce the amount of raw water pumped from the Dawson River;
- increasing the capacity of Moranbah North's production dam to reduce the likelihood of discharge during high rainfall events. Additional water meters will also be installed during 2006 to monitor underground water use;
- Anglo Coal sponsoring a research project to examine the salt flux within mine sites, focusing on coal preparation plants and haul roads;
- in 2006 Dartbrook will install water meters on all bores during 2006 to improve the accuracy of water usage monitoring; and
- Capcoal has been studying using oxygen isotopes to determine the relative contributions of raw water and ground water to outflows from the underground.

Site Water Efficiencies 2005

Litres/tonne of saleable coal	2004	2005	2005 Target
Callide	89	75	80
Capcoal	549	896	550
Dartbrook	171	53	193
Dawson	134	183	132
Drayton	150	240	200
Moranbah North	546	312	315

During 2005, 400 ML of excess water was released by the Anglo Coal Australia sites to surface waters. Quantities of total dissolved solids (TDS), total suspended solids (TSS) and sulphates contained in the water are detailed below.

Parameters	2005
TDS (tonnes)	341
TSS (tonnes)	28
Sulphates (tonnes)	67

Noise/Overpressure and Vibration

The use of explosives generates noise (known as air blast pressure) and ground vibration. Anglo Coal mine sites monitor overpressure and ground vibration at nearby residences to determine compliance with regulatory limits.

Callide exceeded their blast overpressure limit and is currently operating under an Environmental Management Program for air blast overpressure exceedences.

Types of Waste				
	2004 Disposed	2004 Recycled	2005 Disposed	2005 Recycled
Hazardous Waste (t)	311	1,237	465	979
Non-hazardous waste	6,377	411	5,931	2,262

In 2005 there were no exceedences of the licence limits at Drayton. However to reduce impacts on surrounding residences, Drayton installed noise reduction barriers at the new Coal Handling and Preparation Plant and is constructing a noise barrier on top of and adjacent to the dump hopper.

Noise generated during movement of equipment within surface operations at the Dartbrook mine resulted in complaints from three nearby residences. Subsequent monitoring found that noise levels at one residence exceeded licence limits. This residence has now been included in the noise management zone, and Dartbrook will actively implement additional control measures to reduce noise levels at the residence.

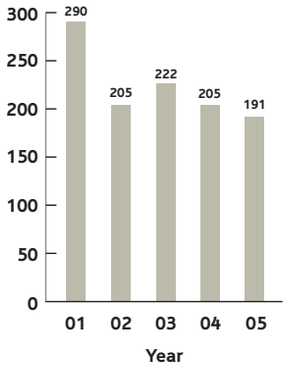
Waste

Four hundred and sixty-five tonnes of hazardous waste such as oil/grease containers and oil filters from Anglo Coal sites were disposed in licensed landfills while 979 tonnes of hazardous material, mostly used oil, were recycled on-site or sent to an external recycler.

Thirty-four percent of the total non-mineral waste generated on Anglo Coal sites was recycled. This was a substantial improvement on the 20% recycled in 2004.

Anglo Coal mines currently have five active facilities containing the coarse reject and fine tailings discard from coal processing. The facilities contain 23.7 million tonnes of material and cover an area of 172 hectares. Similarly 14.8 million tonnes of material is held in four inactive facilities.

Non-hazardous Waste Disposed to Legal Landfill
(Grams waste per saleable tonne)



Isaac River Stabilisation Project

Moranbah North Mine is an underground mining operation located approximately 18 km north of Moranbah in the Central Queensland Bowen Basin. The dominant surface feature of the Moranbah North Coal (Moranbah) mine lease is the Isaac River, which is an ephemeral stream with a 60-80 metre wide channel that flows through the centre of the Moranbah lease.

The Isaac River has been exposed to significant post-European changes both indirectly, by broad scale land clearing for grazing, and directly, by diversions for mining operations. In 2003 a study was commissioned by Moranbah to determine the subsidence effects of its proposed mining operations on the Isaac River and to develop a strategy to address the areas of risk associated with this mining.

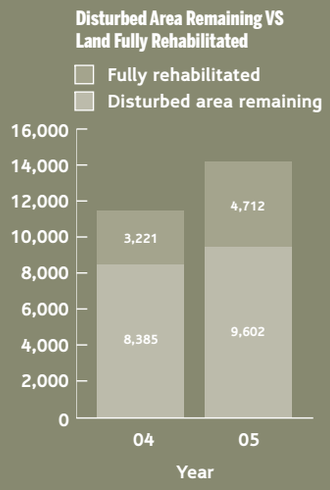
The study identified a number of impacts related to the subsidence of the Isaac River. These were:

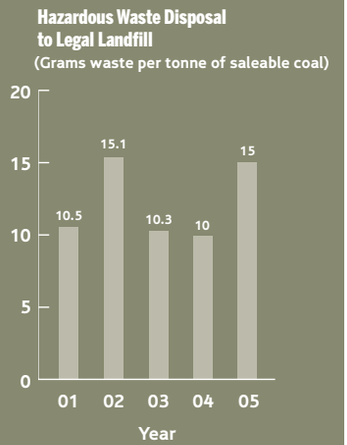
- erosion contributing to instability of an upstream diversion.
- erosion affecting the stability of the Hay Point Rail Line Bridge over the Isaac river;
- loss of material from the bed of the river meaning over 2 metres of unvegetated stream bank could be scoured;
- establishment of gullies within small catchments draining directly into the Isaac River; and
- damage to other infrastructure, including the BMA Braeside-Riverside Pipeline and the Moranbah Bridge.

