

Drayton Mine Report 2006

Message from the General Manager



Drayton mine produced 4.69 million tonnes (Mt) of saleable coal in 2006, marginally above our 2005 production level.

Our safety performance in 2006 did not meet our expectations. The resultant Lost Time Injury Frequency Rate (LTIFR) of 6.4 (five Lost Time Injuries (LTI)) was in excess of our target of 2.9 and marginally worse than the 2005 rate of 5.8. The Total Recordable Case Frequency Rate (TRCFR) of 9.0 (seven Total Recordable Cases (TRC)) was in excess of the target of 4.4 and marginally worse than the 2005 rate of 7.3.

Our key safety objective is a zero harm culture encompassing the achievement of zero LTIs in 2008. To help achieve this we participated in the Anglo Coal

Australia (ACA) Multiple Fatality Risk Management Process developing generic plans to reduce the potential for fatalities in an open-cut mine. We also began implementation of a behaviour observation program, the Star Check process, under which 90 observations were carried out.

We achieved re-certification of our Safety, Health, Environment and Community Management System (SHECMS) to the Australian Standard AS 4801 through two external audits in 2006. Two major non-conformances were identified, one environmental and one safety. Both non-conformances were promptly addressed.

Drayton mine's workforce has increased to an average of 300 with an average of 78 full time equivalent (FTE) contractors, three trainees and 17 apprentices employed in 2006.

Programs to improve employee health have continued in 2006 with opportunities made available for employees to visit a dietician, physiotherapist and occupational physician on site. Programs aimed at reducing operator exposure to machinery vibration have also been ongoing.

We continue to implement our Biodiversity Action Plan (BAP). A review in 2005 by the Anglo Coal Technical Division found it to be a good basis for biodiversity management indicating an awareness of our biodiversity responsibilities. Drayton mine's dust management requirements have resulted in increased water being used in the

mining operation. As such, opportunities to conserve water will be explored in 2007 as availability of resources in the Hunter Valley becomes a critical issue.

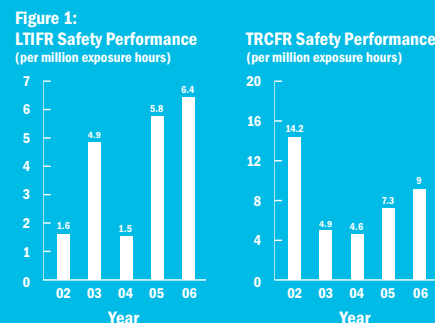
To raise awareness of World Environment Day 2006, we distributed free climate change packs to mine employees and Muswellbrook residents in partnership with the Muswellbrook Shire Council and Easy Being Green. 1,000 climate change starter packs containing six energy-saving light globes and an AAA rated showerhead to reduce water use whilst showering were distributed.

To determine the community's view on the expansion project, Drayton mine conducted a Community Consultation Program that took the form of personal visits to neighbours, presentations to the Drayton Community Consultative Committee and distribution of regular newsletter updates to all interested parties. Responses to concerns and comments will be included in the Community Engagement Plan (CEP).

This Report and ACA's 2006 Sustainability Report (available on www.anglocoal.com.au) provide a summary of the way this site and the business manages its responsibilities in these areas. Your feedback on any aspect of our performance and reporting is welcome.

Hans Hayes
General Manager

Jim Knowles, Consultant, and John Easter, Production Worker at Drayton, discuss the STAR (Safety, Task, Assessment and Review) process.



About the mine

Drayton is an open-cut coal mine, 13 kilometres south east of the town of Muswellbrook in the Upper Hunter Valley of New South Wales. The mine produced 4.69 Mt of saleable thermal coal for export and domestic markets in 2006.

Safety

Our overall Safety Roadmap's objectives in 2006 were to achieve 'zero harm' through improving health and safety, reducing the risk of serious injury, conducting internal audits and reviews, and achieving health and safety targets. To help address these issues, we participated in ACA's Multiple Fatality Risk Management Process. Using this process, generic safety plans were developed to reduce the potential for fatalities in open-cut mines.

A further key focus in 2006 was the implementation of a behaviour observation program, the Star Check process, with over 90 observations being undertaken in 2006. In addition, incident investigation and risk management workshops were held.

We have identified our major health and safety risks as vehicle interaction; drill and blast; working below or above pit walls; fire; manual handling; and whole body vibration. In 2006, standards were introduced to address the risks associated with working below or above pit walls. A whole body vibration program also commenced in 2006 and will be fully operational in 2007.

