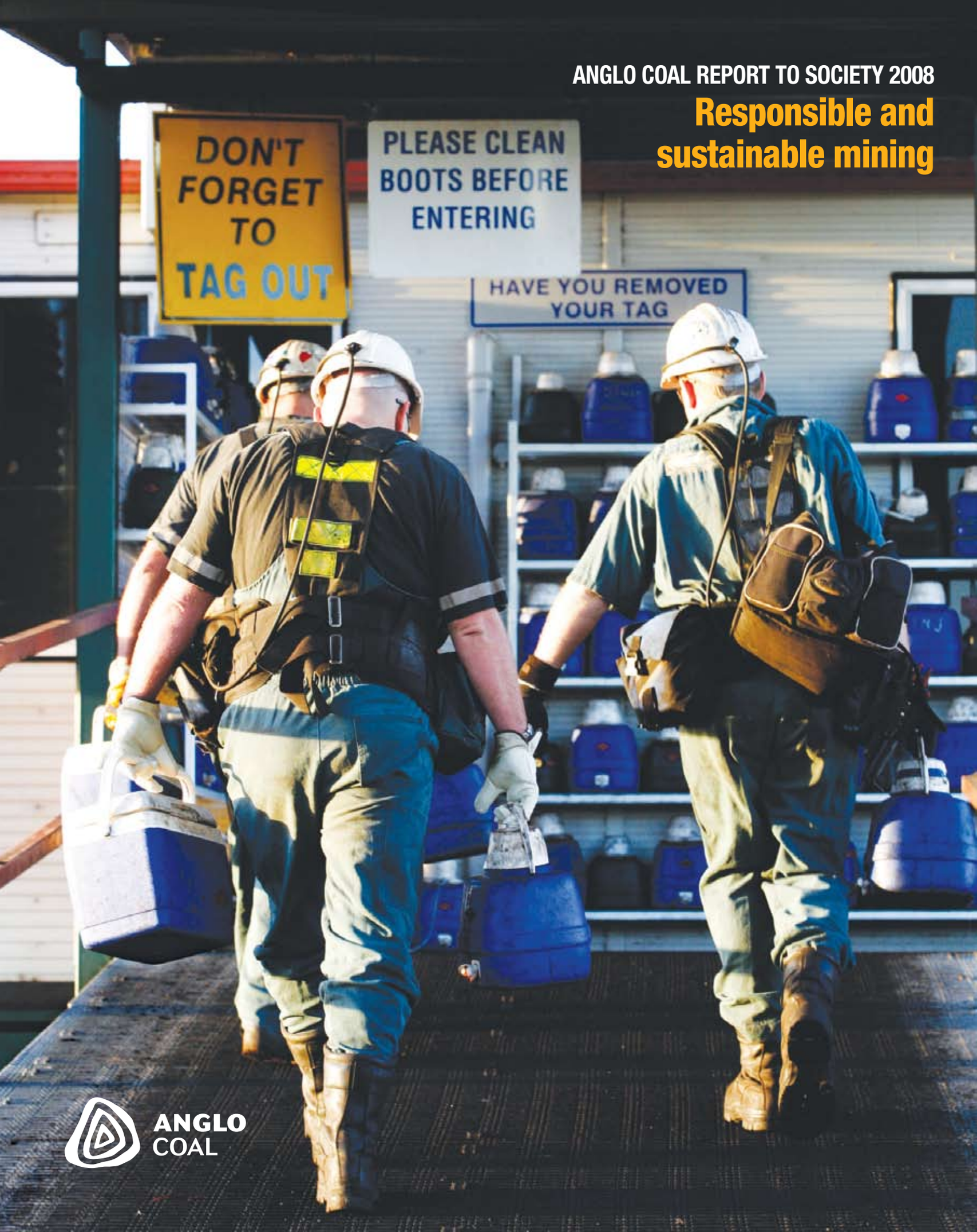


ANGLO COAL REPORT TO SOCIETY 2008

Responsible and sustainable mining

ANGLO COAL

Contents

Cover: Operators Scott Lonergan, Jim Skinner and Daniel Miller prepare to go on shift underground via the Grasstree shaft at our Capcoal operation in Australia

Scope of this report

Our Anglo Coal Report to Society 2008 aims to give our stakeholders a clear picture of how we have performed in the areas of safety and sustainable development and provides insight into the challenges and opportunities with which we are faced. It draws attention to the key issues that are relevant to our local communities, stakeholders and operations and highlights the steps we have taken to address these.

In this annual report, we summarise the performance of our global managed operations for the calendar year 2008 and we share our strategic outlook for the management of our sustainable development priorities.

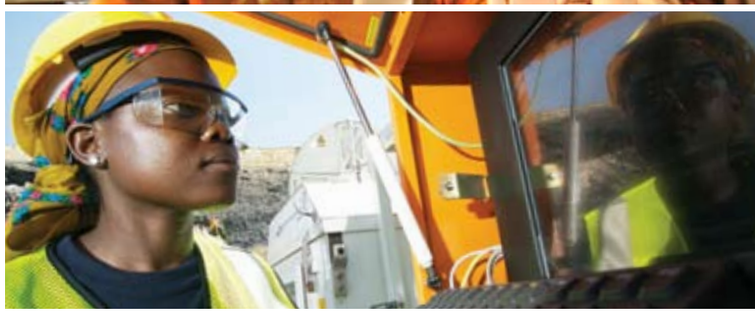
For the first time, we have included information on the performance of Peace River Coal's Trend mine in Canada. Limited coverage of Anglo Coal's non-managed operations in South America is provided. We also discuss exploration and development work in China, Canada and Botswana. For operations such as Trend mine, which have only commenced commercial-scale operation in 2008, their data capture and information reporting systems are not comprehensive as they are still being established and tested. Please read this publication in conjunction with the *Anglo American plc Report to Society 2008*, which can be found online at www.angloamerican.co.uk.

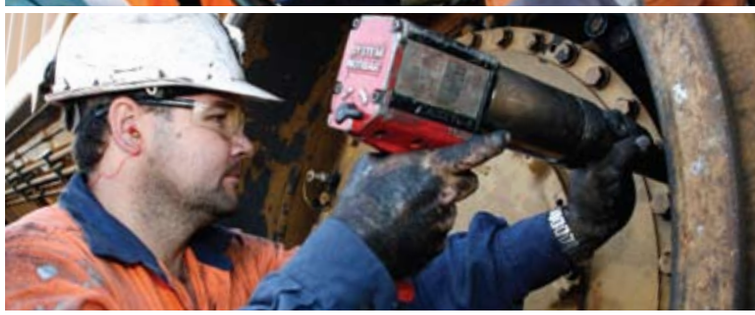
We have used the Global Reporting Initiative (GRI) new generation (G3) guidelines and the draft of the Mining and Metals Supplement to assist us in the compilation of this report. A GRI content index will be published on the Anglo American plc website.

In our own assessment, we have achieved a B+ level of compliance with the GRI guidelines and this has been checked by PricewaterhouseCoopers, who conducted an independent review of certain sustainability performance indicators at selected sites. Please refer to page 67 for this independent assurance report.

Decisions regarding the materiality of issues are based on our sustainable development policy and commitments and the needs and concerns of our stakeholders. In compiling this report, we considered the broader socio-economic and sustainability context of the regions in which we operate and our spheres of influence.

We welcome any feedback from you and a feedback form is provided for this purpose. Contact details are provided on page 72 of this report.