The strategy developed to mitigate the impacts involved the following:

- the construction of driven timber piles and large woody debris arrangements inside the northern lease boundary to limit headward erosion;
- pile fields between each successive subsided panel area to protect the stream bank from damage related to loss of streambed sediments;
- vegetation Management works to protect the existing riparian vegetation and provide an opportunity for the restoration of vegetation communities in the river bed. The works consist of the following:
  - a system to irrigate the riparian vegetation likely to be affected by subsidence.
  - fencing to prevent cattle accessing the river.
  - establishing off-stream watering points to replace channel stock watering.

Above: Angus Ball, Graduate Environmental Advisor, assessing rehabilitation progess at Callide.





National Pollutant Inventory

Anglo Coal sites are required to report to the National Pollutant Inventory, Australia's national database of pollutant emissions. Although Sulphur Dioxide and Oxides of Nitrogen emissions were reported in previous reports, this data can now be found on the NPI database. To obtain further detail on Anglo Coal's emissions from 1 July 2004 to 30 June 2005 refer to **http://www.npi.gov.au**

Biodiversity and Land Management

Rehabilitation and Land Management

Rehabilitation at open cut coal mines mostly involves reshaping and seeding overburden material that has been removed from above the coal. In the case of underground mines the main task is to repair surface cracks that develop as coal is removed and the surface subsides.

After disturbing 1,206 hectares in 2005, Anglo Coal had a total area remaining disturbed of 9,602 hectares at the end of 2005. The mines rehabilitated 1,490 hectares during 2005 leaving the total area rehabilitated at the end of 2005 at 4,711 hectares. Anglo Coal improved the ratio of rehabilitated land to disturbed land from 38% in 2004 to 49% in 2005.

In addition to the activities Anglo Coal sites performs under their regulatory authorities and mining licences, a number of non-regulatory land management and rehabilitation projects are currently under way. These include:

- Moranbah North mine rehabilitating subsidence related disturbance along the bed and banks of the Isaac River;
- Anglo Coal participating in an Anglo ACARP highwall rehabilitation project investigating the mechanisms affecting the stability of highwalls.

Biodiversity

Protecting biodiversity and improving the quality of the environment in which we operate is a key element of sustainable development. Much of the surface area of our mine sites was cleared prior to the commencement of mining, and we recognise that it is our responsibility to protect remnant ecosystems and species that are now considered to be threatened.

The biodiversity status of all land managed by Anglo Coal and nearby land that may be affected by our activities is assessed. Where biodiversity values are identified, specific Biodiversity Action Plans (BAP) are developed and implemented.

These plans include biodiversity inventories, assessment of functional and conservation biodiversity, monitoring and corrective action programs, and the development of criteria for rehabilitation and closure.

To better focus on areas with high biodiversity values, Callide mine has identified six Biodiversity Management Units over an area of more than 10,000 hectares within and adjacent to the mine site. These units identify discrete pieces of land that have similar biodiversity characteristics. Appropriate action plans will then be developed to manage these units as part of the mine BAP.

We are currently working internally and with stakeholder groups to conserve biodiversity through the following programs:

- Callide mine has held preliminary discussions with Queensland National Parks and Wildlife Service (QNPWS) to establish a 400 hectare nature refuge over the area known as Mt Murchison, owned by Callide mine, but outside the mining lease;
- in conjunction with QNPWS, Callide is also assisting with the natural revegetation of a 700 hectare grazing lease on the mine site, within an existing timber reserve, that was cleared by a previous holder;
- the establishment of a native tree plantation on 75 hectares of Dartbrook owned land, between the coal preparation plant and Aberdeen township, was a finalist in the Hunter-Central Rivers Coal Industry Environmental Awards (see case study);
- Drayton mine planted 20 hectares of native trees as part of the site program to establish wildlife corridors on the post-mining landscape; and
- Capcoal engaged the University of Queensland's Sustainable Minerals Institute to apply its Sustainability Opportunity and Threat Analysis approach to identify opportunities and threats associated with the management of biodiversity within and near company managed land. The study identified several potential strategies to control threats as well as opportunities to enhance biodiversity. These will be considered in Capcoal's BAP.

Other initiatives to enhance biodiversity on our sites include:

- Callide sponsoring a research project with the Callide Valley Landcare Group to rehabilitate 514 hectares of site land with native tree species;
- Dartbrook will restore 13 km of the banks of the Hunter River and the Dart Brook by planting trees, eliminating weeds and installing fencing (see case study page 31 on this project and others); and
- Dawson mine will enforce an Environmental Management Plan to protect remnant vegetation during the construction of a new conveyor system through the Malakoff Range area.

Biodiversity Initiatives at Dartbrook

Dartbrook is committed to the active stewardship of biodiversity throughout all phases of the mine's operation and aims to preserve and enhance the native characteristics of the local area. Central to this commitment are three projects:

River Rehabilitation Project

This project involves rehabilitation of a 6.5 km stretch of the Hunter River and Dart Brook (totalling 13kms) over a five-year period. Dartbrook, as a landholder, was successful in obtaining funds from the Hunter-Central Rivers Catchment Management Authority (CMA) to assist in the project. The area is outside the Dartbrook Mine area and is not impacted by Dartbrook operations. The project plan includes weed management, tree planting, de-stocking, fencing, establishment of off-stream stock watering points, construction of fish habitat and investigations into bed control. The project will increase the density and diversity of native vegetation along the riparian corridor, control erosion, improve bed stability and protect an endangered White Box Woodland.

