



Callide Mine Report 2006

Message from the General Manager



Callide mine produced 9.8 million tonnes (Mt) of saleable coal in 2006, an increase of 0.37 Mt from the previous year.

We continued our commitment to providing and maintaining a safe working environment for all our employees and contractors and our safety and health systems maintained certification to the Australian Standard AS 4801:2001.

Following on from last year's successes, the production department was over two years Lost Time Injury (LTI) free to April 2006 while the whole operation went 191 days LTI free during the year, both very satisfactory results. Frustratingly, despite a number of strategies to reduce injuries both the Lost Time Injury Frequency Rate (LTIFR) and Total Recordable Case Frequency Rate (TRCFR)

worsened during 2006. These trends are mainly due to an increase in manual handling injuries. To reduce these we have engaged an occupational therapist to conduct manual handling training to promote positive changes in behaviour.

We were very pleased when Evan Bayntun, who has been a Trainee for almost two years, was awarded the Coal Industry Trainee of the Year at the Mining Industry Skills conference held in Brisbane in September. The People - Performance - Growth (PPG) training initiative continued throughout the year and over a hundred of our staff attended sessions in 2006. The entire workforce will receive the training by the end of 2007.

During the year we instigated a Health Forum where our employees were given the opportunity to provide input to the mine's health and wellbeing programs to ensure that they are relevant and meet their needs. In 2005, we began the Healthy Bananas initiative where we worked with the community in an attempt to lose 500 kilograms (kgs) collectively. Although the target was not met, we were satisfied that the 300 kgs lost will benefit the community in the long run.

Certification to the ISO 14001 international standard was maintained for Callide mine's Environmental Management System and during the year we developed our Biodiversity Action Plan (BAP). I am proud to say that the BAP is the first in Anglo Coal Australia (ACA) to

fully address the Anglo American publicly listed corporation (AAPlc) biodiversity guidelines. Unfortunately our raw water use per tonne of saleable coal increased due mainly to us opening new mining areas and thus requiring more water for road dust suppression. A change in roster from 7 to 5 days a week saw us reduce our use of diesel and this translated into a fall in our greenhouse gas emissions and a corresponding improvement in carbon efficiency compared to last year.

Our community engagement Key Performance Indicators (KPIs) indicate that we performed above average against our socio-economic engagement targets. Youth suicide is a big problem in rural Australia and we are working with our community to address it. Through a workshop facilitated by Callide mine, attended by a number of community organisations, we are in the process of addressing youth suicide and counselling issues. External consultants and psychologists have also been engaged to draft a report on youth suicide in the region.

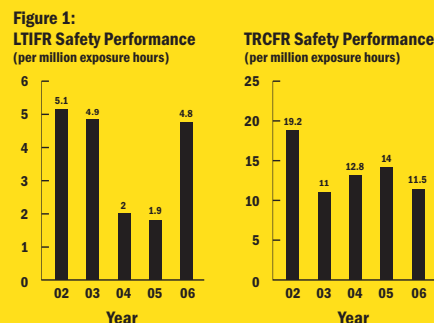
This Report and ACA's 2006 Sustainability Report (available on www.anglocoal.com.au) provide a summary of the way this site and the business manages its responsibilities in these areas. Your feedback on any aspect of our performance and reporting is welcome.

Mark Heaton
General Manager



Right: Sign indicating that a safety risk assessment is underway at a Callide open-cut pit.

Below: Alex List, Crew Coordinator, with a recently acquired heart defibrillator.



About the mine

Callide mine is an open-cut mine located 20 kilometres northeast of Biloela, in the Callide Basin of Central Queensland. It is a leading Queensland domestic low sulphur thermal coal producer primarily for domestic power generation, with 9.8 Mt of saleable coal produced in 2006.

Safety

We continued our commitment to providing and maintaining a safe working environment for all our employees and contractors in 2006. Strategies employed to meet this commitment included holding Occupational Health and Safety Committee meetings every 2 months to discuss broad-based health and safety operational issues, including the assessment and mitigation of risk.

There were no fatalities, permanent disabilities, safety related fines, breaches or prosecutions at the Callide mine in 2006. Following on from last year's successes, the production department had over two years LTI free to April 2006.

