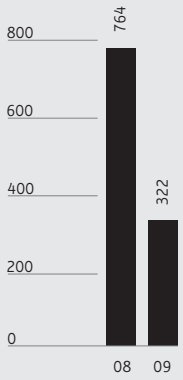
Metallurgical Coal

Anglo American's metallurgical coal business is Australia's fourth biggest producer of coal and its number three exporter of metallurgical coal.

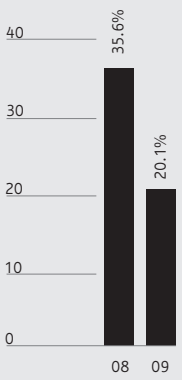
Coal stockpile – Anglo Metallurgical Coal, Australia

Financial highlights[1]

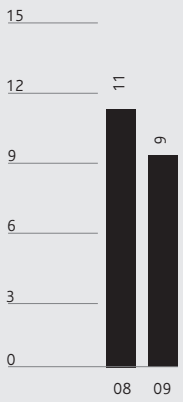
Underlying earnings ($m)



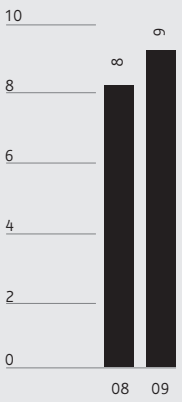
Operating margin %



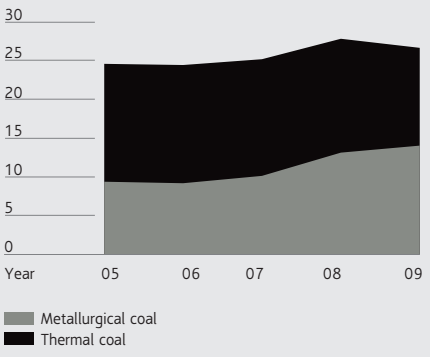
Share of Group operating profit (%)



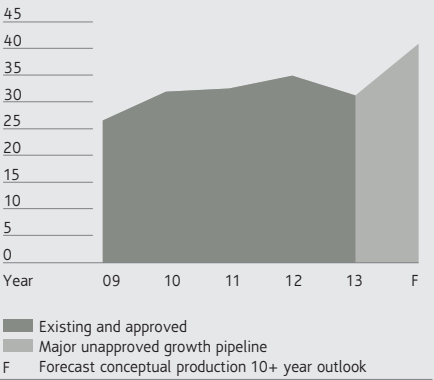
Share of Group net operating assets (%)



Anglo Coal production (Mt)



Metallurgical Coal potential attributable production* (Mt)



Source: Anglo American
* Includes metallurgical and thermal coal from Australia.

[1] Due to the portfolio and management structure changes announced in October 2009, the segments have changed from those reported at 31 December 2008. 2008 comparatives have been reclassified to align with current year presentation. The segment results include an allocation of corporate costs.

Financial data

US$m	2009	2008
Turnover		
Subsidiaries/Joint Ventures	2,075	2,949
Associates	164	170
Total turnover	**2,239**	**3,119**
Of which:		
Australia	2,239	3,119
Projects and corporate	–	–
EBITDA	**706**	**1,319**
Of which:		
Australia	729	1,353
Projects and corporate	(23)	(34)
Depreciation and amortisation	**255**	**209**
Operating profit before special items and remeasurements	**451**	**1,110**
Of which:		
Australia	474	1,144
Projects and corporate	(23)	(34)
Operating special items and remeasurements	(28)	(22)
Operating profit after special items and remeasurements	**423**	**1,088**
Net interest, tax and minority interests	**(129)**	**(346)**
Underlying earnings	**322**	**764**
Of which:		
Australia	345	797
Projects and corporate	(23)	(33)
Net operating assets	**3,407**	**2,669**
Capital expenditure	**96**	**467**

Business overview

26.7
Mt – Metallurgical Coal attributable production in 2009

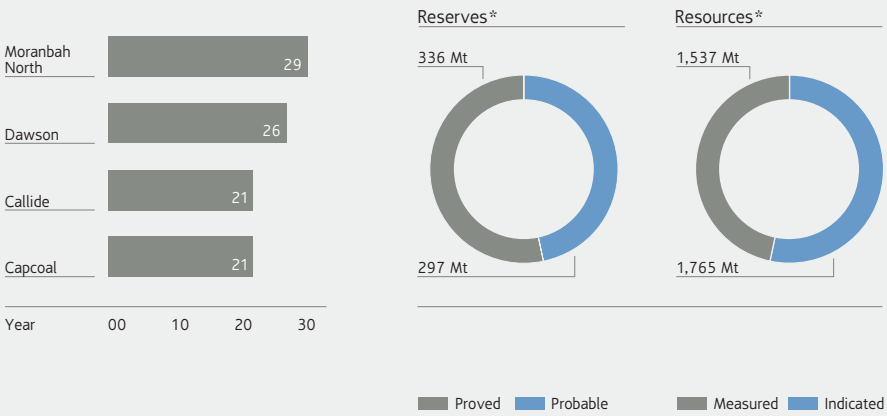
6
mines in Australia (all majority owned)