River Red Gum Project

As an extension of the River Rehabilitation Project, Dartbrook is planning to restore and enhance a River Red Gum community, which is listed as endangered under NSW legislation. Mining is not proposed in this area, but the River Red Gum community is being stressed by lack of natural flooding (to which it is well adapted), and grazing.

To protect the area from grazing, Dartbrook has fenced an area of approximately 12 ha, which contains approximately four ha of the Red Gum community. Dartbrook plans to artificially reinstate the flooding regime and augment the area with additional planting of species consistent with a River Red Gum community.

On completion of the work, it is anticipated that the River Red Gum community will be the healthiest and second largest community in the Hunter Valley.

Dartbrook will also establish a large river red gum population in the Russell Island channel, which was previously a part of the Hunter River. There is now significant difference in bed levels between the Russell Island channel and the Hunter River. Despite this, the channel fills in flood conditions, making it an ideal location to establish a River Red Gum community. The new River Red Gum community, once established, should receive more frequent natural flooding and will be more viable than other River Red Gum populations that are now left high and dry by years of floodplain sedimentation and stream incision.

Woodlot Plantation

A tree woodlot has been established in conjunction with Forests NSW on 75 hectares of Dartbrook owned land. This project commenced in 2004 as part of a regional plan to create a sustainable forestry resource in the Upper Hunter Valley for the future. The project has a number of benefits including: the provision of a visual screen between Dartbrook's Coal Handling and Preparation Plant and the township of Aberdeen, establishment of a seed bank for forestry species suitable to the region and the creation of vegetation corridors for fauna to move between the site and the Browns Mountain Area. Final establishment of the area was completed in 2005, with over 70,000 trees planted. Pleasingly, this project was a finalist in the CMA Environmental Excellence Awards.

The two river projects have the potential to protect and provide stability to the upper reaches of the Hunter River and Dart Brook, while the forestry project will reduce soil erosion, provide additional native biodiversity and contribute to a future timber industry in the area.

Fiona Yench, Senior Environmental Coordinator, inspects the Woodlot Plantation Project.

Community

Anglo Coal's mine operations adhere to the commitments contained within the Anglo American plc Sustainable Development Policy. We are aware of the role that our operations play in contributing to the economic and social structure of the communities in which we operate. The operational strategies at each of our mine sites reflect our commitment to effectively engaging our community, and to aligning our actions with the priorities of the community. This section details the processes, activities and initiatives we are undertaking to ensure we achieve these objectives.

Scott Wheatley, local landholder, discusses land management issues with Dartbrook's Fiona Yench, Senior Environmental Coordinator.

Socio-Economic Assessment Toolbox (SEAT)

The Anglo American Socio-Economic Assessment Toolbox (SEAT) is a suite of tools designed to help Anglo American operations benchmark and improve the management of their local social and economic impacts and create local development opportunities. The assessment consists of questionnaires that enable the site to build up information, allowing the company to:

- strategically manage socioeconomic impacts;
- better undertake partnerships with government and non-government organisations to improve the life of people associated with our operations;
- help to balance the depletion of natural resources with the enhancement of local social and human capital;
- enhance the social dimension of closure planning;
- demonstrate the local development opportunities available to an operation; and
- create key performance indicators for local and corporate reporting.

Following on from the implementation of SEAT at all Anglo Coal sites in 2004, each site developed a gap analysis report in 2005 identifying the steps required to ensure that they are effectively managing their social and economic impacts.

The SEAT process has allowed each site to assess both the positive and negative impacts of mining on the surrounding community and local region.

It was noted that coal mining has created a number of positive benefits to local communities.

- Upgraded infrastructure and services including roads, schools, commerce and communication.
- Increased employment, together with historically high wages, has provided an economic stimulus to the respective areas. The economic growth has benefitted businesses, suppliers and contractors working in the area.
- The increase in use of contractors in the industry has resulted in additional work opportunities and increased income for locals.
- Traditionally, mining has improved the training and career opportunities for staff, graduates and apprentices.
- Increased contributions of mine employees towards the running of communities by participation in local groups and committees.
- Contributing to both the state and federal tax base. It is estimated that in 2005 Anglo Coal mine paid approximately AUD$175 million in coal royalties and rail and port charges.
- Cash support to the community in the areas of art, sports, and education.
- Increased in-kind support in the form of providing facilities for community groups and machinery or equipment for community projects.

Conversely, it was recognised there are negative impacts of mining on local communities, some of which are:

- the cost of housing has increased dramatically in communities that were in place prior to the mine commencing;
- the shiftwork nature of mining has led to an increase in single men and husbands populating the towns while wives and children move to the coast; and
- mines close to their communities can have an environmental amenity impact in the form of general noise, increased traffic, dust and blast induced noise and vibration.

Three of our mine operations, Capcoal, Drayton and Dartbrook, are currently involved in a voluntary Australian Coal Association Research Program (ACARP) Project to further understand the socio-economic impacts of mining on local communities and develop community engagement strategies to reduce conflict. The findings of the study are due to be released in May 2006.

SEAT information will be completed for these operations as public reports. During 2006, the assessment work for Callide, Dawson and Moranbah will also be completed for public reporting.

Social and environmental Impact Statements for the development of Lake Lindsay, a new open cut project at Capcoal, were also completed in 2005. These documents were made available to the public for comment and no objections were received.

Right: Members of the Callide community watch a rescue simulation during A community open day.

Above: John Eales with left Alex Mackay, Mining Engineer and Stephen Curtis, Development Miner before presenting a motivational speech to employees at a sports dinner.

