

Capcoal Mine Report 2006

Message from the General Managers



Alisdair Gibbons
Open-cut General Manager



Ernest Johnson
Underground General Manager

Capcoal mine produced 4.52 million tonnes (Mt) of saleable coal in 2006, 0.46 Mt less than in 2005. A 2006 highlight was mining the first coal from the Lake Lindsay project. The Central and Southern Longwall operations ceased mining during the year.

We were very pleased that the Capcoal Central operation reached 455 days Lost Time Injury (LTI) free in 2006, while the Capcoal Coal Handling and Preparation Plant (CHPP) reported 2,253 days since its last LTI. Despite this and our focus on safety and health during the year our safety record was disappointing, particularly in the underground operations.

We have identified the interaction of vehicles with other vehicles or equipment as a major risk for our operations. To help reduce the number of incidents the surface operation installed a driver awareness simulator for heavy vehicles. This initiative has improved awareness and has already led to a drop in these kinds of incidents.

Both our surface and underground operations held a number of safety meetings with their respective contractors during the year, leading to a number of improvement strategies being put in place. Since then there has been a marked improvement in contractor safety performance.

Capcoal mine employed an average of 217 people on the surface and 432 in underground operations. This is an overall increase of 14.9%, due to the Grasstree and Lake Lindsay mine expansions.

We continue to employ strategies aimed at improving the wellbeing of our workforce and their families. During the Capcoal Health Week we carried out skin checks and diabetes tests on workers and their families. To emphasise the importance of fire safety in the home, we conducted a campaign that involved delivering talks and distributing 50 home fire safety kits for the community, employees and their families.

Apprentices and trainees from Capcoal mine were recognised at the MRAEL Apprentice and Trainee Awards evening and we won the Tim Mulherin Perpetual Shield for the '2006 Employer of the Year'. Paul McMahon, Supply Department Warehouse Trainee, won the Most Consistent Trainee award and was a finalist for Trainee of the Year while Michael English, Kirsty Giles and James Pickels were finalists in their categories.

Certification of Capcoal mine's Environmental Management System (EMS) to the ISO 14001 international standard was maintained. To promote the preservation of local biodiversity we are also setting up two conservation agreements with associated nature refuges. The German Creek Nature Refuge has been signed off and will be managed by Capcoal mine while the Oak Park Nature Refuge is yet to be finalised.

Although we used less raw water than in 2005, our efficiency in using water for activities associated with coal mining (primary activities) is below that of similar

mines. We need to find further strategies to reduce the amount of raw water we use. In 2007 we will trial using mine worked water for dust suppression, instead of raw water, at Bundoora Colliery. The German Creek Power Plant project, one of the first methane-sourced electricity generators to be built in Queensland, successfully exported its first power to the Queensland electricity grid in September. It is expected that this initiative will reduce greenhouse gas emissions by up to 1.2 Mt of carbon dioxide equivalent (CO₂-e) in 2007

We developed a Community Engagement Plan (CEP) in 2006 and held a stakeholder forum where key socio-economic issues and our management responses to these issues were discussed. The forum provided feedback to the community on the results of consultation to date; enabled us to verify and prioritise key issues with the community; and allowed us to discuss Capcoal management responses to key issues and possible future actions.

After a number of road accidents we worked very closely with the local police and the Mining Industry Road Safety Alliance (MIRSA) to improve road safety awareness for mine workers travelling to and from the coast.

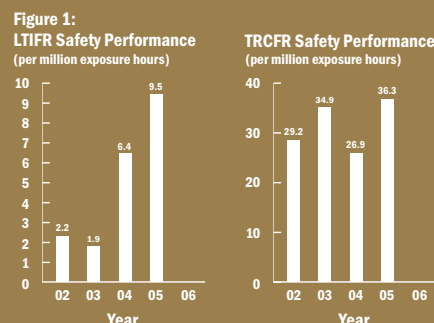
This Report and Anglo Coal Australia's (ACA) 2006 Sustainability Report [available on www.anglocoal.com.au] provide a summary of the way this site and the business manages its responsibilities in these areas. Your feedback on any aspect of our performance and reporting is welcome.