Anglo Coal at a glance

Anglo Coal is one of the largest private sector coal producers and exporters in the world, with operations in Australia, Canada and South Africa and non-managed joint venture interests in South America. We are wholly-owned by Anglo American plc, one of the world's largest diversified mining and natural resource groups. Anglo American's primary listing is on the London Stock Exchange and it has a secondary listing on the Johannesburg Securities Exchange. In 2008, Anglo Coal contributed 22% (US$2,240 million) to the Group's operating profit.

Our workforce includes approximately 21,380 permanent employees and contractors based at our managed operations. We produce thermal, pulverised coal injection (PCI) and metallurgical coal for international export markets as well as domestic customers in the countries in which we operate.

Thermal coal is supplied to electricity utilities for power generation, while PCI and metallurgical coal are provided to customers in the steel-making industry. We also supply coal for the generation of synthetic fuels.

As indicated in the table on page 3, production in 2008 amounted to 99.5 million tonnes of coal, representing approximately 2% of global coal production.

Business development and alliances

During 2008, Anglo Coal continued to evaluate and progress opportunities for expansion. The following is a summary of our major growth and development projects in southern Africa, Australia, Canada, China and South America.

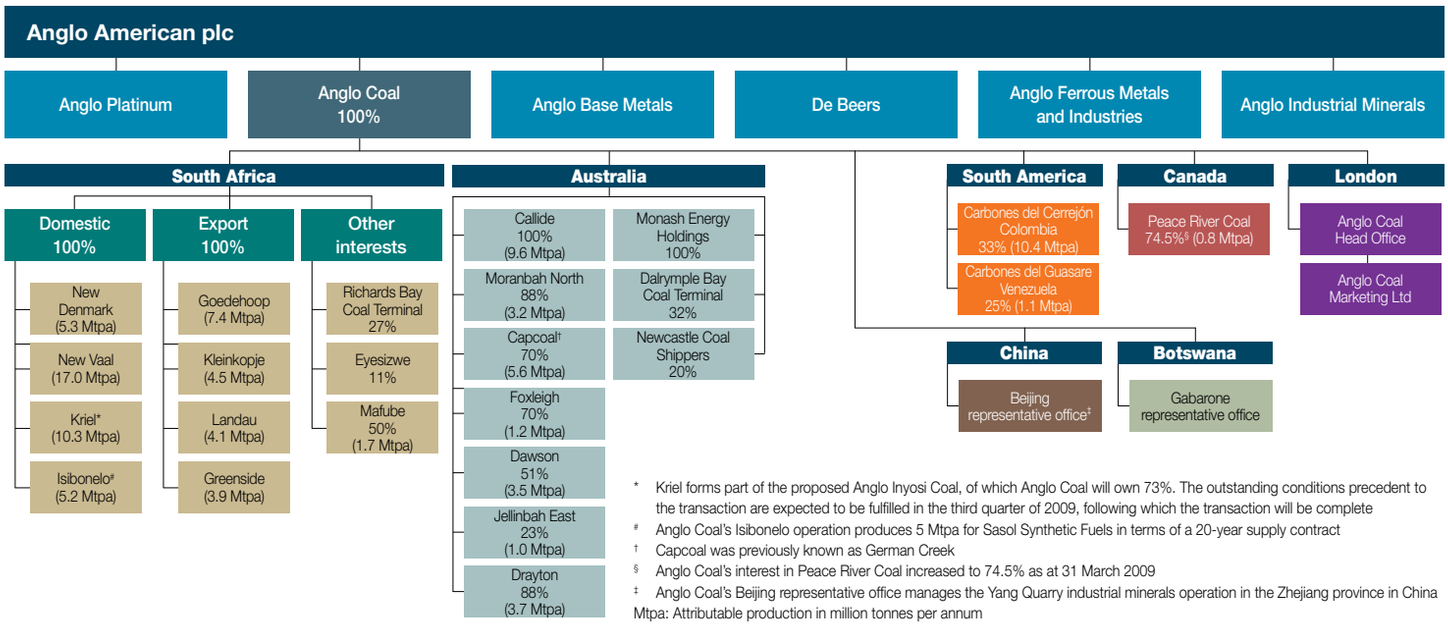
SOUTH AFRICA

In early 2008, the government granted new order mining rights for all Anglo American South Africa operations. This was achieved as a result of the Group's progress in respect of black economic empowerment.

Anglo Inyosi Coal

The construction of Zondagsfontein, the first major coal mining project of Anglo Inyosi Coal (AIC), is proceeding on schedule. AIC is a US$1 billion broad-based black economic empowerment company formed in 2007. We have a 73% shareholding in the venture and the remaining 27% is retained by the Inyosi Consortium, which has over 85% participation by historically-disadvantaged South Africans, 50% of whom are women. AIC projects include the existing Kriel colliery and project assets Zondagsfontein, New Largo, Elders and Heidelberg.

Zondagsfontein comprises a 6.6 million tonnes per annum (Mtpa) underground coal mine, an opencast mine that will produce 1 Mtpa, and the 16 Mtpa Phola coal processing plant, a 50:50 joint venture with BHP Billiton Energy Coal South Africa. During 2008, several construction milestones were reached. The first coal will be mined in the second quarter of 2009 and full production is expected to be



* Kriel forms part of the proposed Anglo Inyosi Coal, of which Anglo Coal will own 73%. The outstanding conditions precedent to the transaction are expected to be fulfilled in the third quarter of 2009, following which the transaction will be complete

\# Anglo Coal's Isibonelo operation produces 5 Mtpa for Sasol Synthetic Fuels in terms of a 20-year supply contract

† Capcoal was previously known as German Creek

§ Anglo Coal's interest in Peace River Coal increased to 74.5% as at 31 March 2009

‡ Anglo Coal's Beijing representative office manages the Yang Quarry industrial minerals operation in the Zhejiang province in China

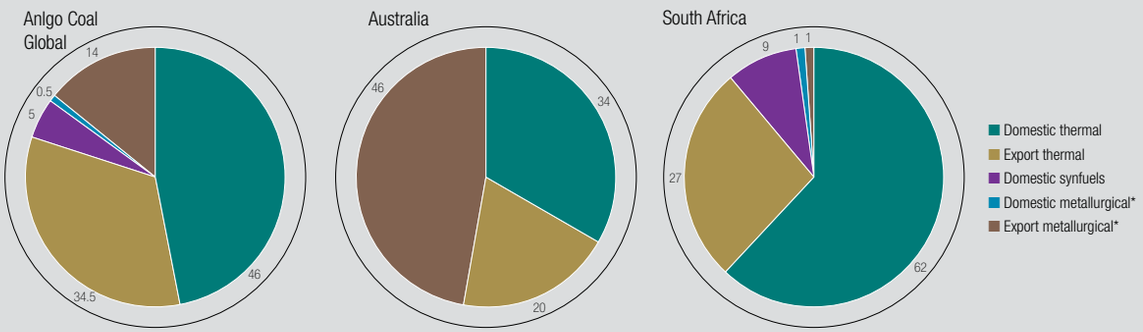
Mtpa: Attributable production in million tonnes per annum

Regional production and reserves

	Australia	South Africa	Canada	South America
Attributable production – Million tonnes per annum (Mtpa)	27.8	59.4	0.8	11.5
Attributable coal reserves (saleable) – Mt	**593**	**1,062**	**8.3**	**281**
Metallurgical	197	2	8	0
Thermal	396	969	0.3	281
Synfuels	0	91	0	0
Attributable coal resources (in situ) – Mt	2,659	2,892	24	486

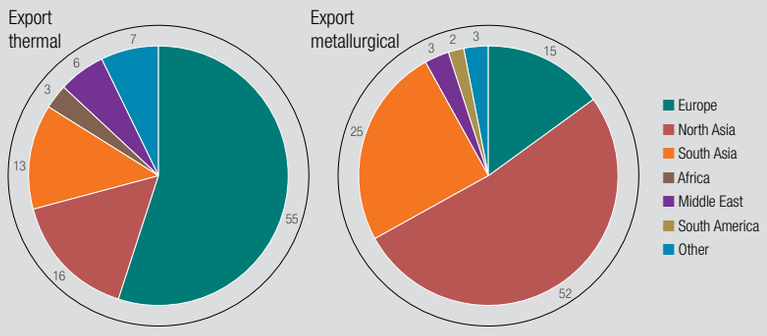
Notes:
Excludes Monash and Waterberg coal bed methane. Brown coal resources: 10,316 Mt.
Resources reported exclusive of reserves.
Resources are within mine leases and projects.