Our Occupational Health and Safety Committees met regularly. Attendees at these meetings include employees from

production, maintenance and administration. These committees are represented on the Health and Safety Steering Committee, which meets monthly.

These committees address health and safety issues across the operation as well as assist in the implementation of occupational health and safety action plans that aim to:

- Improve health standards;
- Improve contractor management;
- Reduce the risk of serious incidents;
- Conduct safety and health audits and reviews; and
- Achieve our LTI and TRC targets and our goal of Zero Harm.

In 2006, we recorded five LTIs. The resultant LTIIFR of 6.4 was above the target of 2.9 and marginally worse than the 2005 rate of 5.8. The TRCFR of 9.0 was above the target of 4.4 and marginally worse than the 2005 rate of 7.3. Upon investigation, all incidents were found to be behaviour related rather than occurring within operations.

Significantly, however, there were no fatalities, permanent disabling injuries, safety related fines, breaches or regulatory actions in 2006 for Drayton mine.

During 2006, two AS 4801/ISO 14001 surveillance audits were completed. The first audit revealed two major non-conformances, one in the area of environmental management review and the other in safety audits. Both were addressed prior to the second surveillance audit conducted mid-year. Early in 2007, we confirmed that certification of our SHECMS to Australian Standards AS 4801 and ISO 14001 was maintained.

Internal audits on transport rules, contractor management, fire systems, waste disposal, pit wall stability, first aid and control of energy recorded no significant issues. An annual assessment by the Department of Primary Industries did not highlight any significant issues.

During 2006, more than 90% of the workforce attended hazard awareness training. Training on the Drayton Golden Rules was also delivered. A safety management program for managers and supervisors was developed and will be implemented in 2007.

One of Drayton mine's key safety objectives is to consistently achieve a zero harm culture coupled with the achievement of zero LTIs by the end of 2007. Plans in place to achieve this include:

- Identifying in the site Safety, Health, Environment and Community (SHEC) risk register issues that may impact on safety and health management such as multiple fatality risks and high potential incidents;
- Monitoring safety and health performance, reducing the number of recordable injuries, eliminating reportable safety and health incidents and improving management of health and safety issues;
- Meeting external requirements through improving the link between training and safety processes; and
- Identifying process improvements through continuous monitoring and reviewing.

During 2006, we increased emergency response training to cater for a number of new recruits. The open-cut emergency team also gained considerable experience through participation in the Hunter Valley Mine Rescue competition.

Table 1: Safety Performance PER MILLION EXPOSURE HOURS

	2006 Target	2006 Actual	2007 Target
Lost Time Injury Frequency Rate	2.9	6.4	2.6
Total Recordable Case Frequency Rate	4.4	9.0	2.6





Left: Cindy Gorton, Mine Technician.

Below: Carmen Dyer, Environmental Graduate at Drayton mine, collecting a dust sample.

Table 2: Key Human Resources Data

	2004	2005	2006
Number of employees	230	246	300
Number of contractors	60	67	78
Number of trainees/apprentices	10	2	20
Graduate Development Program	6	4	6
Employee turnover	12	9%	3.6%

Sustainable Development

PEOPLE

Drayton mine's workforce has increased to an average of 300 since 2005 with an average of 78 FTE contractors, three trainees and 17 apprentices employed in 2006. Drayton mine had a turnover rate of 3.6% against a target of 7.8%. This included two retirements.

We participate in the ACA Speakup program and all employees have been trained in its use. The majority of employees also took part in ACA's People - Performance - Growth Program.

In 2006, six new cases of occupational illnesses were reported. Most of these related directly to the treatment of noise induced hearing loss cases as part of the workers compensation process and are not necessarily an indication of noise exposure at Drayton mine. The other cases related to vibration issues in machinery. A vibration study has been completed and actions put in place to address exposure to vibration.

In addition to the weekly onsite physiotherapy program introduced in 2005, a doctor is now available onsite each week, together with monthly visits from a dietician. In 2007, Drayton mine plans to decrease occupational illnesses to five with progressive improvement expected in the following years.

ENVIRONMENT

Drayton mine has three environmental professionals working in the environmental area. Through this team, Drayton mine's environmental focus in 2006 included:

- Land rehabilitation;
- Environmental assessment and approval;
- Maintaining regulatory compliance;
- Environmental monitoring and assessment; and
- Environmental auditing and review.

Our site SHEC risk register, updated in June 2006, identified spontaneous combustion, blast generated noise and vibration, operational noise, water management, rehabilitation and legal compliance as the key environmental issues at Drayton mine. These issues will continue to be addressed in 2007.