Alisdair Gibbons
Open-Cut General Manager

Ernest Johnson
Underground General Manager



Flaming of methane from the Gasstree underground mine.



About the mine

Capcoal mine is in the heart of the Bowen Basin coalfield in Central Queensland, about 250 kilometres inland from the cities of Mackay and Rockhampton. We produced 4.52 Mt of high quality coking coal in 2006, primarily for export to East Asia and India. During the year the Central and Southern underground operations ceased mining.

Safety

For the first time we are reporting open-cut and underground safety information separately. The surface operation is pleased to report that its CHPP was six years LTI free in 2006. Our open-cut operation recorded a Lost Time Injury Frequency Rate (LTIFR) of 2.0 against a target of 2.2 after two LTIs. The Total Recordable Case Frequency Rate (TRCFR) of 16.3 was unfortunately an increase against last year's performance and did not meet the target of 4.5. The underground operation recorded 24 LTIs and 122 Total Recordable Cases (TRCs) resulting in an LTIFR of 15.8 and a TRCFR of 80.2. There were no fatalities, permanent disabling injuries, safety related prosecutions, fines or breaches at either operation in 2006.

We have identified our major risks for both the surface and underground operations as:

- Vehicle interaction;
- Control of energy; and
- Working at heights.

To reduce the number of vehicle interaction incidents the surface operation installed a driver awareness simulator for heavy vehicles. This initiative has improved awareness and led to a drop in incidents. Working at heights practice was reviewed in the surface operation and new working procedures are to be implemented in 2007. The underground Senior Leadership Team implemented an informal safety observation program, with a more formal program planned for 2007.

Our surface operation's Safety, Health, Environment and Community Management System (SHECMS) maintained certification to Australian Standard 4801 following three surveillance audits during which no major non-conformances were identified. Internally the surface operation audited contractor management and explosives handling and management, whilst the underground operations focused on their high risk activities as detailed in their Principle Hazard Management Plans.

Plans to have the underground operations collectively certified to Australian Standard 4801 will be implemented during 2007.

In 2007, our surface operation will focus on:

- Identifying the highest risk areas for multiple fatality incidents and other high level risks and including them in the site risk register;
- AS 4801 compliance and certification; and
- Continued training under the Zero Incident Process (ZIP) behaviour based program.

The underground operations will focus on consolidation of the individual mines' SHECMS and continue auditing against the recognised high risk activities in 2007. This systems focus combined with the introduction of the Anglo Coal Safety Leadership Program across the business has been identified as critical to achieving zero harm.

Our employees underwent a range of safety and health training programs in 2006 including:

- Behaviour based programs;
- Contractor management;
- Drugs, alcohol and fatigue management awareness;
- SiteSafe courses for the entire workforce; and
- Apollo root cause analysis training.

Our surface operation implemented regular interactive safety meetings with contractors during the year, culminating in a Safety and Health Meeting with contractor managers in August. Since the meeting, a complete contractor safety management plan has been implemented and there has been a marked improvement in contractor safety performance. Use of the SiteSafe program on site has led to a substantial improvement in both incident reporting culture and investigation.

In November 2006, the underground operations held a safety performance seminar with underground contracting companies to examine Capcoal mine's safety performance. Agreed actions from the frank discussion between contractors and company representatives were implemented, including the development of a single induction across the three underground business units.

In 2006, both the underground and surface operations undertook emergency response training.

Table 1: Safety Performance PER MILLION EXPOSURE HOURS

Surface Operation	2006 Target	2006 Actual	2007 Target
Lost Time Injury Frequency Rate	2.2	2.0	1.2
Total Recordable Case Frequency Rate	4.5	16.3	4.5
Underground Operation	2006 Target	2006 Actual	2007 Target
Lost Time Injury Frequency Rate	4.4	15.8	3.4
Total Recordable Case Frequency Rate	20.2	80.2	11.7





Left: Karen Kidd, Personal Assistant to the General Manager, and Dale Heaps, Human Resources department, discussing personnel issues.