We experienced five minor LTIs during 2006, resulting in a Lost Time Injury Frequency Rate (LTIFR) of 4.8, which was above the target of 1.5 and last year's rate of 1.9. The TRCFR in 2006 was 11.5, well above the target of 4.7 but an improvement on the 14 recorded in 2005. The LTIFR and TRCFR result trends were mainly due to an increase in injuries associated with manual handling tasks.

As most of the work done at Callide mine involves manual tasks, an opportunity

was identified to promote positive behaviour change by engaging an occupational therapist to conduct task specific manual handling training. This training is scheduled throughout 2007.

A concern for the mine was an increase in the High Potential Incident Frequency Rate (HPIFR) from three in 2005 to eight in 2006. An analysis of the 2006 High Potential Incidents (HPIs) highlighted the following recurring contributing factors:

- Inadequate individual communication;
- Failure to identify and control hazards; and
- Shortfalls in change management procedures.

Strategies being put in place to reduce this incident rate include the rollout of the Anglo Safety Leadership Program and implementing a Take 5 Risk Management procedure.

We maintained certification to the Australian Standard AS 4801:2001 for Occupational Health and Safety Management Systems following a surveillance audit in May 2006 where no non-conformances were identified. We also audited our contractors in 2006 and, pleasingly, found no significant issues.

As a broad strategy to improve operational standards on site, we identified operating hazards and developed a number of strategies to mitigate these. This included taking part in a Multiple Fatality Risk Management Program and focusing on the factors contributing to HPIs. We have set a HPIFR target of zero for 2007.

We must remain vigilant in keeping our no fatality record and a number of strategies have been put in place to

mitigate the factors contributing to fatalities such as:

- Hazard and awareness training through a supervisor mentoring program;
- Improving incident investigation skills;
- Contractor management with regards to HPIs; and
- Applying disciplinary action to those employees and contractors not complying with the safety 'Golden Rules'.

Additional safety and training initiatives and activities implemented in 2006 included:

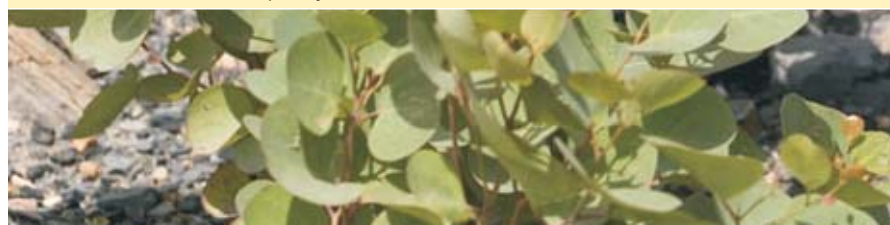
- Monthly reviews of critical Standard Operating Procedures with the workforce using the Benchtalk Program; and
- An awareness package that followed both monitoring of whole body vibration in large mobile equipment and a seat replacement program.

We are determined to improve our standards and safety performance and in 2007 will focus on:

- Improving contractor management;
- Implementing Multiple Fatality Risk Management Plans; and
- Campaigning towards '2008 Target Zero'.

Table 1: Safety Performance PER MILLION EXPOSURE HOURS

| | 2006 Target | 2006 Actual | 2007 Target |
|--------------------------------------|-------------|-------------|-------------|
| Lost Time Injury Frequency Rate | 1.5 | 4.81 | 1.6 |
| Total Recordable Case Frequency Rate | 4.7 | 11.54 | 4.7 |





Alex List, Crew Coordinator, Ken Sparrow, Fitter, John Cruikshank, Electrical Supervisor, and Kuda Makoni, Mining Engineer, discussing safety in the workplace.

Table 2: Key Human Resources Data

| | 2004 | 2005 | 2006 |
|--------------------------------|------|------|------|
| Number of employees | 360 | 426 | 438 |
| Number of contractors | 158 | 110 | 89 |
| Number of trainees/apprentices | 25 | 22 | 23 |
| Graduate Development Program | 4 | 3 | 4 |
| Employee turnover | 5.5% | 8.4% | 12% |

Sustainable Development

PEOPLE

Callide mine employed an average of 438 employees (including apprentices and trainees) and 89 contractors, a 2% decrease since last year. The site had a turnover rate in 2006 of 12%, against a target of 6%.