Sales by coal type (% of attributable tonnage)



*PCI coal is included with metallurgical coal

Export by sales destination (% of attributable tonnage)



achieved in the fourth quarter of 2010. The coal processing plant is due for completion in the second quarter of 2009. New Largo is currently in the pre-feasibility phase and is scheduled to advance to the feasibility phase in 2009. The first coal from this project is expected to be mined towards the end of 2012. Elders is in the pre-feasibility phase. The scope of the project has been changed to include coal beneficiation to make its product suitable for sale to Eskom, the national power utility. The Heidelberg opencast mine project is awaiting mining authorisation from the Department of Minerals and Energy before proceeding to implementation phase.

Maccauvlei West (New Vaal colliery)

Commissioning and production commenced in 2008 and the project is expected to ramp up to full production of 2.7 Mtpa during 2009.

Waterberg project

Coal bed methane is a form of natural gas which can be extracted from deep underground coal beds. In recent decades, it has become an increasingly important source of energy. A conceptual study has been completed on the Waterberg coal bed methane resource. This is being assessed before a decision is taken to proceed with the pre-feasibility study for the project.

Limpopo project

A conceptual study has been completed on the Limpopo project, which is focused on producing coking coal for either the domestic or export market. It is being assessed before a decision is taken to proceed with a pre-feasibility study.

Goedehoop colliery Brown Shaft

Work is progressing on the re-commissioning of Brown Shaft at Goedehoop colliery. This is to be re-commissioned as a supplier to Eskom's Komati power station.

BOTSWANA

Anglo Coal established a representative office in Gaborone in 2008 and is positioning itself as the partner of choice in the energy sector for the government of Botswana. Anglo Coal Botswana holds 34 coal bed methane prospecting licences covering over 26,000 km^2 in northern Botswana. It also has interests in a further 13 coal bed methane prospecting licences covering 12,000 km^2 in central Botswana through its participation in a local joint venture, Rainbow Gas and Coal Exploration. The exploration team began reconnaissance phase drilling on the northern coal bed methane licences in August and on the central licences in November. An exploration base, including laboratory facilities, was established at the beginning of 2009.

AUSTRALIA

Dawson

Expansion of the Dawson complex in Queensland, which will increase production to 5.7 Mtpa, commenced in 2008. Reserves allow for the production of coking and thermal coal using open cut highwall mining methods.

Lake Lindsay

At Capcoal, the US$726 million Lake Lindsay coking coal project is progressing well. The additional production from both Dawson and Lake Lindsay increases coal production at these mines by approximately 9.7 Mtpa.

Foxleigh joint venture

The newly-acquired Foxleigh coal mine joint venture in Queensland accounted for 1.2 Mt of PCI coal for the steel-making industry in 2008. Foxleigh adds to our existing coal mining operations in the Bowen Basin.

Other developments

In addition to current business developments in Australia, other reviews on selected key future projects are being considered.

CANADA

Peace River Coal

Anglo Coal Canada has a 74.5% stake in Peace River Coal (PRC), with the remaining interest held by junior mining companies Hillsborough Resources Limited (13.4%) and Northern Energy and Mining Inc (12.1%). In addition to Trend mine, exploration has commenced on the Roman project. PRC also has a 50% interest in a joint venture known as the Belcourt Saxon project with Western Canadian Coal Corporation. It is located 50 kilometres south-east of Trend mine

Australia

Corporate office
Brisbane

Operations

Projects

and contains a significant future coal resource which will sustain a production rate of over 5 Mtpa. Trend mine, which commenced commercial production in 2008, produces high-quality metallurgical coal for export primarily to north Asian markets.

CHINA

Xiwan

In 2008, through a 60% interest in a co-operative joint venture with the Shaanxi provincial government, Anglo Coal continued activities at the Xiwan property. Various pre-feasibility studies of the resource and coal conversion options commenced and are nearing completion. Located in China's northern Shaanxi province, the resource is a one billion tonne high-quality thermal coal deposit, of which approximately 600 million tonnes can be mined in an open cut operation. The Xiwan Chemical Park, to be developed adjacent to the Xiwan lease site, will convert coal to create higher-value products such as methanol or derivatives and synthetic fuel or chemical products.