Below: Wayne Dayts and Michael Smith, servicemen, in the workshop.

Table 2: Key Human Resources Data

	2005	2006
Number of employees	486	649
Number of contractors	384	593
Number of trainees and apprentices	32	28
Graduate Development Program	15	21
Employee turnover	29.7%	9% surface 27.5% underground

Sustainable Development

PEOPLE

Capcoal mine employed an average of 217 and 432 employees respectively in the surface and underground operations, an overall increase of 14.9%, due to the Grasstree and Lake Lindsay expansions. Capcoal mine employed an average of 593 full time equivalent contractors and 28 trainees and apprentices. In 2006, staff turnover was 9% against a target of 15% for the surface and 27.5% against a target of 20% for underground operations.

In 2006, our surface operations focused on fitness for duty issues, primarily addressing fatigue. During the year, six new occupational illness cases were reported. Skin checks and diabetes tests were carried out for personnel and their families during the Capcoal Health Week. We also hired an occupational physiotherapist to be available weekly to educate the workforce on occupational illnesses.

The underground operations appointed a full time occupational therapist. In conjunction with the onsite and offsite physiotherapist support, these specialists reduced the number of recurring injuries suffered throughout the last year. During the year, 10 new occupational disease cases were reported in underground operations.

The utilisation of both these allied health disciplines in proactive training and

physical capability assessments in 2007 will be an opportunity to target specific injury mechanics and put engineering solutions in place to reduce manual handling injuries.

To reiterate the importance of fire safety in the home we conducted a campaign that involved delivering talks and distributing 50 home fire safety kits for the community, employees and their families.

In 2006, all senior management and key staff participated in training regarding corruption policies and procedures. Other training programs held in 2006 included:

- Foundation of frontline leadership; and
- People - Performance - Growth.

Apprentices and trainees from Capcoal mine were recognised at the MRAEL Apprentice and Trainee Awards evening and we won the Tim Mulherin Perpetual Shield for the '2006 Employer of the Year'. Paul McMahon, Supply Department Warehouse Trainee, won the Most Consistent Trainee award and was a finalist for Trainee of the Year whilst Michael English, Kirsty Giles and James Pickels were finalists in their categories.

In 2007, occupational health will be managed more proactively with the development of the ACA occupational health framework which is aligned to Queensland's new Mining Industry Health Surveillance Program.

ENVIRONMENT

Our environmental and community department is manned by a senior environmental officer, four environmental advisers, an environmental graduate and a community adviser.

Certification to ISO 14001 of our EMS was maintained after two surveillance audits. Inadequate bunding of hazardous materials at Grasstree mine was identified as a major non-conformance that has since been resolved. Internal water and waste audits identified improvement areas, which are being addressed.

Table 3: Environmental Incidents

	2006
Level 1	21
Level 2	1
Level 3	0

Capcoal mine did not attract any environmental related fines, breaches or prosecutions during 2006. The mine recorded 21 level 1 incidents and one Level 2 incident in 2006. Water leaking from an underground bore led to a breach of environmental licence conditions and attracted an official warning from the Environmental Protection Agency. The water was contained in a temporary pond while the borehole casing was repaired.





Left: Jo-Anne Rimmington, Environmental Advisor, and Neil Dale, Senior Environmental and Community Advisor, at the entrance to the German Creek Nature Reserve.

Below: Bulldozer spreading rock mulch on reshaped overburden, as part of the mine rehabilitation program.

Rehabilitation and Land Management

We rehabilitated 13 hectares of land in 2006, which was 4 hectares below our target. Much of the overburden spoil at both German Creek and Oak Park contains highly dispersive tertiary clays, which result in relatively high erosion and slope stability risk. The Australian Coal Association Research Program's (ACARP) study 'Rehabilitation of Erosive Tertiary Overburden' recommends covering the tertiary clays with at least a metre of rocky spoil (rock mulch) to stabilise the landform. A 3 hectare rock mulch trial is currently underway to test the applicability of this recommendation at Capcoal mine. The rehabilitation target for 2007 is 208 hectares.