Through the Individual Development Plan, Callide mine continues its commitment to supporting and enhancing youth development. Twenty-seven trainees, apprentices and graduates were employed at the mine. We employ a progressive approach to youth development through involvement in a school based apprenticeship scheme. As evidence of the success of this approach, Evan Bayntun was awarded the Coal Industry Trainee of the Year at the Mining Industry Skills conference held in Brisbane in September. Evan has been a Trainee for almost two years at our Callide mine.

Over a hundred staff attended the PPG training initiative in 2006 and the entire workforce will receive the training by the end of 2007. In 2006, we provided 12.75 hours of training and spent an average of \$1,563 per employee.

Five new occupational disease cases were reported during the year: three noise induced hearing losses and two musculoskeletal sprains.

In 2006, we instigated a number of health and wellbeing programs for employees and their immediate families, including the Workplace English Language and Literacy Program which was introduced to assist employees with learning and literacy difficulties.

An employee-based Health Forum was developed in 2006 to give employees the opportunity to input into the mine's health and wellbeing programs. Programs included completing the Healthy Bananas initiative, where we worked with the community to lose 500 kgs collectively. Although the target was not met, we were satisfied that the 300 kgs lost will benefit the community in the long run.

A Health Promotion Strategy will be undertaken in 2007 with activities such as 10,000 Steps, promoting physical activity and health and wellbeing in the workplace.

The ACA survey undertaken in late 2005 to evaluate employee satisfaction indicated that communication with our employees tended to be irregular. In 2006, a Focus Group was formed to improve onsite communication. The work of this Group has resulted in a robust plan, focusing on existing methodologies as well as design templates for planning and delivery.

Raymond Hill, Quality Assurance Officer at Dawson mine, and Frank Locke, Callide mine Maintenance Superintendent, undergoing safety training.

ENVIRONMENT

Certification to the ISO 14001 international standard was maintained for Callide mine's Environmental Management System in 2006. In April, the Environmental Protection Agency (EPA) carried out an environmental audit. No non-conformances were identified in either audit.

We recorded 15 level 1 (minor) and seven level 2 incidents in 2006. The level 2 incidents concerned three blast exceedences, three discharge water quality exceedences and one oil spill. Callide mine was not subject to any environment related fines, prosecutions or regulatory orders in 2006.

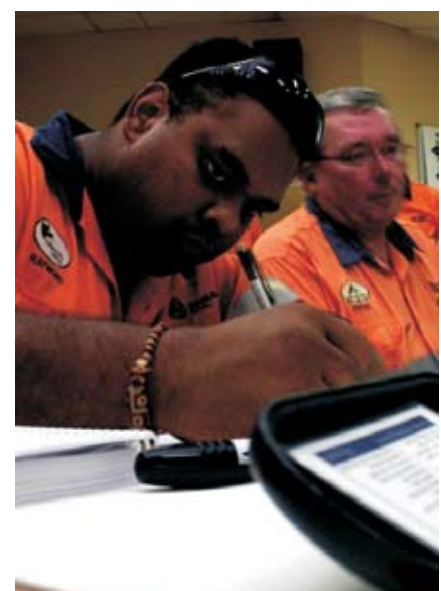
Topics of environmental training sessions in 2006 included the 'reduce, re-use and recycle' strategy for managing waste, weed awareness, audit training, spills response and the permit to disturb procedure.

Table 3: Environmental Incidents

| | 2006 |
|---------|------|
| Level 1 | 15 |
| Level 2 | 7 |
| Level 3 | 0 |

Rehabilitation and Land Management

The 2006 target for rehabilitation of disturbed land of 49 hectares was surpassed by 4 hectares, bringing the total land rehabilitated to 596 hectares. We plan to rehabilitate 40 hectares in 2007.





Brad Cartwright, Senior Environmental Advisor, inspecting rehabilitation.

We continue to partner with the Callide Valley Landcare Group to provide softwood scrub species for the mine rehabilitation program. Since initial trials, planting seeds from a number of softwood species in November 2004, more trials have been carried out on site.