COLOMBIA

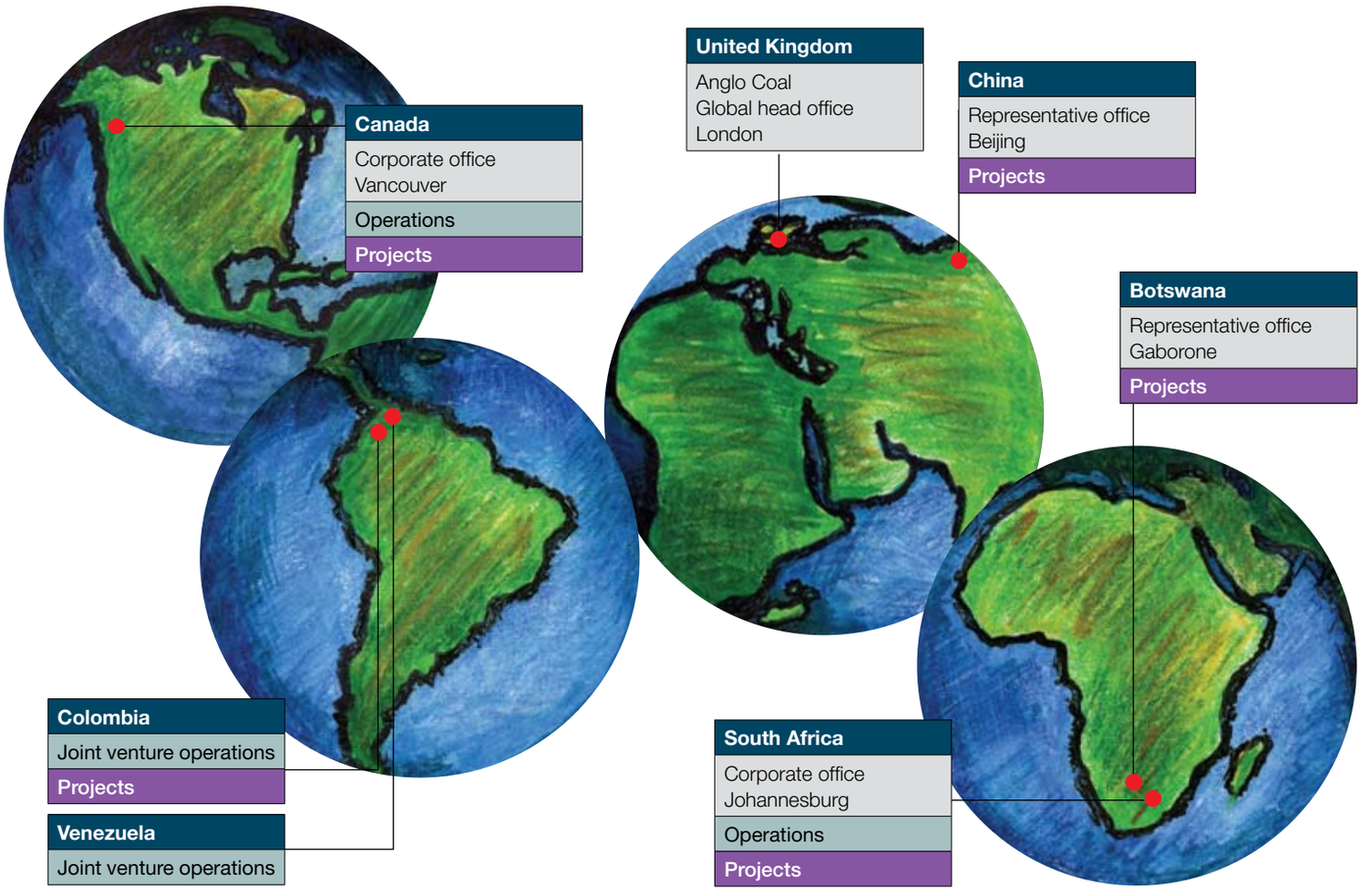
Carbones del Cerrejón

Cerrejón is situated in the north-east of Colombia in the most northern part of South America. It is engaged in the exploration, production, transportation and shipping of high-quality thermal coal. Cerrejón is owned in three equal parts by BHP Billiton, Xstrata and Anglo Coal. A feasibility study is being undertaken to increase total production from 32 Mtpa to 40 Mtpa.

VENEZUELA

Carbones del Guasare

We have a 25% interest in Guasare, which operates the Paso Diablo mine in northern Venezuela. Our attributable share of production in 2008 was one million tonnes of coal. Product is aimed at the PCI, thermal and metallurgical markets.



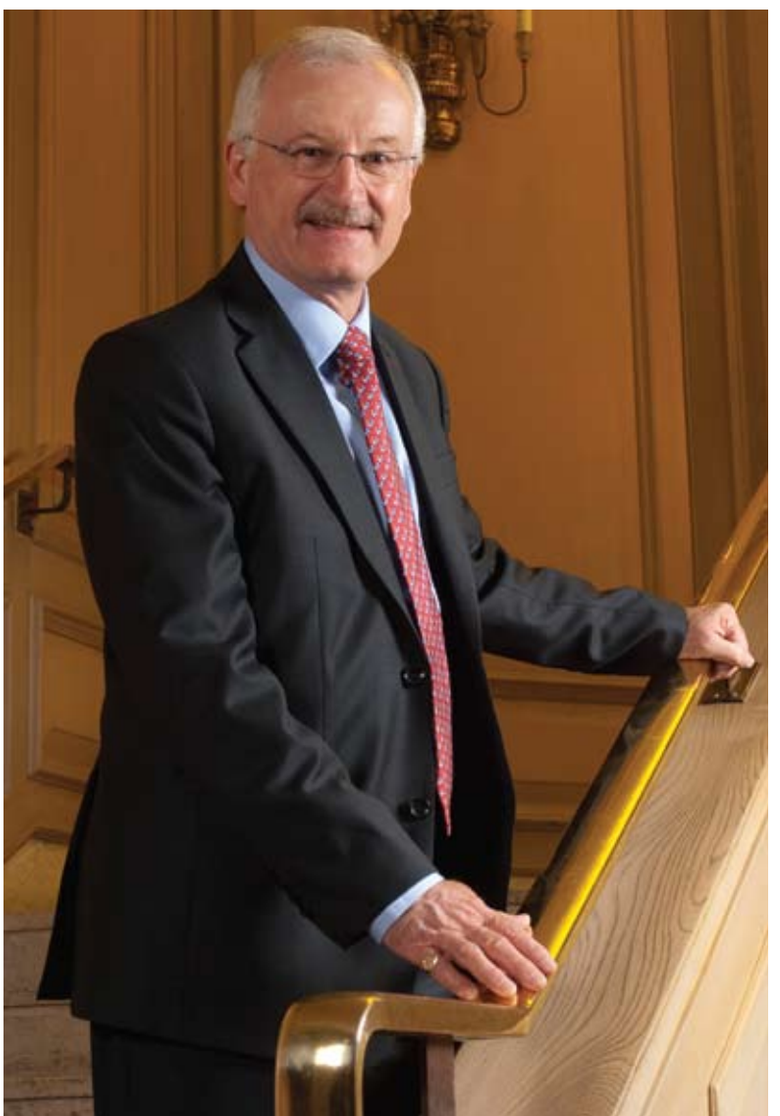
Message from our chief executive officer

Responsible and sustainable mining

As one of the world's largest private sector coal producers, we have a responsibility to lead the way in the field of sustainable development. We embed sustainability principles in everything we do so that we create wealth, benefit our communities, conserve the environment and ensure the health and safety of our employees.

Our goal is to be a leading, sustainable miner and, at the end of the day, we have to ensure that it is acceptable to talk about coal as a valuable commodity. We have identified safety, energy security, the challenge of addressing climate change, the need to conserve water and the development of our communities as the key aspects of our business for entrenching sustainability into our commercial agenda.

Safety is a core value and we must make progress in our aim to achieve zero harm to our employees and contractors. This means the achievement of zero fatalities and zero injuries. We have, in several areas of our operations, worked for extended periods without any injuries or fatalities and we believe that we can achieve this performance throughout Anglo Coal. We have always focused intensely on reducing our lost-time injury frequency rate and we are determined to eliminate fatalities and address any incidents with a high potential for negative impacts on safety.



Our other critical responsibilities are coal advocacy and participation in the global debates about carbon sequestration and the need to address greenhouse gas emissions, which impact on climate change. More than 40% of the world's energy is derived from coal and there is no other energy source that can replace this in the short term. Despite the widely-accepted 'inconvenient truth' about the impact of coal on global warming, it is a valuable commodity and we need to ensure its future in the global energy mix. We continue to forge partnerships, fund research and sponsor clean coal technologies that aim to transform coal into a green energy source.

Globally, the demand for water exceeds supply and this situation continues to worsen owing to continued population growth, urbanisation and increased domestic and industrial water use. Our vision is to be a world leader in the use and conservation of water and our strategy is to reduce our footprint in this area of the environment by implementing innovative water treatment solutions and securing stakeholder collaboration.

Our communities are integral stakeholders and we aim to be a catalyst for sustainable socio-economic development and growth. We continue to strive for a positive impact on the communities around which we operate and to be seen as a company that makes a sustainable difference.

Reflecting on our performance

Despite our increased efforts to improve safety at our operations, we recorded four fatalities, all of which occurred at our South African operations, and we express our sincere condolences to their families and colleagues. However, our Anglo Coal Australian operations and Trend mine in Canada showed improvements in their safety performance, with the lost-time injury rate at our Australian operations improving by 41%. Many of our safety efforts are focused on risk management and the improvement of risk awareness and we have developed comprehensive plans to ensure compliance with and effective implementation of the Anglo Fatal Risk Standards.

We received recognition of our coal stewardship from the Australian government for being part of its carbon capture and storage initiative. This reflects our commitment to climate change

initiatives and clean coal technologies as well as positive stakeholder relations. The commissioning of Australia's Moranbah North methane-fired power station in late 2008 further demonstrates our commitment to reducing greenhouse gas emissions and improving energy efficiency. We have played an active role in discussions relating to the Carbon Pollution Reduction Scheme in Australia and are examining the impacts of carbon emissions trading schemes.