14%
increase in coal production in 2010 following asset optimisation and productivity improvements

Financial highlights: Metallurgical Coal

$ million (unless otherwise stated)	2009	2008
Operating profit	451	1,110
Australia	474	1,144
Projects and corporate	(23)	(34)
EBITDA	706	1,319
Net operating assets	3,407	2,669
Capital expenditure	96	467
Share of Group operating profit	9%	11%
Share of Group net operating assets	9%	8%

Life of Mine and Reserves and Resources



Source: Anglo American

* Includes Australian export thermal, coking coal, domestic power and metallurgical coal reserves. The figures reported represent 100% of the Saleable Ore Reserves and Mineral Resources; the percentage attributable to Anglo American plc is stated separately on pages 162 and 163. Coal Reserves are additional to Coal Resources.

Metallurgical Coal is Australia's fourth biggest producer of coal and its number three exporter of metallurgical coal.

The company's operations are based relatively close to the country's east coast, from where it serves a range of customers throughout Asia and as far as Europe and South America.

Metallurgical Coal operates six mines, one wholly owned and five in which it has a controlling interest. Five of the mines are located in Queensland's Bowen Basin: Moranbah North (metallurgical coal), Capcoal (metallurgical and thermal coal), Foxleigh (metallurgical coal), Dawson (metallurgical and thermal coal) and Callide (thermal coal). Drayton mine (thermal coal) is in the Hunter Valley in New South Wales.

All of the mines are in well established locations and have direct access to rail and port facilities at Dalrymple Bay, Gladstone or Newcastle.

Moranbah North is an underground longwall mining operation with a mining lease covering 100 square kilometres. Coal is mined from the Goonyella Middle Seam, approximately 200 metres below the surface. The mine produced 2.6 Mt (attributable) of high fluidity, hard coking coal for steel manufacturers in 2009. Metallurgical Coal recently commissioned a coal seam methane power station at Moranbah North that will reduce its carbon dioxide (CO_2) emissions by around 1.3 Mtpa.

Capcoal operates two longwall underground mines and an open cut mine. Together, these mines produce around 4.6 Mt (attributable) annually of prime quality hard coking coal, pulverised coal injection (PCI) and thermal coal. Capcoal supplies methane-rich seam gas to Energy Developments Limited's waste coal mine gas power station, eliminating 1 Mt of CO_2 emissions per annum.

Foxleigh is an open cut operation with an annual output exceeding 1.6 Mt (attributable) of high quality PCI coal. Its operations will be debottlenecked to increase production to 2.2 Mtpa over the next three years.

Dawson is an open cut operation that produced 7.4 Mt in total (3.8 Mt attributable) of hard and soft coking coal and thermal coal in 2009.

Metallurgical Coal owns an effective 23% interest in the Jellinbah mine in Queensland which produces metallurgical coal.

In 2009, excluding Jellinbah, Metallurgical Coal's mines produced 12.6 Mt (attributable) of metallurgical coal, all of which was exported, and 14.1 Mt (attributable) of thermal coal, of which 42% was exported.

Metallurgical Coal's resource base totals some 3.4 billion tonnes of coal. These include high quality greenfield metallurgical coal reserves that are close to existing infrastructure.

Australia

Thermal

1 100% Callide
2 88% Drayton

Metallurgical

3 51% Dawson Complex
4 70% Foxleigh
5 70% German Creek (CapCoal)
6 23% Jellinbah
7 88% Moranbah North

Key

- Underground
- Open Cut
- Other

Industry overview

Metallurgical coal is a key raw material for 70% of the world's steel industry.

Each year, the world produces over 5 billion tonnes of hard coal, most of which is used in the country of origin. A small volume is traded across land borders such as those between the US and Canada or between the countries of the former Soviet Union. The international seaborne metallurgical coal market comprises some 200 Mt of metallurgical coal.

Produced in a relatively limited number of countries, metallurgical coal is primarily used in the steelmaking industry and includes hard coking coal, semi-soft coking coal and PCI coal. The chemical composition of the coal is fundamental to the steel producers' raw material mix and product quality. The market for metallurgical coal has a bigger proportion of longer term, annually priced contracts, though increasingly, some steel companies are using short term contracts to meet the balance of their requirements. Demand in the sector is fundamentally driven by economic, industrial and steel demand growth. Price negotiations between Australian suppliers and Japanese steel producers have traditionally, though not always, set the trend that influences settlements throughout the market. Metallurgical Coal is a significant supplier to virtually all the world's major steel producing groups.