Callide mine is also in the process of obtaining certification of the rehabilitation undertaken progressively at the mine and has embarked on negotiations with the EPA on gaining certification.

Biodiversity

We developed our Biodiversity Action Plan (BAP) in May 2006 and are awaiting feedback from ACA prior to implementing the plan. Callide mine's BAP is the first in ACA to fully address the AAPlc biodiversity guidelines. Once completed, this BAP will also be used in mine closure plans.

We continue to rehabilitate land disturbed by both the mine and previous lessees, including the 'Hut' area where large sections of land, sporadically disturbed by logging and grazing, are being reforested. Callide mine continues to negotiate with the Queensland National Parks and Wildlife Service about developing a 470 hectare Nature Refuge on land owned by Callide mine on the Mount Murchison area. This land holds a variety of local biodiversity values, including a significant undisturbed community of Semi-Evergreen Vine Thicket.

Table 4: Types of Waste

| | 2005 Disposed | 2005 Recycled | 2006 Disposed | 2006 Recycled |
|-------------------------|---------------|---------------|---------------|---------------|
| Hazardous Waste (t) | 78 | 362 | 68 | 287 |
| Non-hazardous Waste (t) | 946 | 450 | 642 | 126 |

Water

The water we use is sourced primarily from surface run-off and ground water collected in mine pits and dams. In 2006, 1,065 mega litres (ML) of water were used for activities associated with coal mining such as dust suppression against a target of 761 ML, leading to an increase in water use per tonne of saleable coal produced. This decline in water use efficiency was due to an improvement in site water monitoring (actual water use was previously significantly underestimated) and the opening of new mining areas, requiring more water for road dust suppression.

During 2006, a number of action items went ahead as part of a water discharge exceedence Environmental Management Program. A regional survey of downstream aquatic environmental values indicated that Callide mine is not having a significant impact on these values and alternative water discharge quality criteria have been proposed. A series of sediment monitoring at weirs currently gather information on sediment generation from different disturbance types.

National Pollutant Inventory

Callide mine is required to report in accordance with the National Pollutant Inventory, Australia's national database of pollutant emissions. To obtain further detail on Callide mine's emissions during 2005-06 please refer to www.npi.gov.au.

Waste

In 2006, we engaged a single waste contractor to consolidate our waste management requirements. To reinforce the 'reduce, re-use, recycle' philosophy the mine also introduced recycling facilities in all the mine areas.

126 tonnes of metal and 312 kilolitres of used oil was recycled. The remaining 710 tonnes of un-recycled waste was sent to legal landfill sites. The reduction in waste volumes between 2005 and 2006 is associated with reduced maintenance activities after a change in roster from 7 to 5 days a week.



Water cart suppressing dust on haul road.



Left: Kerry Munster, Production Supervisor, and Guy McKellar, Maintenance Supervisor, taking part in Safety Leadership Training.

Below: Dragline removing overburden.

COMMUNITY

In 2006, we continued to implement our Community Engagement Plan (CEP) developed with the AAPlc Socio-Economic Assessment Toolbox (SEAT) process. The key focus areas of the mine's socio-economic engagement were:

- Development of a local community business;
- Social development of the local community; and
- Effective engagement of stakeholders within our communities.

The CEP KPIs enable us to measure our community related performance. The 2006 KPIs indicate that we performed above average when compared to the socio-economic engagement targets for the year. Through the quarterly Community Liaison Forum and the annual neighbours' day, partnership and transparent communication were enhanced with the community. Other

communication forums that Callide mine uses to ensure effective engagement are:

- Formal agreements and one-to-one discussions with neighbours;
- A complaints handling procedure and register;
- Liaison with Enterprise Biloela, Landcare and other community groups and meetings with Traditional Owners;
- Pre-arranged mine tours for schools and community groups;
- Liaison with the Oak Creek Rural Water Supply Board; and
- Distribution of ACA Sustainability Reports to all employees, neighbours, Banana Shire Council and the Community Liaison Forum, and feedback mechanisms.

We recorded four dust complaints in 2006 and one complaint about rubbish on the road to the mine. All the complaints were addressed.