Community Engagement Plans

As an outcome of the SEAT process, all of the Australian sites developed Community Engagement Plans (CEPs) in 2005. These plans have been developed to guide each site's engagement process with its community-based stakeholders and are underpinned by the following principles:

- effective communication and engagement of stakeholders;
- working in partnership within the community;
- working with traditional owners and indigenous people;
- providing funding assistance and sponsorship within the community; and
- Providing local employment investment and employment opportunities.

In addition, Moranbah South, a project still in feasibility, has also developed a CEP.

Under the CEPs all sites are initiating community forums to facilitate dialogue with their stakeholders. These forums provide an opportunity for mine management to detail current and future initiatives and for stakeholders to provide feedback. Minutes of meetings are kept and provided to members.

Other examples of engagement with communities during 2005 include:

- open days for community members and families of mine employees;
- career workshops for local school children;
- sponsorship of local community events such as sports dinners attended by Australian sporting personalities John Eales and Anna Meares;
- the distribution of weekly and monthly newsletters to neighbours and local community members;
- mine representation on numerous community forums and committees; and
- the distribution of the annual Anglo Coal Australia Report to Society and Site Sustainability Reports to neighbours, local councils, regulators and other interested parties.

Sites also document community consultation on a register and record the actions taken in response to the interaction. This register includes all complaints made against the mine and their resolution status. The issue leading to the complaint is remediated if possible and the complainant informed.

Complaints

In 2005, 46 Level 1 complaints were received by the sites, with the majority of these (41) logged against the two NSW sites, mainly in relation to dust emissions. One Level 2 complaint was received from the Department of Environment and Conservation (DEC) in NSW, regarding dust being generated from the Dartbrook evaporation ponds. A rehabilitation strategy for the long-term decommissioning of the ponds was prepared.

CSI Expenditure

In 2005, over AUD$1.29 million was donated to various organisations. Donations to local communities to improve facilities and lifestyle accounted for AUD$1.2 million.

Anglo Coal Australia continues to fund the administrative costs of the Queensland Community Foundation, a charitable trust providing a permanent funding source for charity, as well as provide in-kind support. Anglo Coal Australia also funds the Central Queensland coordinator of Camp Quality, a children's cancer charity supporting recreational, educational and financial programs as well as provides in-kind support.

Community Study for Moranbah and Central Queensland Region

Local communities in the Central Queensland Bowen Basin are heavily reliant on the mining industry for their prosperity. Over the past few years issues such as housing, town planning and water have become critical areas of concern for local communities and the mining companies which operate there. One such issue had been the approval of a housing development in Moranbah which, if constructed, would have prevented the mining of an area where Anglo Coal is presently exploring for coal. This specific issue highlights the difficulty in achieving a balance between satisfying short-term needs and securing future economic prosperity for the area in a well planned sustainable approach which looks at the longer term issues..

In order to further understand general community sentiments on key issues facing Moranbah and other Bowen Basin communities, we commissioned an external research study. A total of 510 interviews were conducted in August 2005. The concerns raised by Moranbah residents and other communities in Central Queensland were strongly considered in engagement and decision making strategies.

The interviews focused on respondents' opinions and perceptions on a range of issues across the following themes:

- standard of living, income and lifestyle;
- current employment and future employment prospects;
- corporations and their impact on social and environmental issues;
- the relevance of the mining sector;
- local Issues such as water, housing and town planning

The study identified the following general community sentiments and concerns:

- central Queensland communities have confidence in current economic prosperity, have job satisfaction, are generally happy but have concerns about key local issues such as water, housing and town planning;
- the communities have less long-term confidence (> 20 years) in job security;
- the communities have very strong support for the mining sector and recognise its importance and relevance to their existence; and
- the communities mistrust 'big business' and would like to see more focus from them on sustainability issues such as environment and community, and more consultation with communities on these issues.

We have committed to use the conclusions of the study as part of a long-term plan to ensure that community issues in Moranbah and other areas are addressed in a manner that delivers continued community support for the mining sector and for our present and future operations.

Demonstrating this commitment in Moranbah we conducted the following community engagement activities in 2005 including:

- ongoing face-to-face discussions with targeted community groups including unions, schools, government representatives, councils, businesses and parent groups, to outline proposed mining developments and address stakeholder concerns related to these;
- representation on the Moranbah Growth Management Group, a body made up of government and industry representatives to discuss long-term solutions to planning, development and infrastructure issues in the area;
- meetings with local council representatives focused on the development of viable infrastructure and amenity resources to meet increasing demands of local communities: and
- support for initiatives that enhance the capability of the community e.g. School Based Apprenticeships and the establishment of an advanced manufacturing design and technology hub at the Moranbah State High School.

Above: (Left to right) Paul White, Anglo Coal Sustainability Manager, Rob Reeson, Project Manager, Moranbah South and Grosvenor, present a cheque for $15,000 to Moranbah State High School principal James Sloman for the funding of a technology hub for students at the school.

Right: Gangulu and Palm Tree Wutaru Cultural Heritage Monitors, from left to right, Jamie Toby, Scott Toby, Rosie Duche and Michael Tuahine, carrying out artefact surveys prior to exploration drilling at Dawson.

Aboriginal Relations

Anglo Coal respects the traditions and cultures of Aboriginal people and, in particular, the traditional owners of our mine sites. We have developed an Aboriginal Relations policy to guide our relationships and frame our interactions with indigenous groups.

An exciting development took place in 2005 when we were approached by the coordinator of the Community Development Employment Program at Woorabinda, an Aboriginal Community 200 kilometres south-west of Rockhampton, with a view to the company assisting the community with strategy and business planning to support local initiatives.