Markets

Anglo American weighted average achieved FOB prices ($/tonne)	2009	2008
Export metallurgical	**141.04**	187.36
Export thermal	**73.82**	83.22
Domestic thermal	**26.75**	20.75

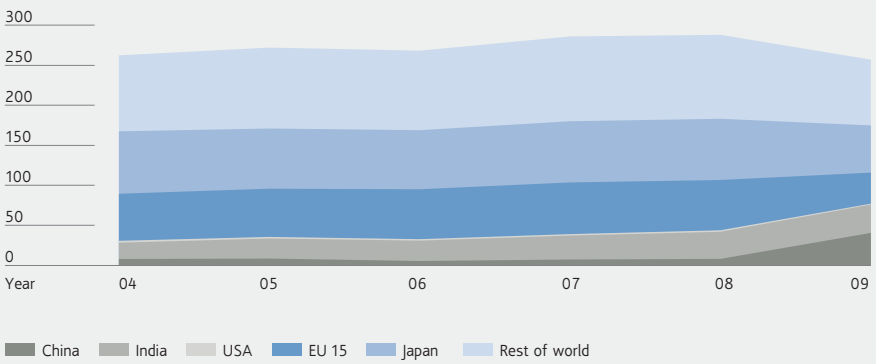
Attributable sales volumes (thousand tonnes)	2009	2008
Export metallurgical	**11,542**	13,147
Export thermal	**6,239**	5,780
Domestic thermal	**8,604**	9,682

Following a year of tight market conditions and record prices in 2008, demand for coal was severely constrained in the first quarter as steelmaker inventories were wound down, particularly impacting the PCI coal market. Benchmark metallurgical coal prices retreated from their c.$300 per tonne peak in 2008 by up to 60%, reducing the average selling price for the year by 22%.

Metallurgical coal markets improved in the second quarter owing to significant buying from China, initially of hard coking coal and subsequently a wider range of metallurgical coals, including PCI, thereby underpinning traditional benchmark prices at levels second only to those seen in 2008. The second half of the year saw a significant increase in demand from traditional customers in Japan, South Korea, India and Europe as steel industry production units ramped up.

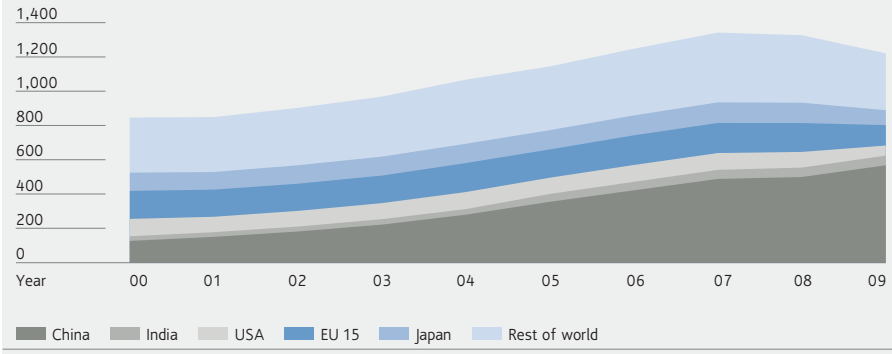
Market information

Estimated seaborne metallurgical coal demand
(Mt)