We are working with our community to address a wide range of issues, including teenage suicide. Rural Australia has one of the highest rates of youth suicide in the world. After a workshop facilitated by Callide mine, attended by a number of community organisations, we are in the process of addressing youth suicide issues and counselling issues. External consultants and psychologists have also been engaged to draft a report on youth suicide in the region.

During 2006, Callide mine continued to support local community activities such as the Industry Summit, which is coordinated by the Shire Council and local shows and festivals. Other organisations supported were the Police Citizens Youth Club, sporting groups and educational forums and institutions. In-kind donations were \$14,500 while staff donated \$54,200 worth of their time.





CLIMATE

A 12% drop in diesel use led to a pleasing drop in overall energy use. The reduction in energy use is associated with a change from 7 day back to 5 day per week operations. Unfortunately our energy efficiency still declined as the volume of overburden moved per tonne of coal is increasing each year. Callide mine engaged in an energy and cost efficiency study on Biodiesel. The purpose of the Biodiesel trial was to determine the technical and financial viability of ultimately using a 30% blend of Biodiesel in the mining environment. In 2007, the focus will be on a 20% blend due to legislative movements and original equipment manufacturers' support.

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. The decreased diesel use and a drop in methane emissions meant a pleasing fall in our greenhouse gas emissions and a corresponding improvement in carbon efficiency.

CONTACT

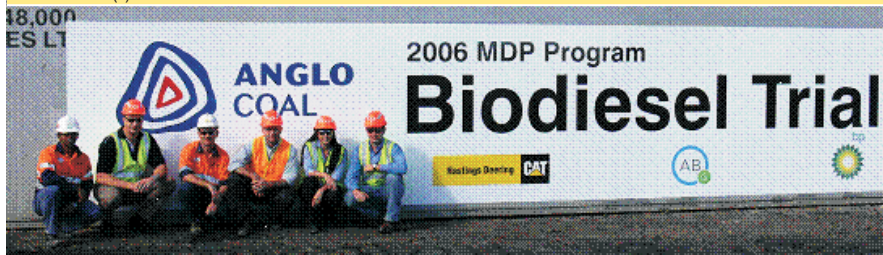
This Safety, Health, Environment and Community Report covers the period of 1 January to 31 December 2006. Further details on the content of this Report can be obtained by contacting Brad Cartwright on 07 4990 1820 (email: brad.cartwright@anglocoal.com.au).

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 | 4.8 |
| People | Total Recordable Case Frequency Rate | 11.5 |
| | New occupational illnesses | 5 |
| | Average number of employees | 438 |
| Environmental | Average number of FTE contractors | 89 |
| | Water used for primary activities (ML) | 1,065 |
| | Water use efficiency (L/saleable tonne) | 108 |
| | Area of land remaining disturbed end 2006 (ha) | 1,795 |
| Community | Rehabilitated land end 2006 | 596 |
| | Incidents (Level 1) | 15 |
| | Incidents (Level 2) | 7 |
| | Complaints (Level 1) | 5 |
| Climate | Community Cash Donations (AUD) | 71,500 |
| | Energy Use (Gj) | 1,325,440 |
| Economic | CO ₂ equivalent emissions (tonnes) | 170,019 |
| | Saleable Coal (tonnes) | 9,816,098 |

| | 2004 | 2005 | 2006 |
|---|-----------|-----------|-----------|
| Energy use (GJ) | 1,276,009 | 1,451,307 | 1,325,440 |
| Energy efficiency (GJ/t saleable coal) | 0.130 | 0.153 | 0.135 |
| Greenhouse gas emissions (kt CO ₂ -e) | 183 | 184 | 170 |
| Greenhouse gas efficiency (tCO ₂ -e/t saleable coal) | 0.0196 | 0.0194 | 0.0173 |
| Methane (t) | 914 | 907 | 510 |



ACA Management Development Program Team members beside a biodiesel tank at Callide mine. The team consists of Denzil Cross (Dawson Seam Gas), Johan Laubscher (Moranbah North), Steve Amor (Callide), David Goodale (Moranbah North), Tain Drinkwater (Capcoal Surface Operations) and Jim Cowan (Group Procurement).