At the beginning of 2008, we were faced with the significance of energy security and the role of coal in the production of electricity when Eskom, South Africa's national power utility, was unable to guarantee power supply and called on mining companies to ease pressure on the national grid. Our export collieries were forced to cease mining activities temporarily and, while this had no major impacts on safety, 264 production hours were lost.

It is rewarding for us to see the eMalahleni water reclamation plant up to design capacity and producing more than 20 megalitres per day in a water-challenged area. We have a head start on this technology and may consider more of this type of technology in partnership with others.

An important element of our environmental responsibility is the conservation of biodiversity. In Australia, the biodiversity action plan at Dawson mine identified opportunities for positive inputs by creating nature corridors. The mine has linked isolated ecosystems to its rehabilitation sites to allow the movement of flora and fauna between them and create collectively larger habitats with more robust, stable and diverse ecosystems. In South Africa, our rehabilitation programme at New Vaal colliery demonstrates how we can restore a landmass to a biodiversity park covering an area of almost 1,000 hectares with an increasing amount of wildlife.

Our credibility rests on positive interaction with stakeholders at all levels and we go about our business with integrity. We continue to embed stakeholder management as part of our business. A milestone was achieved when a long-outstanding legacy dispute associated with the relocation of the Tabaco village in Colombia was resolved. Cerrejón and representatives of the Tabaco Relocation Committee signed a resolution in December 2008. In South Africa, we have embraced the spirit of the Mining Charter and many initiatives are in place to address its requirements. We have made significant progress in meeting our social and labour plan requirements that ensure our licence to operate. These include the creation of small business development hubs, increased training and development and a significant increase in our expenditure with black economic empowered (BEE) companies. Another highlight of 2008 was the granting by the South African government of all new order mining rights for our South African collieries.

We have embraced the 'One Anglo' values in our organisation and these underpin the way in which we operate in our workplace and environment and how we interact with our communities. These values will continue to be entrenched as we strive to be the global mining company of choice.

The challenges we face

Although the global financial crisis will cause a significant drop in earnings in the short term, the fundamentals of our business will stay the same as coal remains an energy leader ahead of alternative sources. The current global downturn will not alter our ethos or principles around sustainable development. We will be innovative in operating cost-effectively and will collaborate more, impart knowledge and give capacity to key stakeholders. Our business will be ready to maximise opportunities when market conditions improve.

The global skills shortage still exists and, while there has been some respite due to the financial crisis, it does not absolve us from looking at what we need to do to be the employer of choice and to retain and develop our people. We need to increase our focus on training and development as the long-term fundamentals of the business have not changed. We cannot ignore the impact of China, the world's third-largest economy, on the global economy.

Looking ahead

As we move forward, we will continue to improve our risk management capabilities. We know that mines have an impact on the environment and that a lighter touch is required in the areas in which we operate, specifically with regard to water and energy usage. We need to operate safely, more efficiently, more innovatively and more cost-effectively and look forward to working with you, our stakeholders, to minimise our impacts and make a positive and sustainable difference.

It gives me great pleasure to present our Anglo Coal Report to Society 2008. I hope that you find this report interesting and look forward to receiving your feedback on the form provided.

Ian Cockerill

Our stakeholders

Our stakeholders ensure our licence to operate and it is imperative to engage in, forge and maintain mutually-beneficial relationships. Transparent and accountable dialogue is the cornerstone of our approach to stakeholder engagement at all levels.

Building credibility starts at the initial exploration stage, extends to production activities and continues all the way to sustainable mine closure. Our relationships with stakeholders are governed by the Anglo American Group's *Good Citizenship: Our Business Principles* and validate our endorsement of the Universal Declaration of Human Rights. We subscribe to the Voluntary Principles on Security and Human Rights and implement these in our spheres of influence. We are pleased to report that there have been no instances of human rights abuses at any of our operations. All contractors who provide security services at our global operations receive training in our human rights policy.

The Socio-Economic Assessment Toolbox (SEAT) and the Exploration Safety, Health, Environment and Community (SHEC) list, developed by Anglo American, have improved our understanding of and response to community concerns. During the year, we made progress with enhancing our guidance documents for stakeholder engagement and commenced with a project-based trial to implement standards for stakeholder engagement during project exploration and development. This work, to be completed during 2009, will significantly improve our approach to issues related to human rights. In addition, Anglo Coal Australia reviewed its guidelines for engagement with indigenous people and developed policies that govern SEAT implementation and Community Engagement Plans. Sites will be expected to apply these during the coming year.

Stakeholder perception audit

We recently completed a perception audit among our key stakeholders. In South Africa, the audit revealed that we hold a preferred partner position with the local communities and municipalities owing to:

- Our support of social development and educational projects
- The provision of job opportunities for local community members
- Our professionalism
- Our ethics and honesty.

Concerns noted include the need for further skills development and training, student bursaries for young local people, land preservation, communication and the encouragement of small, medium and micro enterprise development.

Key stakeholders who participated in the perception audit in Australia commended the company for taking a transparent and accountable approach to its business. Concerns expressed include the need for improved health and safety performance, more focused efforts on environmental and sustainability issues and the need to reduce our impact on climate change. The survey will be repeated in 2010 to gauge whether interventions to address these concerns have been successful.

Government relationships

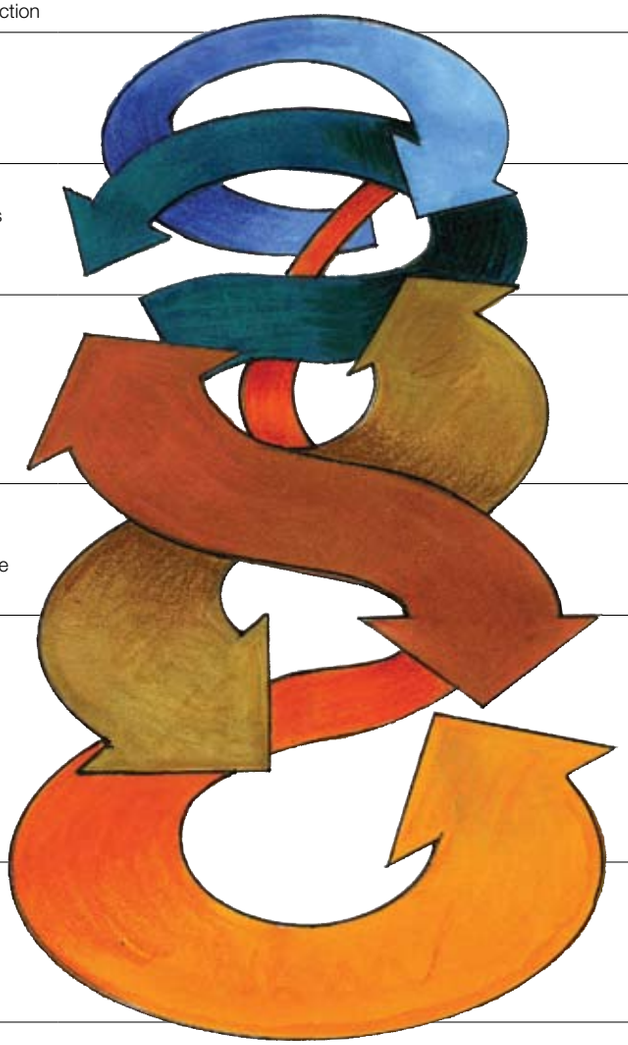
It is essential to maintain good relationships with government departments and we strive to build partnerships for open and continued dialogue in all the regions in which we operate. We believe that business should support governments as social partners and that it is only through sound stakeholder relationships that we can leave behind a positive legacy.