Biodiversity

In 2006, Anglo Technical Division audited our Biodiversity Action Plan. Although satisfied with progress they made a number of recommendations, including establishing biodiversity key performance indicators. We are also setting up two conservation agreements with associated nature refuges. The German Creek Nature Refuge has been signed off and will be managed by Capcoal mine whilst the Oak Park Nature Refuge is yet to be finalised; however, cattle grazing will be allowed in the Oak Park Nature Refuge.

Capcoal mine engaged The University of Queensland's Sustainable Minerals Institute to identify opportunities and threats associated with biodiversity. The results are to be considered in future development plans.

Capcoal mine also supported the ACARP Northern Bowen Basin Water and Salt Management Practices Study, investigating the potential for better water management practices on Bowen Basin coal mines.

With the Lake Lindsay expansion, we studied the impacts of mining on cultural heritage scar trees together with potential impact minimisation strategies and discussed these with local Traditional Owners. A scarred tree is formed when bark is removed to make utensils or tools, or to provide foot holds for climbing.

Table 4: Types of Waste

	2005 Disposed	2005 Recycled	2006 Disposed	2006 Recycled
Hazardous Waste (t)	126	95	305	154
Non-hazardous Waste (t)	2,981	333	2,750	579

Water

Capcoal mine's raw water is sourced from the McKenzie River. 1,250 mega litres (ML) of the 2,250 ML allocation from the river was used by the mine while the balance was used in the Middlemount Township, where our workforce is housed.

During 2006, 2,961 ML of raw water was used for coal production and dust suppression (at an efficiency of 655 litres per tonne of saleable coal). Although this was an improvement on 2005 performance, our water use efficiency is below that of similar mines in the Bowen Basin. Capcoal mine does not actively discharge water from the site, but some worked water is transferred to a neighbouring mine for use in its operation.

To better manage water use, we utilise WaterMiner water management software developed by the Centre for Water in the Minerals Industry at The University of Queensland. WaterMiner helps us to assess options for maintaining the site mine water balance. The site water management committee is reviewing options for a more effective use of water underground, and in 2007, Bundoora Colliery will trial using mine water instead of raw water for dust suppression sprays.

Through the provision of data and logistical support we continued to be involved in an ACARP project monitoring blue green algae (cyanobacteria). The study has assisted us to understand blue green algae growth patterns and the potential toxic species in this region, together with potential treatment options of the site's raw water supply.

Studies continue into the feasibility of using 'worked' water in our underground longwalls. These studies are at a very preliminary stage and will be pursued further during 2007.

National Pollutant Inventory

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

Waste

We employed a waste contractor to manage waste related issues including sorting waste streams for re-use, recycling and disposal and the investigation and implementation of innovative waste management measures. Waste initiatives carried out in 2006 included:

- Combining three landfills into one;
- Developing a waste management improvement plan; and
- Placing oil drum skips and regulated waste bins for oily rags at all the sites.

Our recycling efforts are improving with a 71% increase in the quality of waste recycled.





Left: Capcoal underground Apprentice Fitter Matt Muller prepares to start his shift.

Below: A scarred tree, which has Aboriginal cultural heritage significance.

COMMUNITY

We have approximately 60 key stakeholders including:

- Employees and their families;
- Local landholders;
- Traditional Owners; and
- Broadsound and Peak Downs Shire Councils.

In 2006, we developed our CEP, which we follow engaging our stakeholders in a wide range of forums including:

- A weekly community newsletter;
- One-on-one meetings;
- Annual meetings with local stakeholders; and
- Site tours.

We followed the Anglo American publicly listed corporation's Socio-Economic Assessment Toolbox (SEAT) process (see SEAT Report on www.anglocoal.com.au) in developing a CEP. The process consisted of:

- 40 meetings with stakeholders from Middlemount and surrounding areas; and
- A telephone survey of 129 residents.