After discussions with the community and government we agreed to partner them with an offer of in-kind professional support to the community to set up a timber products business. We have entered into a Shared Responsibility Agreement with Woorabinda and the federal government. This agreement, the first in Australia involving private sector participation, will initially run for 12 months and will provide the community an opportunity to become more self-sustainable (see case study page 37).

The 'Hearth Experiment Program', which was conducted in 2004, was a finalist in the 2005 Hunter Catchment Management Environmental Excellence Awards. The experiments recreated traditional Aboriginal 'hearth' fireplaces after which they were buried and recorded using geomagnetometer equipment. The objective was to identify the magnetometer profile of the buried hearth to better identify them when designating exploration areas in future. After presentations to the judges, a site inspection was held where members of the local indigenous community explained the cultural importance of these experiments.

Community Health Initiatives

Our Callide mine operations launched a community health initiative called 'Healthy Bananas-Lose a Bunch' program in 2005. The program has been developed in conjunction with the Banana Shire community with the objective to lose 500 kilograms as a collective group over 26 weeks. Callide has developed and is sponsoring the program, which includes:

- a weekly newsletter full of ideas on how to lose weight;
- supermarket tours aimed at teaching people how to shop healthily;
- sponsorship of talks by well-known nutritionist Annette Sims; and
- a monetary donation to the Police Citizens Youth Club for the upgrade and purchase of new equipment.

'Anglo Coal respects the traditions and cultures of Aboriginal people and, in particular, the traditional owners of our mine sites. We have developed an Aboriginal Relations policy to guide our relationships and frame our interactions with indigenous groups.'

Paul White, Anglo Coal Sustainability Manager (right), inspects the timber workshop with Ian Lloyd, Department of Worksplace Relations, Queensland.

GRI INDICATOR KEY

MM11

Case Study: Woorabinda Shared Responsibility Agreement

The Aboriginal Community of Woorabinda, 200 kilometres south-west of Rockhampton, is heavily dependent on government funding due to the lack of employment opportunities in the area.

In June 2005, the coordinator of the Community Development Employment Program at Woorabinda, Steve Kemp, approached Anglo Coal Australia (Anglo Coal) with a view to the company assisting the community with strategy and business planning to support local initiatives.

After continued discussions with Anglo Coal and government agencies the community expressed a desire to develop a timber products business with the help of Anglo Coal. The project will be fully funded by the relevant government agencies and will initially employ four full-time employees. It was felt that this business had promise as there is a source of millable timber available, locals have tree felling and chainsaw experience and a portable saw mill and other equipment available.

A timber products business is seen by the community as an opportunity to create local jobs, develop a local work ethic and trade skills and provide a profitable business allowing local access to furniture.

Woorabinda Mayor Roderick Tobane summed up the sentiment within the community by saying 'We really appreciate the efforts of the government and Anglo Coal by working with the people of Woorabinda to help us grow into a stronger community. This is what we need, people who will work with us, not people who are here one day and gone the next.'

To support the development of the business a Shared Responsibility Agreement (SRA) has been drawn up between Anglo Coal, the Aboriginal Community of Woorabinda and the federal government through the Department of Immigration and Multicultural and Indigenous Affairs.

Dianne Hawgood, Group Manager, Office of Indigenous Policy Coordination said the Australian Government saw the involvement of the corporate sector in SRAs as a real opportunity for local communities.

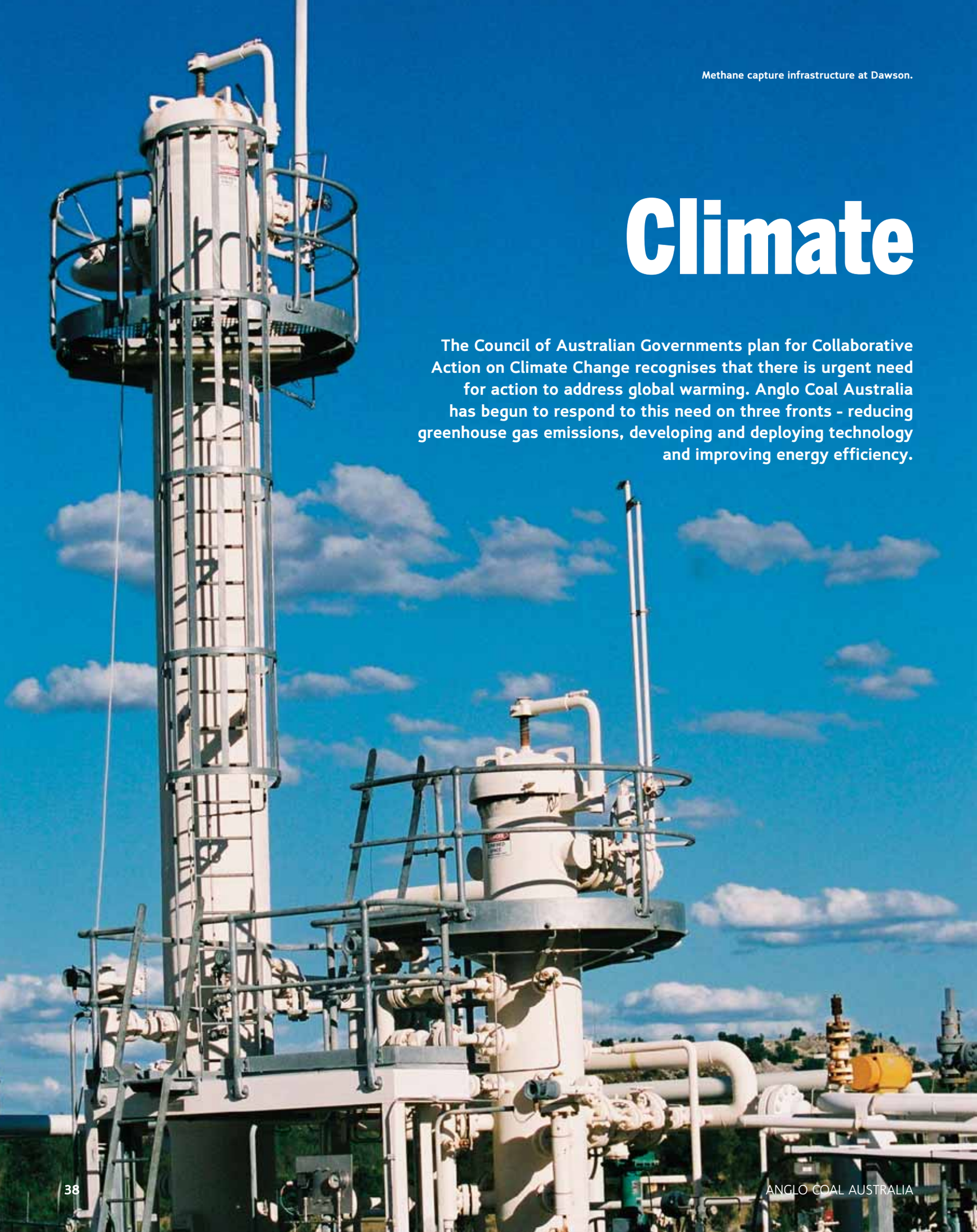
'Partnering with business, rather than just with government, opens up doors that governments cannot open, and brings a different level of expertise and support to back what the community wants to do', she said.