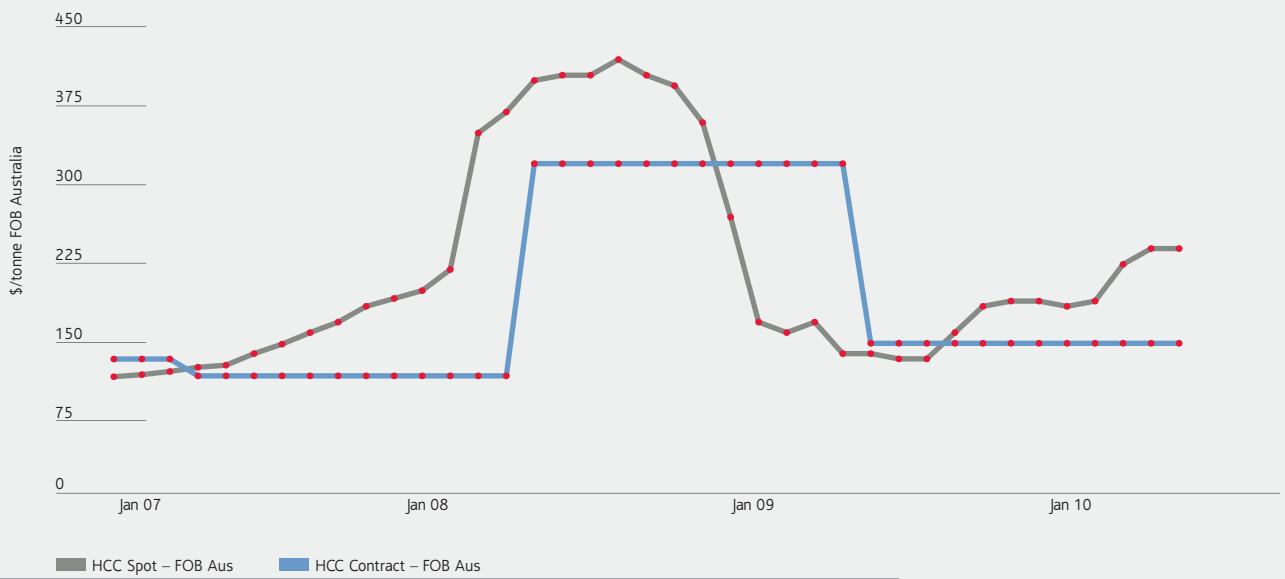
Source: AME

Estimated global crude steel production
(Mt)



Source: AME

Market Price Analysis
(shown to March 2010)



Source: CRU

Strategy and growth

Metallurgical Coal's strategy is to be a large, low cost, reliable exporter of quality coal to steel producers worldwide from Queensland's well established Bowen Basin.

Operational excellence is driven through a structured programme of asset optimisation that benchmarks performance for key activities to drive performance across the business to best practice standards.

Growth is driven both from optimising output from existing mines and from the ongoing development of a project pipeline underpinned by a comprehensive exploration and planning process.

Key to securing Metallurgical Coal's future is the development of long term relationships with major customers in order to cultivate a stable market for its products. These relationships proved their worth during a period of uncertain demand in early 2009 when Metallurgical Coal's product continued to be ordered in preference to that of a number of other producers.

Anglo American is committed to reducing the Group's carbon emissions by supporting world leading technologies. As an example of this, Metallurgical Coal recently became a cornerstone investor in Australian based MBD Energy, acquiring a 29% shareholding in the business. MBD Energy will soon commence trials of its leading-edge carbon capture and conversion technology, using algal synthesisers at three of Australia's largest greenhouse gas emitting, coal fired power plants.

Projects

Production from the brownfield expansion projects at Dawson and Capcoal (Lake Lindsay) mines will continue to increase over the next two to three years as equipment productivity is raised to benchmark standards.

Significant greenfield projects continue to be studied at Grosvenor, Moranbah South and Dartbrook to meet expectations for growing demand for both metallurgical and thermal coal over the next decade.

It is expected that a first stage approval decision in relation to the approval and development of the 4.3 Mtpa Grosvenor metallurgical coal project in Australia will be taken during 2010.

Capcoal – Exploration and Development – Surveyor Nigel Atkinson and trainee surveyor Shannon Coppard review plans. Great care is exercised in early stage exploration programmes to ensure that areas of cultural significance are not disturbed.

Project pipeline

Grosvenor (unapproved) — Overall capex: TBD

Country	**Australia**
Ownership	**100%**
Incremental production	**4.3 Mtpa metallurgical coal**
Full project capex	**TBD**
Full production	**2016**

The Grosvenor project is a greenfield metallurgical coal project close to current operations at Moranbah North. It is expected that a first stage approval decision in relation to the approval and development of the project will be taken during 2010.

Production data

Production (tonnes)	2009	2008	2007	2006	2005
Metallurgical Coal segment					
Australia[1]					
Metallurgical	12,622,600	13,144,900	10,145,400	9,195,600	9,390,300
Thermal	14,051,800	14,696,300	15,059,300	15,258,400	15,214,800
Total Metallurgical Coal segment	**26,674,400**	**27,841,200**	**25,204,700**	**24,454,000**	**24,605,100**
Australia					
Callide	8,766,400	9,582,700	10,031,100	9,816,100	9,500,000
Drayton	3,630,200	3,711,500	3,902,700	4,136,300	4,099,000
Capcoal	4,598,900	5,621,900	4,115,700	3,165,400	3,560,000
Jellinbah East	1,745,800	1,033,900	891,800	887,400	851,100
Moranbah North	2,581,000	3,181,500	3,211,600	2,928,500	3,432,800
Dawson Complex	3,756,200	3,537,200	3,051,800	3,520,300	3,162,200
Foxleigh	1,595,900	1,172,500	–	–	–
Total	**26,674,400**	**27,841,200**	**25,204,700**	**24,454,000**	**24,605,100**

[1] 2006 and 2005 exclude production at Dartbrook which was closed in the year. Production for Dartbrook was 792,000 tonnes in 2006 and 1,495,500 tonnes in 2005.

Anglo Coal attributable saleable production.

