



Ted Houston, Senior Project Geologist, and Narelle Caslick, Administration Officer, logging core from the Saddlers Creek project.

PROJECTS GROUP REPORT 2005

ANGLO COAL AUSTRALIA

Message from the mine's General Manager

Safety > The Safety and Health performance at Anglo Coal Australia's (ACA) Projects was solid. The Lake Lindsay and Dawson Projects and Resources Exploration were Lost Time Injury (LTI) free during the year. Unfortunately the Saddlers Creek project recorded one LTI (sprained ankle) in 2005.

Our projects continue to challenge our safety management culture by presenting different risks to the business. A key component of project management is implementation of the risk management processes. Through benchmarking and training we are continually seeking to improve our risk management system to ensure that we effectively identify and mitigate risks to people, the environment and our assets.

Hence, safety and health training is regarded as an integral component of our project delivery systems that applies to both our contractors and employees. In addition to providing appropriate systems for induction and training, each project monitors the safety and health performance of our personnel on an ongoing basis.

A heat stress monitoring program for exploration activities has been trialled, linking the type and duration of work to the prevailing conditions. Monitoring of exposure to dust and noise was undertaken and random drug and alcohol testing of exploration personnel is continuing.

Exploration at Grosvenor required significantly upgraded safety systems to proactively manage the risk of uncontrolled gas blow out whilst drilling through coal seams.

A risk assessment exercise was conducted, involving personnel from Anglo Coal, CH4 Pty Ltd and contract exploration personnel.

Auditing of the Safety Management Plan and exploration field management was also undertaken. An audit of a key contractor's safety management system was also completed on request.

Employees > At December 2005, there were:

- ▶ 17 employees involved in ACA Project Management and Exploration;
- ▶ 20 employees and consultants on the Dawson Project Team with a further 369 consultants and contractors working within the Dawson Project Alliance; and
- ▶ 8 people working on the Lake Lindsay project with a further 34 consultants working on detailed design.

Recruitment, training and accommodation are significant issues facing each of ACA's development projects, particularly those in central Queensland. Accommodation for both construction workers and longer term employees is in short supply and the projects are seeking innovative ways to solve the short and longer term issues created by regional growth. Our aim is to provide our people with a choice of accommodation that meets their needs.

"The Projects Group has been very active throughout 2005 and significant advances have been made on all fronts."



Above: Construction of the coal bed methane driven power station at Capcoal.

Community and Stakeholders > Regular consultation with community, government, landholders and leaseholders is vital for effective and efficient project implementation. For this reason Community Engagement Plans that start early in the exploration phase are being developed and implemented for all of our projects.

Cultural Heritage surveys were continued for all exploration targets and for planned mining areas at Grasree, Dawson and Lake Lindsay, through engagement of representatives from the local indigenous communities such as the Barada Barna Kabalbara Yetimarla, Gangalu and Wulli Wulli people.

Members of the local indigenous community for the Grosvenor and Moranbah South exploration areas delivered cultural heritage training for personnel involved in the current exploration programs while a cultural heritage survey for an exploration area in the Dawson valley was utilised by the local Traditional Owners group for training purposes.

Environmental Management > Our exploration activities must comply with the Environmental Protection Agency's Code of Environmental Compliance for Exploration and Mineral Development Projects. Pre-exploration audits are carried out, followed by a post-exploration visit to ensure that Code rehabilitation requirements have been met.

All exploration activities include annual independent environmental audits as part of Anglo Coal's standard exploration procedures. This includes an independent environmental assessment of new exploration areas to identify areas of particular environmental risks and/or opportunities, including the presence of noxious weeds. There were no significant findings from environmental audits undertaken during 2005 as part of Anglo Coal's exploration activities.

Anglo Coal has a policy of limiting vegetation clearing for exploration activities to the minimum extent needed to allow safe operation of exploration equipment. Exploration sites are rehabilitated as soon as practical after exploration is completed.

An Environmental Authority (EA) is required for mining activities carried out on prospecting, mining claim, exploration, mineral development and mining lease tenures. Once a project moves from the exploration and evaluation stage, a more detailed EA is needed to specify environmental impact controls to be implemented in the development stage. These controls are recommended by Anglo Coal and determined in conjunction with the EPA.

No environmental incidents were reported for Anglo Coal's exploration activities in 2005.

Water > Adequate supplies of water for projects and protection of water quality are critical issues for mining projects and their local communities. Anglo Coal is supporting investigations aimed at identifying adequate water supplies for future growth and matching the quality of water resources to potential uses.