CEO of Anglo Coal Australia, Eric Ford said the agreement would initially run for a 12-month period. "At this stage the aim is to develop a small business venture with an initial target employee base of four full time employees," said Mr Ford. 'The Shared Responsibility Agreement means Anglo will provide expert personnel to assist with a range of tasks'. Mr Ford said those tasks included:

- planning, design and layout of the furniture construction area;
- construction of extensions to the manufacturing area;
- development and implementation of appropriate occupational health and safety features and processes; and
- development of a business plan and a marketing strategy.

'The priority of the signatories to the Shared Responsibility Agreement is to help build community capacity at Woorabinda and increase the number of opportunities for Woorabinda residents to work and contribute to their community's growth', said Mr Ford. 'This Agreement also fits well with Anglo's corporate goals in terms of its Community and Aboriginal Relations policy'.

Above: Eric Ford, Anglo Coal CEO, and Paul White, Anglo Coal Sustainability Manager, sign the agreement.



Methane capture infrastructure at Dawson.

Climate

The Council of Australian Governments plan for Collaborative Action on Climate Change recognises that there is urgent need for action to address global warming. Anglo Coal Australia has begun to respond to this need on three fronts - reducing greenhouse gas emissions, developing and deploying technology and improving energy efficiency.

Reducing Greenhouse Gas Emissions

The Anglo American Climate Change policy commits Anglo American operations to strive for efficient use of energy and reduce greenhouse gas emission intensities.

Last year we emitted 3.64 million CO_2 equivalent tonnes of greenhouse gases, a drop of 4% on 2004. The fall was mainly due to a reduction in our methane emissions. Although Moranbah North's and Dartbrook's methane emissions increased, the overall decline is attributable to a significant drop in methane emissions from Capcoal due to gate road development ceasing at both Central and Southern Collieries.

Notwithstanding the drop in methane emissions, the gas still contributed 71% of our total inventory, due to the fact that methane's global warming potential is 21 times that of CO_2. Therefore, reducing the amount of methane we emit provides us with opportunities to substantially reduce our CO_2 equivalent emissions.

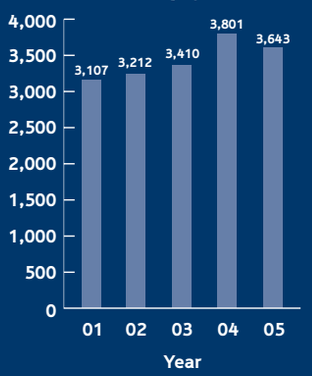
A slight improvement in the 2005 greenhouse gas efficiency (relative to 2004) accompanied the drop in total emissions. However, the 2005 efficiency remained 29% above the target set for the year. Although we are putting projects in place to minimise methane emissions, our current activities are not sufficient to meet the expectations of our stakeholders.

A number of methane capture initiatives were identified and acted upon during 2005:

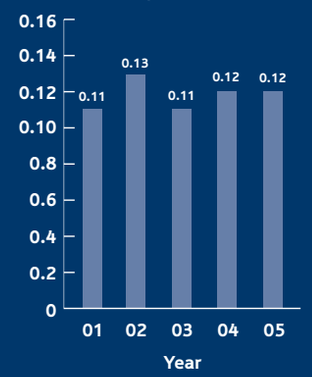
- Moranbah North began flaring methane drained from the coal seam at the end of June 2005. The operation has also entered into an agreement to capture methane and deliver it to a coalbed methane company (CH4 Gas Limited) from mid - 2006. These activities could potentially reduce greenhouse gas emissions equivalent to over 2 million tonnes of CO_2;
- the installation of methane capture infrastructure and a methane-fired power generation plant at Capcoal (by joint venture partner Energy Developments Pty Ltd) has commenced and is expected to be operational during the second half of 2006. If released to the atmosphere, the methane consumed by this project would have a global warming potential equivalent to 1.1 million tonnes of CO_2 (see case study page 41); and
- at Dawson, approximately 6.5 petajoules per annum of energy were sold into a commercial pipeline by the SeamGas operations. This equates to approximately 150 million m^3 of methane, which represents 6% of the Queensland gas market. If released to the atmosphere, this methane would have global warming potential equivalent to 2.2 million tonnes of CO_2.