Ore Reserve and Mineral Resource estimates as at 31 December 2009

The Coal Reserve and Coal Resource estimates were compiled in accordance with the Australasian Code for Reporting of Mineral Resources and Ore Reserves (The JORC Code, 2004) as a minimum standard. Where relevant, the estimates were also prepared in compliance with regional codes and requirements (e.g. The SAMREC Code, 2007). The figures reported represent 100% of the Ore Reserves and Mineral Resources, the percentage attributable to Anglo American plc is stated separately. Rounding of figures may cause computational discrepancies. During 2009, Anglo Coal was restructured into three discrete business units: Anglo American Metallurgical Coal representing the dominantly export metallurgical coal business located in Australia; Anglo American Thermal Coal representing the dominantly export and domestic thermal coal business, located in South Africa and Colombia; and the Remaining Coal mines and projects located in Canada and Venezuela. THE COAL RESOURCES ARE REPORTED AS ADDITIONAL TO THE COAL RESERVES.

Metallurgical Coal Reserves[1]				ROM Tonnes[3]		Yield[4]		Saleable Tonnes[3]		Saleable Quality[5]	
Australia	Attributable %[2]	LOM	Classification	2009	2008	2009	2008	2009	2008	2009	2008
Callide (OC)	100	21		Mt	Mt	%	%	Mt	Mt	kcal/kg	kcal/kg
Domestic Power			Proved	125.8	134.6	97.4	97.4	122.3	131.0	4,550	4,530
			Probable	87.7	87.7	99.2	99.2	87.0	87.0	4,560	4,550
			Total	**213.5**	**222.3**	**98.2**	**98.1**	**209.3**	**218.0**	**4,550**	**4,540**
Capcoal (OC&UG)	71.6	21								kcal/kg	kcal/kg
Export Thermal			Proved	127.0	125.8	2.2	38.9	3.0	53.1	7,070	7,400
			Probable	68.0	90.3	2.9	39.1	2.0	38.6	7,070	7,400
			Total	**194.9**	**216.1**	**2.4**	**39.0**	**5.0**	**91.7**	**7,070**	**7,400**
										CSN	CSN
Coking			Proved			37.7	29.8	50.0	39.1	8.0	8.5
			Probable			34.4	17.2	24.4	16.3	7.5	8.5
			Total			**36.6**	**24.5**	**74.4**	**55.4**	**8.0**	**8.5**
Other Metallurgical										kcal/kg	kcal/kg
			Proved			28.7	–	38.1	–	6,980	–
			Probable			29.5	–	20.9	–	7,090	–
			Total			**29.0**	–	**59.0**	–	**7,020**	–
Dawson (OC)	51.0	26								kcal/kg	kcal/kg
Export Thermal			Proved	21.0	205.1	57.6	53.2	12.4	114.1	6,500	6,600
			Probable	161.8	123.0	56.4	30.5	93.9	38.9	6,500	6,620
			Total	**182.8**	**328.1**	**56.6**	**44.7**	**106.3**	**153.0**	**6,500**	**6,610**
										CSN	CSN
Coking			Proved			24.4	28.0	5.2	59.6	7.5	7.5
			Probable			18.9	47.5	31.4	61.4	7.5	7.5
			Total			**19.5**	**35.3**	**36.6**	**121.0**	**7.5**	**7.5**
Drayton (OC)	88.2	6								kcal/kg	kcal/kg
Export Thermal			Proved	1.9	26.5	78.4	69.8	1.5	18.5	7,070	6,720
			Probable	31.2	14.4	77.3	69.8	24.1	10.1	6,450	6,740
			Total	**33.1**	**40.9**	**77.4**	**69.8**	**25.6**	**28.6**	**6,490**	**6,730**
										kcal/kg	kcal/kg
Domestic Power			Proved			–	25.0	–	6.6	–	5,780
			Probable			–	25.0	–	3.6	–	5,780
			Total			–	**25.0**	–	**10.2**	–	**5,780**
Foxleigh (OC)	70.0	2								kcal/kg	kcal/kg
Other Metallurgical			Proved	1.9	–	71.1	–	1.4	–	6,520	–
			Probable	4.4	–	71.1	–	3.3	–	6,580	–
			Total	**6.3**	–	**71.1**	–	**4.7**	–	**6,560**	–
Moranbah North (UG)	88.0	29								CSN	CSN
Coking			Proved	123.6	118.4	78.5	75.8	102.5	95.0	7.5	7.5
			Probable	12.2	17.3	74.0	74.0	9.6	13.6	8.0	8.0
			Total	**135.8**	**135.8**	**78.1**	**75.6**	**112.0**	**108.6**	**7.5**	**7.5**