Late in 2006, key socio-economic issues, and management responses to these issues were discussed in a stakeholder forum. The forum provided feedback to the community on the results of the consultation to date, enabled us to verify and prioritise key issues with the community and allowed us to discuss Capcoal management responses to key issues and decide possible future actions. The issues raised by stakeholders included access to affordable housing, availability of services, social and community issues and education. We are currently developing a report highlighting priority issues and management responses.

We have invested over \$20 million to build more accommodation and refurbish existing accommodation in Middlemount to cater for the mine expansion. This infrastructure development will continue over a period of 3-4 years.

In 2006, Capcoal mine provided \$160,698 in monetary and in-kind support to assist various community based activities, including inviting rugby league coach Jason Taylor to speak at a sportsman's dinner and hosting an International Women's Day dinner with

guest motivational speaker Tracy Bartram.

After a number of road accidents between the mine and the coast we worked very closely with the local police and the Mining Industry Road Safety Alliance to improve road safety awareness for mine workers.

We continued our strong relationship with the BBKY Traditional Owner group who undertook a number of cultural heritage training sessions including the identification of scarred trees. This will assist personnel working in isolated areas such as geologists, drillers and dozer operators to identify culturally significant artefacts so that they can be managed according to our Cultural Heritage Management Agreement. Through the BBKY, Capcoal mine relocated a number of artefacts to enable a 3D seismic survey planned for 2007.

Capcoal mine received no complaints from the community during 2006.



Coal seam methane
fired power plant at Capcoal mine's
Grasstree underground mine.



CLIMATE

Although the 32 megawatt coal seam methane (CSM) fired German Creek Power Plant was commissioned in August 2006, total greenhouse gas emissions from the site increased marginally from 2005. This was mostly due to methane emissions from the Grasstree mine before the Power Plant commenced operations and venting of methane from Central Colliery during the closure process.

The German Creek Power Plant project, one of the first methane-sourced electricity generators to be built in Queensland, successfully exported its first power to the Queensland electricity grid in September. Utilising CSM in the Power Plant will reduce greenhouse gas emissions by up to 1.2 Mt of carbon dioxide equivalent (CO₂-e) in 2007.

Due to the mine expansion in 2006, we recorded a 29% increase in energy use compared to 2005. Coupled with a marginal fall in saleable coal production and a substantial increase in diesel use due to longer truck haul routes, this resulted in a 32% decline in energy use efficiency relative to 2005. In 2007, Capcoal mine will engage consultants to map our energy use and identify opportunities to improve efficiency.

CONTACT

This Safety, Health, Environment and Community Report covers the period of 1 January to 31 December 2006. Further details on the content of this Report can be obtained by contacting Paul White, Transformation Manager, Capcoal Surface Operations on 07 4985 0329 (email: paul.white@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	10.4
	Total Recordable Case Frequency Rate	55.2
People	New occupational illnesses	16
	Average number of employees	649
	Average number of FTE contractors	593
Environmental	Water used for primary activities (ML)	2,961
	Water use efficiency (L/saleable tonne)	655
	Area of land remaining disturbed end 2006 (ha)	3,317
	Rehabilitated land end 2006	1,704
Community	Incidents (Level 1)	21
	Incidents (Level 2)	1
	Complaints (Level 1)	0
Climate	Community Cash Donations (AUD)	126,733
	Energy Use (Gj)	1,392,337
	CO ₂ equivalent emissions (tonnes)	1,588,166
Economic	Saleable Coal (tonnes)	4,521,975



As part of the Employee Healthy Lifestyle Program, Ian Ncube, Surveyor, undergoes a cholesterol test.

	2004	2005	2006
Energy use (GJ)	1,276,009	1,451,307	1,392,337
Energy efficiency (GJ/t saleable coal)	0.130	0.211	0.308
Greenhouse gas emissions (kt CO ₂ -e)	2.034	1.467	1.588
Greenhouse gas efficiency (t CO ₂ -e/t saleable coal)	0.352	0.295	0.351
Methane (t)	84,940	59,053	62,974



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