We are presently preparing an Environmental Assessment (EA) (formerly known as an Environmental Impact Statement or EIS) to gain approval for extending our current mining operations to the north and south of the existing mine site within the existing mining leases. It is envisaged that this will be submitted in the second quarter of 2007. Approval for the extension is expected to be granted by late 2007. In 2006, various environmental assessments were completed for inclusion in the EA. These included noise, water, dust, cultural heritage, European heritage, soils, flora and fauna.

During ISO 14001 audits conducted in 2006, one major non-conformance was identified. This related to management review of the EMS. This issue was corrected and no non-conformances were registered in the subsequent audit in 2006, thus confirming continued certification to ISO 14001. An external independent audit was conducted to assess compliance with development consent conditions for the rail spur that provides for the movement of coal from Drayton mine and Mt Arthur Coal along shared infrastructure. No major non-conformances were identified, however, minor clerical issues were identified with reporting requirements.

Table 3: Environmental Incidents

	2006
Level 1	3
Level 2	0
Level 3	0





Water collected in mine pits is used for dust control on haul roads.

Sixty-seven employees attended environmental awareness training in 2006.

We recorded three level 1 environmental incidents, each relating to blasting activity. A total of 15 complaints were received during 2006, predominantly relating to blasting, noise, dust, odour and kangaroos. No non-compliances, environmental related regulatory actions, fines or prosecutions were recorded by the mine in 2006.

Rehabilitation and Land Management

During 2006, 7 hectares of rehabilitation was completed. Drayton mine had a total of 60 hectares planned for 2006; however, all remaining areas identified for rehabilitation in 2006 were located within the confines of an area currently under sublease with Mt Arthur Coal. Mt Arthur Coal will subsequently be completing the final rehabilitation in this area, following the emplacement of excess inert material from their operations over an extended period. In 2007, we have targeted 22 hectares for final rehabilitation, all located within the east pit area.



Pam Simpson, Environmental Coordinator at Drayton mine, inspecting rehabilitation progress.



Table 4: Types of Waste

	2005 Disposed	2005 Recycled	2006 Disposed	2006 Recycled
Hazardous Waste (t)	0	198	0	300
Non-hazardous Waste (t)	957	109	150	160

Biodiversity

We have a BAP that, when reviewed in 2005 by the Anglo Technical Division, was found to be a good basis for biodiversity management indicating an awareness of our biodiversity responsibilities. Biodiversity management will be included in the EA currently being undertaken. The BAP is used to record management of cultural and European heritage together with natural biodiversity values.

Water

In 2006, Drayton mine used 1,360 mega litres (ML) of water for primary activities with an efficiency of 290 litres per tonne (L/tonne) of saleable coal, against a 2006 target of 210 L/tonne of saleable coal. Below plan coal production contributed to water use efficiency being below target. Ongoing drought conditions have resulted in increased water being used by our mining operation to meet its environmental obligations. Potable water is provided via a pipeline linking the mining operation to the Muswellbrook Shire Council water supply system with the total site demand being 20 ML. In 2006, Drayton mine continued to be a nil water discharge site. Drayton mine also maintains a water sharing arrangement with Mt Arthur Coal. Mt Arthur Coal is provided with excess water from Drayton mine, which reduces the volume of water drawn from the Hunter River.

With increased production and increased land disturbance being planned in the future, it is envisaged that water usage will increase. As part of the southern extension of Drayton mine, a dam will be decommissioned and alternatives for water storage will need to be investigated. During 2006, Drayton mine also utilised a void in the West Pit for water storage should the mining operation require it in the future.

The mine also continuously reviews its water management strategy to assess ongoing storage and usage requirements

Spontaneous Combustion Emission

Carbon dioxide emissions from spontaneous combustion (the self ignition of coal or carbonaceous material) is an intrinsic issue at the Drayton mine and is managed through our Spontaneous Combustion Management Plan. This Plan addresses the monitoring, reporting and rehabilitation of spontaneous combustion. Monthly inspections are undertaken and quarterly reports are provided to the Department of Environment and Conservation. As a result of subleasing the West Pit area to Mt Arthur Coal for placement of inert material, spontaneous combustion emissions will be reduced significantly in 2007.

National Pollutant Inventory

Drayton mine is required to report in accordance with the National Pollutant Inventory, Australia's national database of pollutant emissions. To obtain further detail on Drayton mine's emissions data please refer to www.npi.gov.au.