Ore Reserve and Mineral Resource estimates as at 31 December 2009
continued

Metallurgical Coal Reserves[1]			ROM Tonnes[3]		Yield[4]		Saleable Tonnes[3]		Saleable Quality[5]	
Australia continued	Attributable %[2]	Classification	2009	2008	2009	2008	2009	2008	2009	2008
Australia Export Thermal	58.7								kcal/kg	kcal/kg
		Proved	401.0	610.4	49.7	50.8	16.9	185.7	6,650	6,840
		Probable	365.3	332.8	59.8	38.8	120.0	87.6	6,500	6,980
		Total	**766.4**	**943.2**	**58.5**	**45.4**	**136.9**	**273.3**	**6,520**	**6,880**
Australia Coking	76.5								CSN	CSN
		Proved			63.8	51.8	157.7	193.7	7.5	8.0
		Probable			32.7	46.0	65.3	91.4	7.5	8.0
		Total			**54.6**	**48.6**	**223.0**	**285.0**	**7.5**	**8.0**
Australia Other Metallurgical	71.5								kcal/kg	kcal/kg
		Proved			30.2	–	39.5	–	6,960	–
		Probable			35.2	–	24.2	–	7,020	–
		Total			**32.1**	–	**63.7**	–	**6,990**	–
Australia Domestic Power	100								kcal/kg	kcal/kg
		Proved			97.4	93.9	122.3	137.6	4,550	4,590
		Probable			99.2	96.3	87.0	90.7	4,560	4,600
		Total			**98.2**	**94.8**	**209.3**	**228.3**	**4,560**	**4,590**

Mining method: OC = Open Cast, UG = Underground. LOM = Life of Mine in years based on scheduled Ore Reserves.
For the multi-product operations, the ROM tonnage figures apply to each product.
The Saleable tonnage cannot be calculated directly from the ROM reserve tonnage using the air dried yields as presented since the difference in moisture content is not taken into account.
Attributable percentages for country totals are weighted by Saleable tonnes and should not be directly applied to the ROM tonnage.
Additional footnotes appear at the end of the section.

Export Thermal refers to low- to high-volatile thermal coal primarily for export in the use of power generation; quality measured by calorific value (CV).
Coking refers to a high-, medium- or low-volatile semi-soft, soft or hard coking coal primarily for blending and use in steel industry; quality measured as crucible swell number (CSN).
Other Metallurgical refers to semi soft, soft, hard, semi-hard or anthracite coal, other than Coking Coal, such as pulverized coal injection (PCI) or other general metallurgical coal for the export or domestic market with a wider range of properties than Coking Coal.
Domestic Power refers to low- to high-volatile thermal or semi-soft coal primarily for domestic consumption for power generation; quality measured by calorific value (CV).

Metallurgical Coal Resources – Mine Leases[6]			Tonnes		Coal Quality	
Australia	Attributable %[2]	Classification	2009	2008	2009	2008
Callide	100		MTIS[6]	MTIS[6]	kcal/kg[7]	kcal/kg[7]
		Measured	317.8	317.8	4,800	4,800
		Indicated	375.3	375.3	4,740	4,740
		Measured and Indicated	**693.1**	**693.1**	**4,770**	**4,770**
		Inferred (in LOM)[8]	0.4	0.4	4,050	4,050
Capcoal	71.6	Measured	101.3	181.2	6,810	7,160
		Indicated	116.0	119.8	6,750	7,160
		Measured and Indicated	**217.3**	**301.0**	**6,780**	**7,160**
		Inferred (in LOM)[8]	12.0	8.6	6,560	7,160
Dawson	51.0	Measured	163.1	162.3	6,650	6,560
		Indicated	278.6	215.1	6,650	6,590
		Measured and Indicated	**441.7**	**377.4**	**6,650**	**6,580**
		Inferred (in LOM)[8]	103.5	2.7	6,710	6,540
Drayton	88.2	Measured	0.9	9.3	6,870	6,730
		Indicated	12.5	12.4	6,730	6,760
		Measured and Indicated	**13.4**	**21.7**	**6,740**	**6,750**
		Inferred (in LOM)[8]	0.1	1.3	5,910	6,860
Foxleigh	70.0	Measured	10.0	1.8	6,760	7,680
		Indicated	58.9	71.0	6,480	7,420
		Measured and Indicated	**68.9**	**72.7**	**6,520**	**7,430**
		Inferred (in LOM)[8]	–	–	–	–
Moranbah North	88.0	Measured	42.1	32.4	6,590	6,730
		Indicated	20.0	22.4	6,480	6,730
		Measured and Indicated	**62.2**	**54.7**	**6,550**	**6,730**
		Inferred (in LOM)[8]	0.1	0.6	6,800	6,730
Australia – Mine Leases	77.6				kcal/kg[7]	kcal/kg[7]
		Measured	635.2	704.7	5,750	5,930
		Indicated	861.4	816.0	5,820	5,900
		Measured and Indicated	**1,496.6**	**1,520.7**	**5,790**	**5,920**
		Inferred (in LOM)[8]	116.0	13.6	6,690	6,910