We intend to continue the momentum and explore other opportunities for reduction of methane emissions.

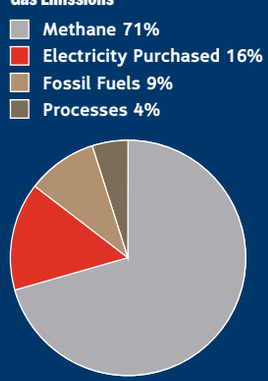
Greenhouse Gas Emissions
(Kilotonnes CO_2 equivalent)



Greenhouse Gas Efficiency
(Tonnes CO_2 equivalent per tonne of coal sold)

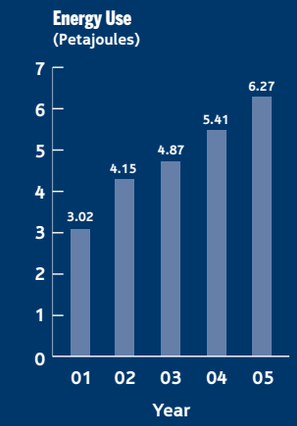


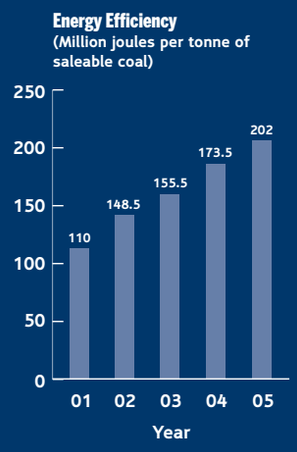
Sources of Greenhouse Gas Emissions



Above: Infrastructure for the methane flaring trial at Dartbrook.

Methane capture equipment at Capcoal.





Developing and deploying technology

Anglo Coal has made a substantial investment in the highly innovative Monash Project, which is investigating the feasibility of drying and gasifying brown coal from Victoria's Latrobe Valley. The gas will then be converted into an ultra low-sulphur transport fuel. Waste CO_2 from the process will be transported to the Gippsland Basin and stored below the sea surface, a process called geosequestration. If geosequestration proves to be viable, it could almost eliminate carbon emissions from the project (see separate Monash report on the Anglo Coal website).

'Anglo Coal, in its first steps in transforming coal to a low - carbon energy provider, will introduce energy efficiency as a core commitment.'

Improving Energy Efficiency

Sixty-nine percent of our energy use comes from the combustion of fossil fuels, predominantly diesel. Energy use in 2005 increased by 16% due to longer coal haul distances requiring increased diesel usage. This increase, together with lower than planned coal production, led to a decline in efficiency to 202 million joules per tonne of saleable coal, substantially above the 2005 target of 147. Our record in meeting energy efficiency targets is poor and we have to do better.

Anglo Coal, in its first steps in transforming coal to a low-carbon energy provider, will introduce energy efficiency as a core commitment. As part of this commitment we engaged with external advisors to better understand our energy use and energy saving opportunities. We will identify and quantify these and implement measures to save energy. The program will begin at Dartbrook and Drayton in 2006.

As an indicator of our commitment we will extend this program to our local communities to instil a culture of maximising energy efficiency in the daily lives of our employees.

Energy and Greenhouse Data

Performance Indicator	2005 Target	2005 Result	2006 Target
Energy efficiency (GJ/tonne of saleable coal)	0.147	0.202	0.190
Greenhouse efficiency (CO_2 e tonnes/tonnes saleable coal)	0.083	0.118	0.110

Other Key Statistics

	Units	2003	2004	2005
Total energy used	GJ	4,871,190	5,409,286	6,267,097
Greenhouse gas emissions (including methane)	Mt CO_2-e	3.41	3.80	3.64
Methane (from coal mining)	t CH4	Not reported	128,863	123,709
Ozone depleting substances	t	0.15	0.163	0.066
Saleable coal	t	31,500,538	31,161,580	31,009,886

Case Study: Capcoal Power Plant

Methane is the second largest contributor to global warming behind carbon dioxide. Its atmospheric concentration is 1.7 parts per million volume, much less than carbon dioxide; but each molecule of methane is 21 times more effective than each molecule of carbon dioxide at trapping infrared radiation.

Because methane has a fairly short atmospheric lifetime, and because it is so effective in trapping heat, efforts to reduce methane emissions will have a rapid impact on mitigating global warming.

Coal, the most abundant of the fossil fuels and the second largest source of energy in the world, emits methane during extraction and distribution. The amount of methane released per unit of coal depends on the type of coal and how it is mined. In general, lower quality coals, such as 'brown' coal or lignite, have lower methane contents than the higher quality coals such as the bituminous coal that ACA mines.

For Anglo Coal, fugitive methane represented about 71% of the company's greenhouse emissions in 2005, a proportion reasonably representative of the whole Australian black coal industry. The Australian mining industry has long practiced methane gas drainage and release from gassy underground mines as a safety management procedure, primarily by drilling drainage holes into the coal to reduce its methane content ahead of mining. Recently the industry has started investing in technology to combine the methane drainage process with utilisation initiatives in an effort to reduce fugitive emissions and maximise the use of an otherwise waste product. If successful, this process has great potential for the reduction of direct greenhouse gas emissions from coal mining.