All water collected during the drilling of exploration boreholes was captured in temporary sumps and there were no uncontrolled discharges from exploration activities. Wherever possible, recycled water was used for drilling activities. This included using water from water treatment plants and, in the case of Grosvenor project exploration, utilisation of water drained from CH4 Pty Ltd gas production activities.

Land Use and Rehabilitation > At the end of 2005, Anglo Coal Australia had exploration rights over approximately 165,000 hectares of land outside the company's operating mines.

These exploration rights cover areas with land uses ranging from uncleared forest, through various classes of grazing land, to areas with cropping potential. Our procedures for developing access and work areas for exploration vary depending on the type of land being utilised. Disturbance is minimised by using existing access routes or alternative routes agreed with landholders. Rehabilitation involves stripping and stockpiling topsoil, backfilling excavations, re-spreading topsoil and re-seeding.



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



Methane capture infrastructure at Capcoal.



Ventilation shaft at Grasstree, also used for men and materials access.

During 2005, 70 hectares of land were disturbed during exploration activities, of which some 28 hectares remained to be rehabilitated at the end of the year.

We take pride in our work and seek to grow and operate our business on a sustainable basis, with the support of the communities in which we operate. This sometimes presents significant challenges, but we maintain open and effective dialogue with our stakeholders to identify opportunities for positive outcomes.

A summary of the Key Project and Resources Activities in 2005 is as follows:

- ▶ First coal mined at Dawson North;
- ▶ Commenced exploration activities south of the Dawson River;
- ▶ Environmental Impact Study approval for the Lake Lindsay project;
- ▶ Planned development of a plant for generation of electricity from coal seam methane at Capcoal;
- ▶ Negotiated the Moranbah South Joint Venture and commenced exploration;
- ▶ Developed a Community Engagement Plan for Moranbah South and Grosvenor;
- ▶ Continued exploration and commenced pre-feasibility mining studies for Grosvenor; and
- ▶ Continued Saddlers Creek exploration involving both 3D seismic and exploration drilling, together with conceptual and pre-feasibility mining studies

Mark West - Head of Growth and Strategy

Projects Overview

Monash Energy > Good progress was made with the development of the Monash Energy project in Victoria. (For further detail on the Monash Energy Project, see separate report on Anglo Coal website.)

Grasstree Project > The new underground mine development at Grasstree, next to Capcoal's current operations, continued in 2005. The team at Grasstree has continued to work safely, effectively and productively and are preparing for installation of their longwall face in mid 2006. Their activity will now be reported as part of ACA's Capcoal mine operations.

Safety Performance

PER MILLION EXPOSURE HOURS

	2004	2005 Target	2005 Actual	2006 Target
Fatalities	0	0	0	0
Medical Treatment Case Injuries	0	0	1	0
Lost Time Injuries	0	0	1	0
Occupational Illness	0	0	1	0

Dawson Project > The Dawson Project remains on schedule to achieve coal loading at the new plant in early 2007. The project involves the expansion of the existing Dawson operations to include a Dawson North and Dawson South mine, and when fully completed will double the site's current coal production output to almost 13 million tonnes of thermal and coking coal per year.

Milestones achieved by the Dawson Project during 2005 include:

- ▶ No lost time injuries suffered by employees or contractors;
- ▶ Opening of the Dawson North Mine with first coal mined ahead of schedule;
- ▶ Establishment of a contract for the Coal Handling and Preparation Plant, including commencement of bulk earthworks and overland conveyor construction; and
- ▶ Expansion of accommodation, including permanent housing, a new 500 person construction village, and expansion of the existing village to 500 person capacity.

Due to the size and scale of the project Anglo Coal recognises that it is going to have a significant impact upon the neighbouring towns and communities.

In response to this Anglo Coal is committed to investing substantial expenditure to address important community issues such as upgrading the airport, childcare, medical and sporting facilities. In 2005 Anglo Coal supplied the capital and water for the development of a new housing subdivision in the town of Moura and also funded the upgrade of the town water and sewerage systems together with main road redesign and sealing.

The Dawson Project continued to engage representatives of local indigenous communities. Cultural heritage surveys were conducted under an agreement with the Traditional Owners. Surveys have now been completed on proposed mine and infrastructure areas and discussions are now under way to build a long-term employment platform for indigenous people.

As part of discussions with the Banana Shire Council, the Dawson project has pursued the potential use of recycled water to replace irrigation and process water. This has reached a stage where the Shire has called for expressions of interest from the community. The planned use of conveyors instead of trucks for coal transport will reduce road haul distances and the volume of water used for dust suppression.