Ore Reserve and Mineral Resource estimates as at 31 December 2009
continued

Metallurgical Coal Resources – Projects[6]			Tonnes		Coal Quality	
Australia	Attributable %[2]	Classification	2009	2008	2009	2008
Dartbrook	77.5		MTIS[6]	MTIS[6]	kcal/kg[7]	kcal/kg[7]
		Measured	170.1	170.1	6,200	6,200
		Indicated	51.9	51.9	6,200	6,200
		Measured and Indicated	**222.1**	**222.1**	**6,200**	**6,200**
Grosvenor	100	Measured	240.1	227.8	6,350	6,650
		Indicated	117.2	111.9	6,340	6,660
		Measured and Indicated	**357.3**	**339.7**	**6,350**	**6,650**
Moranbah South	50.0	Measured	56.0	–	5,940	–
		Indicated	149.7	–	6,290	–
		Measured and Indicated	**205.7**	–	**6,190**	–
Saddlers Creek	88.2	Measured	398.9	398.9	6,440	6,440
		Indicated	137.9	137.9	6,340	6,340
		Measured and Indicated	**536.8**	**536.8**	**6,410**	**6,410**
Taroom	51.0	Measured	36.4	36.4	5,560	5,560
		Indicated	89.0	89.0	5,580	5,580
		Measured and Indicated	**125.5**	**125.5**	**5,570**	**5,570**
Theodore	51.0	Measured	–	–	–	–
		Indicated	358.2	358.2	6,250	6,250
		Measured and Indicated	**358.2**	**358.2**	**6,250**	**6,250**
Australia – Projects	74.9				kcal/kg[7]	kcal/kg[7]
		Measured	901.5	833.2	6,300	6,410
		Indicated	903.9	749.0	6,210	6,240
		Measured and Indicated	**1,805.4**	**1,582.2**	**6,260**	**6,330**

Metallurgical Coal Resources – Mine Lease and Projects[6]			Tonnes		Coal Quality	
Australia	Attributable %[2]	Classification	2009	2008	2009	2008
Total	76.1		MTIS[6]	MTIS[6]	kcal/kg[7]	kcal/kg[7]
		Measured	1,536.7	1,537.9	6,070	6,190
		Indicated	1,765.3	1,565.0	6,020	6,060
		Measured and Indicated	**3,302.0**	**3,102.9**	**6,050**	**6,130**
		Inferred (in LOM)[8]	116.0	13.6	6,690	6,910

Brown Coal

Brown Coal Resources[6]			Tonnes		Coal Quality	
Australia	Attributable %[2]	Classification	2009	2008	2009	2008
Monash Energy	100		MTIS[6]	MTIS[6]	kcal/kg[7]	kcal/kg[7]
		Measured	5,095.0	5,095.0	1,820	1,820
		Indicated	5,221.0	5,221.0	1,790	1,790
		Measured and Indicated	**10,316.0**	**10,316.0**	**1,800**	**1,800**
Australia Brown Coal Resources	100				kcal/kg[7]	kcal/kg[7]
		Measured	5,095.0	5,095.0	1,820	1,820
		Indicated	5,221.0	5,221.0	1,790	1,790
		Measured and Indicated	**10,316.0**	**10,316.0**	**1,800**	**1,800**

Coal Bed Methane

Coal Bed Methane Reserves			Saleable Volume[9]		Saleable Energy Content[9]	
Australia	Attributable %[2]	Classification	2009	2008	2009	2008
Dawson	51.0		MMcf	MMcf	PJ	PJ
		Proved: 1P	45,392	49,882	48	53
		Probable: 2P-1P	100,259	100,259	106	106
		Total: 2P	**145,651**	**150,141**	**154**	**159**
Harcourt	25.5	Proved: 1P	–	–	–	–
		Probable: 2P-1P	36,902	36,902	39	39
		Total: 2P	**36,902**	**36,902**	**39**	**39**
Australia CBM Reserves	45.8				PJ	PJ
		Proved: 1P	45,392	49,882	48	53
		Probable: 2P-1P	137,161	137,161	145	145
		Total: 2P	**182,553**	**187,043**	**193**	**197**

Coal Bed Methane (CBM) estimates were compiled by an external independent consultant in accordance with the guidelines and recommendations contained in the Petroleum Resources Management System 2007 sponsored by the Society of Petroleum Engineers (SPE) and the World Petroleum Council (WPC).

(1) Coal Reserves are quoted on a Run Of Mine (ROM) reserve tonnage basis which represents the tonnes delivered to the plant. Saleable reserve tonnage represents the product tonnes produced. Coal Reserves (ROM and Saleable) are on the applicable moisture basis.

(2) Attributable (%) refers to 2009 only. For the 2008 Reported and Attributable figures, please refer to the 2008 Annual Report.