In South Africa, we have enhanced our relationship with the Department of Minerals and Energy (DME) and the securing of new order mining licences validates the maturity of this relationship. Other notable areas of collaboration with the DME include the Women in Mining Association and a crucial government and industry Working Group on Coal to secure additional supplies to Eskom, the national power utility. However, significant challenges remain in the South African regulatory environment, including changes to be introduced in the Mine Health and Safety Amendment Act 74 of 2008.

In both Australia and South Africa, clean coal technology and greenhouse gas reduction are central to the political agenda and more detail on these is provided in the section on Climate Change.

Anglo Coal's stakeholders

CATEGORY AND KEY ISSUES	STAKEHOLDER GROUPS
GOVERNMENT Compliance Mining and related licences and permits The South African Mining Charter Clean coal technology and greenhouse gas reduction	National, regional and local governments; regulatory authorities
INVESTORS Capital Corporate governance Profitability	Investor community
CUSTOMERS Sustainable coal supply to contract requirements Sustainable development performance Corporate governance	Energy, metallurgical and synthetic fuel markets
EMPLOYEES Safety and health Employment conditions Housing and accommodation Diversity and women in mining Learning and development	Employees, contractors and trade unions
BUSINESS PARTNERS Corporate governance Safety and sustainable development performance Sustainable development in the supply chain	Joint venture relationships; black economic empowerment partners; port and rail services; equipment and service providers; small, medium and micro enterprises
SOCIETY Poverty alleviation and job creation HIV and AIDS Safety, health and the environment Infrastructure and community development Social investment Resettlements; land claims; cultural heritage Royalties	Neighbouring communities; community-based organisations; non-governmental organisations; non-profit organisations; local business forums; river catchment forums
EDUCATIONAL INSTITUTIONS, RESEARCH DEPARTMENTS Research funding and partnerships Skills development Bursaries	Tertiary institutions and research organisations
INDUSTRY, POLICY-MAKERS, OPINION-FORMERS Safety Energy security Greenhouse gas emissions trading Climate change mitigation Methane capture and use Clean coal technology	Tripartite Safety Alliance in South Africa; Coal Industry Advisory Board; International Energy Association – Clean Coal Centre; World Coal Institute; Carbon Sequestration Leadership Forum; Global Carbon Capture and Storage Institute; Coaltech and other regional initiatives; media



Safety

Safety remains at the top of our business and operational agenda and it is vital that we continue our journey towards zero harm. We have analysed our risks and are prioritising the highest risk areas for action. Accordingly, we continue to focus on transport-related risks, enhancing capabilities for risk management, addressing risk tolerance, improving incident investigation processes and communication of the lessons learned.

Performance

Regrettably, our safety performance in 2008 was disappointing, despite increased efforts in this area. We recorded four work-related fatalities, all of which occurred at our South African operations. These resulted from a fall of ground, an electrocution and two separate transportation-related incidents. We express our sincere condolences to the families and colleagues of Innocent Mashilo, Reuben Mmadi, Memory Ndlangamandla and Andries Mahlangu. Our fatality injury frequency rate for 2008 was 0.01.

The lost-time injury frequency rate (LTIFR) for the reporting period was 0.37 and a total of 103 lost-time injuries (LTIs) occurred, which resulted in 5,853 lost days (an average of 57 days per LTI).

Anglo Coal Australia achieved a 41% improvement in its LTIFR, which is recognised as world-class performance. Foxleigh mine in Australia and Isibonelo colliery in South Africa remained LTI-free for the year (see case study on page 15).

Transportation risk review

A transportation risk review was conducted at all Anglo Coal South Africa operations in September 2008. The ongoing occurrence of transportation high-potential incidents at Anglo Coal operations in all regions and two recent transportation-related fatalities were the catalysts for this review.

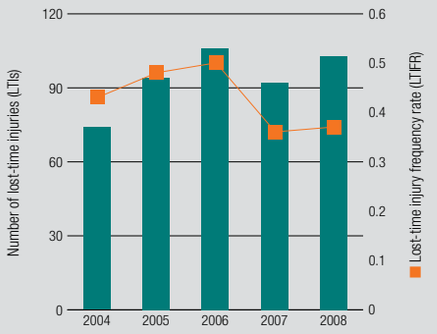
In addition, the review was intended as an opportunity to share knowledge and best practice and to assist Anglo Coal sites in their journey towards our target of zero harm. It included a series of desktop reviews, site visits, feedback sessions to each of the operations visited and comprehensive feedback to the Anglo Coal South Africa chief executive officer and senior management team.

The review teams identified many strengths and a range of opportunities for improvement in the management of transportation risks. Detailed observations, findings and recommendations were summarised in site-specific reports.

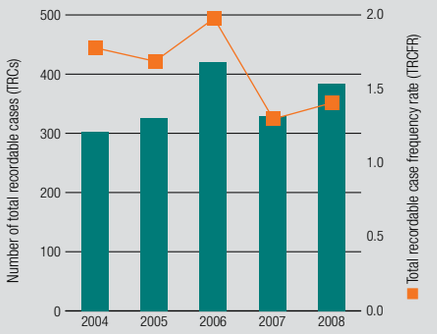
We have made it a priority to implement the recommendations of the review and a task team has been established to achieve this.

Work-related fatalities

Lost-time injuries



Total recordable cases



Notes: 1. Safety statistics included for Canada and China as from 2008
2. If 2007 statistics for Canada are retrospectively included to enable a year-on-year comparison, we have achieved a 4.5% improvement in our LTIFR

Managing our safety risks

Our analysis of safety incidents has identified opportunities for improvement in our risk management processes. As a result, we have initiated activities to improve the application of risk management throughout Anglo Coal. These include the rollout of the Anglo Fatal Risk Standards, risk management training, the review and implementation of safety improvement plans and the training of supervisors and leaders in the Anglo Coal Safety Leadership Programme.

We have developed comprehensive plans to ensure compliance with and effective implementation of the Anglo Fatal Risk Standards. Five of these standards relating to light vehicles, surface mobile equipment, isolation, underground ground control and underground equipment have been prioritised for immediate implementation.

In South Africa, a culture of high-risk tolerance was identified. The major drive in 2009 will be to embed safety as a core value and make blatant safety non-compliances dismissible offences, thus ensuring that employees are aware of and made accountable for their actions.

Anglo Coal continued to participate in the Anglo American peer review programme. These reviews, which are conducted at each site on a three-year cycle, aim to establish the levels of maturity of risk-based safety management systems and identify opportunities for improvement and areas of best practice. These will assist sites to accelerate compliance with the Anglo Safety Way and enhance opportunities to share lessons learnt and best practice across the Group.

Considerable work has been undertaken during the year to improve incident investigation processes and associated learning.

Anglo Coal Australia's improved safety performance

Safety risk management process

As part of Anglo American's group-wide 'One Safe Anglo' strategy to achieve zero harm, 40 employees from Anglo American's global divisions, including eight from Anglo Coal, successfully completed the company's inaugural Risk Champions course under the guidance of world-renowned risk management expert and the Chair of Minerals Industry Safety Risk Management at the University of Queensland's Sustainable Minerals Institute, Professor Jim Joy (see case study on page 13).

Assistant training officer Joseph Sibiya in the simulator at the Anglo Coal Training and Development Centre in eMalahleni (Witbank) in South Africa

Ripples of loss

Annah Mohlape, a widow whose husband's fatal accident at Isibonelo colliery in 2005 was captured in a training film commissioned by Anglo American to drive home the importance of working safely, made a poignant expression of thanks to the film's director and producer, Robert James. She hand-crafted a tie in Ndebele beadwork. This is set in a frame and bears the inscription: 'To Robert James, from Annah Mohlape. Thank you for helping us to remember Daniel forever'.