Waste

Drayton mine continued implementation of management initiatives developed in previous years and recycling increased by 50% in 2006.

The mine did not record any significant oil spills in 2006.



Ged Simmins, Operator, at a pre-shift safety talk.

COMMUNITY

In 2006, as part of Drayton mine's implementation of Anglo American publicly listed corporation's, Socio-Economic Assessment Toolbox (SEAT), a CEP was completed. The content of the SEAT Report is based substantially on the information obtained during a research project funded by the Australian Coal Association Research Program (ACARP) based on Drayton mine. The ACARP study was aimed at assisting coal mining operations in Australia to improve how they monitor, measure, manage and report on the social and economic impacts of their operations on surrounding communities. Through individual stakeholder interviews and during a Community Engagement Workshop held in 2005, various issues and concerns were raised by the community and responses were provided.

Significant issues identified by these stakeholders included:

- Adverse impacts of mining operations on amenity and lifestyle;
- Rehabilitation of mined land and the short and long-term loss of arable land;

- Employment and training opportunities;
- Economic benefits of mining in the community;
- Contributions to the community by mining operations;
- Indigenous relationships with mining companies; and
- Impact of mine closure on communities.

The SEAT Report was presented to the Muswellbrook Shire Council for their review. For further information relating to the Drayton mine SEAT Report, see www.anglocoal.com.au.

Community consultation is an integral component of Drayton mine's community management strategy. As part of the current Environmental Assessment process, consultation with key stakeholders has been conducted. This includes discussions with near neighbours, the local shire council and the local community. Drayton mine also has a Community Consultative Committee, which meets on a quarterly basis. A regular newsletter with updates on Drayton mine's current and future

plans is also distributed to all interested parties.

During 2006, Drayton mine supported World Environment Day by distributing free climate change packs to mine employees and Muswellbrook residents in partnership with the Muswellbrook Shire Council and Easy Being Green. Some 1,000 climate change starter packs containing six energy-saving light globes and one AAA rated showerhead to reduce water use whilst showering were distributed to the general public.

In 2006, Drayton mine provided both financial and in-kind donations to the value of approximately \$24,100.

Left: Cindy Gorton and David Kidd operating exercise machines.

Below: Richard McCullum, Coal Handling and Preparation Plant Operator.





CLIMATE

In 2006, total energy use increased as a result of diesel usage in moving an increased ratio of overburden per tonne of coal mined. An energy review also commenced in 2006. It is envisaged that energy efficiency opportunities that are identified will be implemented in 2007 and beyond.

ACA is a signatory to the Greenhouse Challenge Plus initiative and is therefore required under this agreement to annually report greenhouse gas emissions and minimisation initiatives.

During 2006, overall energy usage increased and energy efficiency decreased (per tonne of saleable coal). This was primarily due to the increasing ratio of overburden to coal. Greenhouse gas emissions remained similar to those recorded in 2005.

CONTACT

This SHEC Report covers the period of 1 January to 31 December 2006. Further details on the content of this Report can be obtained by contacting Peter Forbes on 02 6542 0256 (email: peter.forbes@anglocoal.com.au).

This Report, links to web-based supplementary material and an electronic feedback form can be viewed at www.anglocoal.com.au.

Table 5: Performance Summary

Parameter	Indicator	2006
Safety	Fatalities	0
	Lost Time Injury Frequency Rate	6.4
	Total Recordable Case Frequency Rate	9
People	New occupational illnesses	6
	Average number of employees	300
	Average number of FTE contractors	78
Environmental	Water used for primary activities (ML)	1,360
	Water use efficiency (L/saleable tonne)	290
	Area of land remaining disturbed end 2006 (ha)	698
	Rehabilitated land end 2006	518
	Incidents (Level 1)	3
Community	Incidents (Level 2)	0
	Complaints (Level 1)	15
	Community Cash Donations (AUD)	24,109
Climate	Energy Use (Gj)	1,113,345
	CO ₂ equivalent emissions (tonnes)	132,060
Economic	Saleable Coal (tonnes)	4,691,250



Drayton open-cut mine.

	2004	2005	2006
Energy use (GJ)	762,506	934,922	1,113,345
Energy efficiency (GJ/t saleable coal)	0.157	0.201	0.237
Greenhouse gas emissions (kt CO ₂ -e)	105	120	132
Greenhouse gas efficiency (tCO ₂ -e/t saleable coal)	0.020	0.026	0.028
Methane (t)	418	416	265



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