As part of its commitment to achieve reductions in greenhouse gas emissions Anglo Coal, in partnership with Energy Developments Limited, is constructing a methane gas-fired power plant at its Capcoal operations to utilise the drainage methane from its underground mining operations.

The 32 MW project, consisting of 16 reciprocating engines each with 2 MW output, is supported by an Australian Government Greenhouse Gas Abatement Project (GGAP) grant and is expected to begin operation in 2006. The greenhouse mitigation effect of the power project at full capacity is 1.1 Mt of CO_2-e per year, including the effect of displacing the emissions from alternative fuels that would otherwise be used to generate the equivalent amount of electricity. This amount of mitigation is equivalent to planting 1.6 million trees or taking 250,000 cars off the roads.

Above: Methane capture equipment at Capcoal.

Below left: Construction of the methane gas-fired power station.

Verification Statement

Independent review report to Anglo Coal Australia Pty Ltd on its Report to Society 2005

INTRODUCTION

We have been engaged by Anglo Coal Australia Pty Ltd (Anglo Coal Australia) to review selected Safety, Health, Environment and Community performance data (the Performance Data) for the year ended 31 December 2005, as reported in the Anglo Coal Australia Report to Society 2005 (the Sustainability Report) on pages 4 and 17 to 31.

SCOPE

The sustainability report and director responsibilities

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 are included in a separate letter we have received from management.

Review approach

We have conducted an independent review of the Performance Data set out on pages 4 and 17 to 31 in the Sustainability Report for the year ended 31 December 2005. There are no mandatory requirements for the preparation, publication or review of sustainability performance data. Anglo Coal Australia applies its own internal reporting guidelines for sustainability reporting ("the Criteria"). The selection and suitability of the Criteria is the responsibility of management and our review did not include an assessment of the adequacy of the Criteria. Further, the internal control structure which management has established and from which the Performance Data has been derived, has not been reviewed and no opinion is expressed as to its effectiveness.

Our review was conducted 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". A review is limited primarily to inquiries of company personnel and other procedures applied to the compilation and presentation of the quantitative data. A review does not provide all evidence that would be required in an audit thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We visited the three sites of Callide, Moranbah North and Dawson operations. We performed procedures in order to obtain all the information and explanations that we considered necessary to provide sufficient evidence for us to state whether anything has come to our attention that would indicate the Performance Data has not been presented fairly in accordance with the Criteria established by management.

THE PERFORMANCE DATA

We have reviewed the following quantitative Performance Data reported in the Safety and Sustainability Report 2005 for the year ended 31 December 2005: number of fatal injuries, lost time injury frequency rate, total recordable case frequency rate, new cases of occupational disease, energy used, carbon dioxide emissions, SO_2 emissions, NOx emissions, methane emissions, water used for primary activities, land altered for mineral extractions, land fully rehabilitated, volume of hazardous and non-hazardous waste, number of environmental incidents and number of environmental complaints.

INDEPENDENCE

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

STATEMENT

Based on our review, which is not an audit, nothing came to our attention to indicate that the Performance Data set out on pages 4 and 17 to 31 of the Sustainability Report for the year ended 31 December 2005 has not been presented fairly in accordance with the Criteria established by management.

KPMG

Mitchell Petrie
Partner

Brisbane, 1 May 2006

Glossary

Circadian rhythm - The cycle in the body that lasts approximately 24 hours.

Community Complaints

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

Efficiency - the use of energy or emission of CO_2-e per saleable tonne.

Environmental incidents

Level 1: Minor impact or disturbance with no long-term effect
Level 2: Moderate impact or disturbance with medium-term effect
Level 3: Significant impact with extensive or long-term effect

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 - The capture, sequestration separation, injection and storage of CO_2 into underground geological formations.

Geomagnetometer - An instrument for measuring the magnitude and direction of a magnetic field.

Highwall - The unexcavated face of overburden and coal in an open cut mine.

Longwall - Large rectangular blocks of underground coal extracted in a single continuous operation using a shearer and conveyor belts connected to the surface

Petajoule - Measure used for energy content of fuels (10^{15} joules).

Rehabilitation - Returning land that was altered by the operation's activities to its final intended condition.

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
SMI	University of Queensland's Centre for Social Responsibility in Mining
EMP	Environmental Management Program
EMS	Environmental Management System
NSWEPA	New South Wales Environment Protection Authority
QEPA	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 per million exposure hours
Mt	Megatonne
NOX	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 per million exposure hours

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

Feedback Form

ANGLO COAL AUSTRALIA
Report to Society 2005

Report (please ☐)

☐ Callide ☐ Capcoal ☐ Dartbrook ☐ Drayton ☐ Moranbah North
☐ Dawson ☐ Projects and Resources ☐ Monash ☐ 2005 Sustainability Report

Which sections were you most/least interested in:

Most	Least		Most	Least	
☐	☐	About our report	☐	☐	Sustainability Targets Performance
☐	☐	Message from the Coal Australia CEO	☐	☐	Safety
☐	☐	Key Challenges	☐	☐	People
☐	☐	About Anglo Coal Australia	☐	☐	Environment
☐	☐	Sustainability at Anglo Coal Australia	☐	☐	Community
☐	☐	Stakeholders	☐	☐	Climate
☐	☐	Governance	☐	☐	Verification statement
☐	☐	Economic Review			

How should we change the report in future?

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

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 or environmental
☐ Community member near an Anglo Coal Australia site ☐ 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:

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Anglo Coal Australia Pty Ltd
GPO Box 1410, Brisbane QLD
4001, or fax to 07 3834 1384