Above: A dozer creating a safety bund around the new Dawson pit.

Below: The new Dawson pit.





Above: The Saddlers Creek project area.

Saddlers Creek Project > Exploration work continued at Saddlers Creek, near Anglo Coal's Drayton mine in the Hunter Valley of New South Wales. Seismic exploration was completed for a proposed underground mine in December 2005 and will be followed by structural interpretation in February 2006.

Pre-feasibility studies for a proposed open cut mine also progressed well and the steeply dipping Plashett Block in the east of the Exploration Licence Area was examined for open cut potential.

A feasible resource is indicated but further exploration is needed to confirm this.

Meetings continued with the neighboring Coolmore Stud and other stakeholders, at which a 3D imaging tool was used to illustrate the visual impact of the proposed open cut. The illustration was well received and will be used elsewhere to help communities visualise the aesthetic impact of proposed mine sites.

During 2005 the Saddlers Creek Project became involved with RiverCare in NSW. Joint funding was obtained from the NSW Government's Catchment Management Authority to rehabilitate the banks of the Hunter River along Saddlers Creek landholdings.

Joint funding was also obtained from the NSW Government's Catchment Management Authority to rehabilitate a severely eroded tributary of Saltwater Creek. This is the first time such funding has been granted in NSW to deal with issues on pastoral lands owned by a mining company.

The Saddlers Creek project recorded one LTI (sprained ankle) and one MTC (Medical Treatment Case) during the year.

German Creek Power Project > During 2005 commercial negotiations were finalised to allow for the construction of the German Creek Coal Seam Methane Power Project, adjacent to Anglo Coal's Capcoal operations. The project commenced construction in the last quarter of the year and is expected to be complete by Q3 2006.

The power station will consist of 16 x 2 MW engines and will utilise methane from the Grasstree mine. The project is making a significant contribution to the growth of Anglo Coal's gas business and is a very positive environmental initiative. It is anticipated that once fully operational the power plant will reduce greenhouse emissions by at least 1mtpa of CO₂ equivalent.



Left: Preparing to excavate the Dawson pit.

Lake Lindsay Project > The Anglo American Board approved the Lake Lindsay Project on 16th October 2005. The coal deposit is adjacent to Anglo Coal's Capcoal mine and the project will utilise existing infrastructure at that mine to extend its life by more than ten years. The new mine will produce coking and PCI (pulverised coal injection) coal for our export markets.

Community liaison was a major focus for the Lake Lindsay team in 2005 as the draft Environmental Impact Studies and Mining Lease Application were open for public comment. The project team pro-actively engaged the community and sought comments. This was a valuable part of the mine planning process, enabling the project team to understand and respond to community expectations. No objections were received.

The application is now proceeding to the Land and Resources Tribunal and will then be submitted for Ministerial approval. Work is progressing well on design, and tender packages are being prepared for the various mine infrastructure requirements.

The Lake Lindsay project was Lost Time Injury (LTI) and Medical Treatment Case (MTC) free throughout the year.

Grosvenor and Moranbah South Projects >

Prefeasibility studies of the Grosvenor project, south of ACA's Moranbah North mine, were initiated in the second half of 2005. The resource has significant potential for an underground mine. It is expected that there will be some potential for the project to share infrastructure with the Moranbah North mine, thereby reducing the need for further development impacts. Both Moranbah South and Grosvenor will produce export coking coal, similar to the coal that Moranbah North supplies into the current market. Negotiations to establish the Moranbah South Joint Venture with Kumba Australia Pty Ltd were finalised during 2005. The resource has potential to support two underground mines and a small open cut mine. However, exploration and evaluation are at an early stage.

Community consultation on the Moranbah South project began in 2005. Discussions were held with the affected local landholders, other mining companies, the town community, the Belyando Shire Council and all relevant state government departments. Critical issues identified at this stage are community concerns about an open cut proposal, and future growth and development of the Moranbah township.

ACA has developed a comprehensive Community Engagement Plan for the Grosvenor and Moranbah South projects. The plan includes discussions between the project team and community groups to discuss mine plans and community impacts.

Moranbah South and Grosvenor Projects utilised the Sustainability Opportunities and Threats Analysis (SOTA) process developed by the Centre for Social Responsibility in Mining (Sustainable Minerals Institute, University of Queensland) to initiate the project's risk management processes. This process was an important first step in developing the community engagement plan and identifying risks and opportunities for the mine and its stakeholders.