The *Ripples of Loss* training material, which has won several international awards, consists of a series of six films based on real safety incidents that had occurred in a number of Anglo American's South African mines. The films portray the heartache and loss experienced by family members and colleagues when an employee is severely or fatally injured in the workplace.

As well as producing the films, Robert James designed and wrote a set of trainer's notes. Since completing the original project in English, Robert James remade the films and trainer's notes in Spanish and Portuguese, as well as in numerous South African indigenous languages including Tswana, Sotho, Xhosa and Zulu. The films have proven to be very effective in achieving safety awareness and there has been extensive feedback from Anglo American operations in South Africa, Australia and South America.

Isibonelo colliery's general manager James Morotoba and human resources manager Dave Cimma with Annah Mohlape, who hand-crafted this beaded tie as a gift for the director and producer of the *Ripples of Loss* safety training films

The month-long Risk Champions course, held in Queensland in Australia, focused on developing a core group of employees with the knowledge and skills to conduct high-quality safety risk management facilitation.

The safety risk management process:

- sets an industry standard
- ensures improvement at each Anglo American site, regardless of current performance
- builds a common understanding of words and concepts
- uses multiple risk control assurance strategies.

In addition to the Anglo Coal employees who participated, our Australian operations benefited greatly as a result of the course being held in Queensland, as workshop groups spent a week at our sites to complete the practical component of the programme.

Safety improvement

There was further emphasis on the Target Zero Action Plan (TZAP) during 2008 and various initiatives were grouped under five critical imperatives to facilitate understanding and application. These are:

- Embedding safety as our core value and overriding priority
- Ensuring genuine, visible and committed leadership engagement
- Overcoming 'at-risk' behaviour
- Effective safety communication
- Sharing to improve safety outcomes.

In 2009, a more focused and targeted approach to these plans will be taken to ensure alignment with the 'One Safe Anglo' strategy. To this end, a gap analysis against current safety performance will be undertaken to allow each region to develop a new, prioritised five-year Safety Improvement Plan (SIP). This will be a refinement of existing TZAPs. Regional management teams will determine priority areas to be addressed in each of the five years and the level of resources to be assigned. Common issues across the regional SIPs will be incorporated into the Anglo Coal Global SIP.

Taking safety to a new level

In the pursuit of zero harm, a number of regional and site-specific safety initiatives have been implemented:

- The funding of research into a fatigue detection cap for operators. The device is placed in a standard baseball cap

and records brain activity to indicate the early onset of fatigue. Trials have been conducted successfully at two sites and this initiative will be developed into a commercial product following further validation

- Collision-avoidance systems have been installed in vehicles at opencast mines
- The restructuring of the bonus system ensures that the safety portion of bonuses is at least equal to production
- A project is under way to warn employees that they are about to enter the last line of roof support and an underground warning device has been implemented to address potential incidents involving moving machines and ground-based personnel
- Operations have been equipped with early-warning lightning detection systems
- In China, a key safety focus area was vehicle and traffic incidents on both site and public roads. To assist in addressing this, defensive driver training courses have been conducted for our Beijing employees.

Continued on page 16

A

Anglo American champions safety risk management

Anglo American's US$1 million sponsorship in 2007 of the Chair of Minerals Industry Safety Risk Management at the University of Queensland's Sustainable Minerals Institute is already delivering significant benefits to the resources industry.

Since the appointment of internationally-respected risk management expert Professor Jim Joy to this Chair, much progress has been made in defining and developing a leading Safety Risk Management Process (SRMP) which is being introduced at all Anglo American operations. A first for the industry, this programme will enable a critical step change in Anglo American's safety performance.

An education and training programme is now being rolled out across Anglo American and, through the association of Professor Joy, an innovative partnership with a global network of universities has been established to support consistency in the delivery of the SRMP.

Having started in Australia, SRMP courses have now been conducted in Brazil, Canada, Chile, China, South Africa, the United Kingdom and United States.

In 2009, Professor Joy will develop, in collaboration with key stakeholders, a standard Anglo American site risk register. He will include, as part of the development process, the gathering and discussion of current Anglo American and external leading practice.

B

A Witness Ntsinde, a load haul dumper operator at Goedehoop colliery in South Africa, wears full personal protective clothing and equipment in preparation for his shift underground at the colliery's Vlaklaagte shaft

B From left: Professor Chris Moran of the University of Queensland's Sustainable Minerals Institute, the Institute's Chair of Minerals Industry Safety Risk Management Professor Jim Joy, Anglo American's head of safety John Holt and Anglo Coal Australia's chief executive officer Seamus French proudly display the US$1 million cheque

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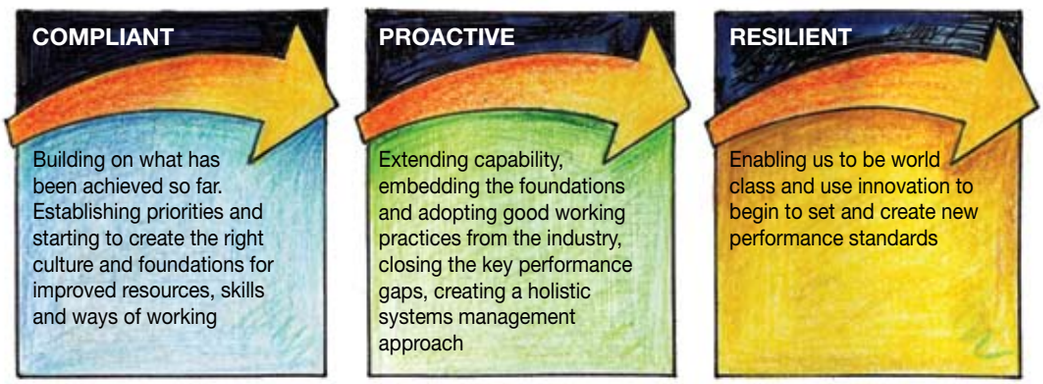
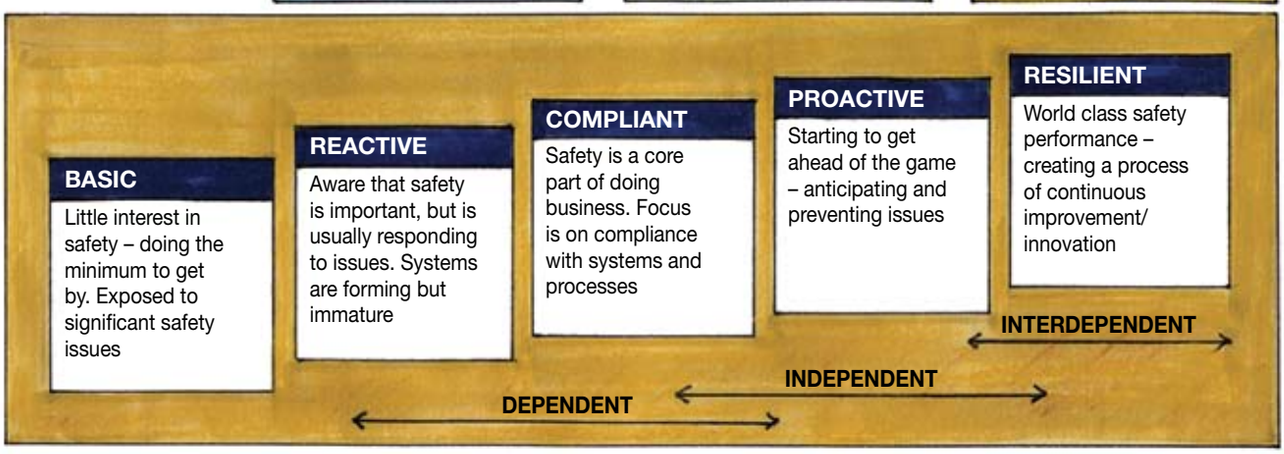
Our safety journey