(3) The tonnage is quoted as metric tonnes. ROM tonnages on an As Delivered moisture basis, and Saleable tonnages on a Product moisture basis.

(4) Yield (%) represents the ratio of Saleable reserve tonnes to ROM reserve tonnes and is quoted on a constant moisture basis or on an air dried to air dried basis. The product yields for Proved, Probable and Total are calculated by dividing the individual Saleable reserves by the total ROM reserves per classification.

(5) The coal quality for the Coal Reserves is quoted as either Calorific Value (CV) using kilo-calories per kilogram (kcal/kg) units on a Gross As Received (GAR) basis or Crucible Swell Number (CSN). Coal quality parameters for the Coal Reserves for Coking, Other Metallurgical and Export Thermal collieries meet the contractual specifications for coking coal, PCI, metallurgical coal, steam coal and domestic coal. Coal quality parameters for the Coal Reserves for Domestic Power and Domestic Synfuels collieries meet the specifications of the individual supply contracts. CV is rounded to the nearest 10 kcal/kg and CSN to the nearest 0.5 index.

(6) Coal Resources are quoted on a Mineable Tonnage In-Situ (MTIS) basis in million tonnes which are in addition to those resources which have been modified to produce the reported Coal Reserves. Coal Resources are on an in-situ moisture basis.

(7) The coal quality for the Coal Resources is quoted on an in-situ heat content as Calorific Value (CV) using kilo-calories per kilogram (kcal/kg) units on a Gross As Received (GAR) basis. CV is rounded to the nearest 10 kcal/kg.

(8) Inferred (in LOM) refers to Inferred Coal Resources that are included in the life of mine extraction schedule of the respective collieries and are not reported as Coal Reserves. Inferred Coal Resources outside the LOM plan but within the mine lease area are not reported due to a) the uncertainty attached to such resources in that it cannot be assumed that all or part of the Inferred Resource will necessarily be upgraded to Indicated or Measured categories through continued exploration, b) such Inferred Resources do not necessarily meet the requirements of reasonable prospects for eventual economic extraction, particularly in respect of future mining and processing economics.

(9) CBM Reserves are reported in terms of Saleable volume (million cubic feet – MMcf) and Saleable energy (Petajoules – PJ, or one thousand trillion Joules).

Summary of material changes (±10%) at reporting level

Australia

Callide: The 2009 submission has been based on depletion of the 2008 resource and reserve estimates by the actual 2009 production. Work is currently underway to generate a new life of mine plan for Callide for supply to domestic and other customers. This work is expected to be complete by end 2010 at which time a full economic re-assessment of the resource and reserve position will be available.

Capcoal: Resources in areas down-dip of Central and to the east of Grasstree have been reallocated (-80 Mt). Closure of the Aquila bord and pillar operation has reduced ROM reserves (-22 Mt).

Dawson: Mining at Dawson North ceased in early 2009 (-37 Mt ROM). Resource classifications have been revised resulting in a decrease in areas of reserves (-108 Mt) and an increase in Inferred Resources within the mine plan (+101 Mt). Exploration commencing in 2010 is expected to bring Inferred Resources within the mine plan progressively to reserve status during 2011.

Drayton: Reserves – Revision of mine plan and exclusion high cost areas in south / south west of lease (-8 Mt ROM).
Resources – Resources reallocated due to geological complexity (- 9 Mt).

Foxleigh: Reserves reported for the first time representing reserves in the immediate mining areas (+6 Mt ROM).

Grosvenor: Approval obtained for the commencement of a detailed feasibility study for an underground longwall operation in 2010.

Jellinbah: Not reported in 2009 due to <25% attributable interest.

Moranbah North: Resource increase attributable to changes in mine design and additional exploration (+7 Mt).

Moranbah South: Resources are reported for underground mining areas which have reasonable potential for eventual economic extraction based on exploration and studies completed in 2009 (+206 Mt).

Brown Coal

Monash Energy: Resource estimates have not changed from 2008 because no additional data was added in 2009. The brown coal is a substantial resource suitable as a feedstock to many chemical processes but requires technological breakthroughs to allow the economic development of clean coal plants.

Coal Bed Methane

Dawson: Initial reserves calculated in 2006 were depleted for gas production, consumption and venting for the 2009 estimates.

Assumption with respect to Mineral Tenure

Callide: An expectation that a Mining Lease Application which has been lodged will be granted for the northern part of the Kilburnie area. A Mining Lease Application will be lodged and is expected to be granted for the Amy's Find area as an extension to the existing mining area at The Hut.

Foxleigh: A Mining Lease Application will be lodged and is expected to be granted for the Plains area.

Reviews by independent third parties were carried out in 2009 on the following Operations and Project areas: Capcoal Mine Complex, Dawson South, Drayton, Foxleigh, Theodore, Taroom