ANGLO COAL

Our safety journey describes progress through phases to achieve world-class safety performance and become a safety leader





A A number of high-technology devices inside the cabs of haul trucks ensure safe operation at our mines

B Personnel at New Vaal colliery in South Africa pay attention to the roll out of the new 'One Anglo' safety initiatives

C Capcoal in Australia has a miner tagging system which requires every miner to take his/her personal tag when going on shift. All the tags are then checked back in once the shift is over to record the safe return of personnel

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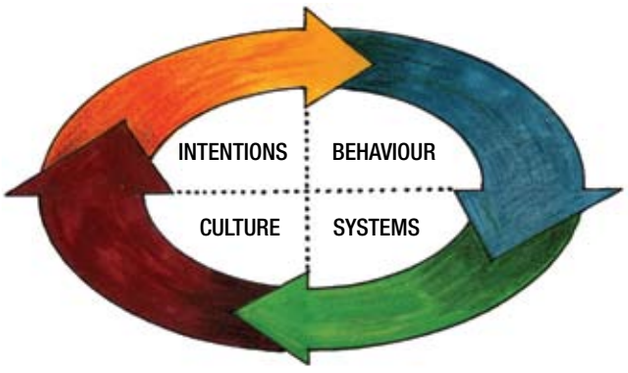
'One Safe Anglo'



Visible felt leadership leads to zero harm

Through the application of visible felt leadership, Isibonelo colliery in South Africa was able to exceed 500 consecutive working days, commencing at the end of September 2007, without incurring a single lost-time injury.

The colliery, which has 280 employees and an average of 780 contractors working on site, maintains an ongoing leadership drive involving Target Zero Action Plan (TZAP) teams that visit operational areas on a daily basis to identify and address unsafe conditions and behaviour.

The 10 teams, comprising members of top and middle management, a departmental safety representative and foreman, include a cross-section of skills and disciplines which bring 'a fresh pair of eyes' when they inspect new or unfamiliar workplaces.

Not only do these groups perform a critical examination of working conditions and methods, but they freely engage in open discussions with employees, speaking with them first-hand on matters of mutual concern. These issues are noted and acted on, a process that has been received enthusiastically by the workforce.

TZAP teams operate on a random basis, making their inspections by day, night and during shift changes. Towards the end of the year and in January, regarded as high-risk periods, they extend their activities to weekends, reinforcing the safety message with their presence at all working areas across the mine.

To intensify the campaign still further, the mine launched its 'Tip-Top' (Time in Pit, Time on Operation) campaign in November 2008. This continued into 2009 and no formal meetings were scheduled before 11h00, giving TZAP teams additional scope to spend time in the field, over and above their weekend and night-time activities. The purpose of freeing up time in the mornings is to ensure that the correct supervision is in place in all areas of the operation. This supports the colliery's belief that 'the first hour is the golden hour'.

Our vision and objectives

From left: New Vaal colliery's general engineering superintendent Paul Mokoena and general manager Reuben Hlatshwayo greet Anglo American chief executive Cynthia Carroll during a visit by members of the Safety and Sustainable Development board to the colliery

Continued from page 13 ▸

A safety performance record was achieved at Anglo Coal Australia's Capcoal surface operation in July, when the site's electrical team recorded 18 years without any lost-time injuries. With 21 people currently working in the team, which is part of the site's larger engineering and maintenance department, this excellent safety performance is of major significance. Constant and open communication is the key to the successful safety record of the electrical team.

Tripartite safety initiative

Anglo American representatives, accompanied by delegates from the South African Department of Minerals and Energy and the National Union of Mineworkers, visited Capcoal in Australia and Kriel colliery in South Africa as part of their world study tour. The purpose of the visits was to give the group insight into how to move towards the goal of zero harm. Delegates were able to benchmark safety and risk management best practice and to focus on how various Anglo American sites have transformed blame cultures into partnerships and implemented standards and compliance.

Using the lessons learnt during the tour, the group will be responsible for developing an action plan for consideration by the Tripartite Alliance and the 'One Safe Anglo' programme. The study tour originated from the Anglo Tripartite Safety Summit, which created the opportunity for an honest sharing of views on the state of safety in the South African mining industry, with particular focus on Anglo American operations.

Anglo American chief executive's safety awards for 2008

At the recent presentation of safety awards to Anglo American Group companies for excellent safety performance, chief executive Cynthia Carroll said: "Each of the nominees for this year's awards exemplify what safety in Anglo American is all about: showing genuine care and concern, taking responsibility for your own safety and that of others and the continual pursuit of outstanding safety performance." The awards have now been broadened to recognise not only operations but the crucial role played by our employees and contractors in inspiring others to work safely. Our Anglo Coal operations featured well in these awards.

Awards for outstanding safety performance	
Special award	Isibonelo colliery, Anglo Coal South Africa
Safety awards to most improved operations	
Joint winner	Mafube colliery, Anglo Coal South Africa
Safety awards to employees	
Highly commended	Carina Venter, chief safety officer Mafube colliery, Anglo Coal South Africa
Highly commended	Electrical maintenance department Capcoal, Anglo Coal Australia
Safety best practice awards	
Winner	Maintenance team Dawson mine, Anglo Coal Australia
Highly commended	Maintenance team Drayton mine, Anglo Coal Australia
Safety awards to contractor teams	
Highly commended	Fraser Alexander bulk mechanisation team Greenside colliery, Anglo Coal South Africa

Certification and compliance

All our managed operations, with the exception of Foxleigh in Australia and Zondagsfontein in South Africa, were awarded or retained their OHSAS 18001 certification or the Australian and New Zealand Standard for Occupational Health and Safety Management Systems (AS/NZS 4801). Foxleigh is expected to obtain certification in 2009 and Zondagsfontein, which is in the construction phase, in 2010.

Six percent of our South African workforce, 3% of our Australian workforce, 10% of our Canadian workforce and 11% of our workforce in China are represented in formal management and employee health and safety committees.

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A The Australian flag flew high at the 2008 Mine Rescue World Championships in the United States when the Queensland Mines Rescue Services (QMRS) Moranbah North team was crowned the world champion. Representing Australia, the QMRS Moranbah North team made history by becoming the first Australian team to win the competition

B With the Anglo American chief executive's trophy presented to Isibonelo colliery for outstanding safety performance are, from left, Anglo Coal South Africa's chief executive officer Ben Magara, Anglo Coal chief executive officer Ian Cockerill and general manager of Isibonelo colliery James Morotoba

C From left: Proud Anglo Coal Australia representatives at the Anglo American chief executive's safety awards function in Johannesburg are electrical supervisor at Capcoal mine Darryl Kane with the safety certificate that highly commends the safety performance of employees in the Electrical Maintenance Department at Capcoal mine, maintenance superintendent at Dawson mine Peter Plummer with the winner's trophy for best practice in safety awarded to the Maintenance team at Dawson mine, chief executive officer of Anglo Coal Australia Seamus French and field maintenance supervisor at Drayton mine Peter Howard with the safety certificate that highly commends the safety best practice by the Maintenance team at Drayton mine

Health

The health and well-being of our employees have a direct bearing on their ability to perform safely and productively in the workplace and play a vital role in our vision to achieve zero harm.

There were 54 new cases of occupational disease during the reporting period. Noise and dust remain priority occupational risks and we make every effort to reduce these at source. In Australia, musculoskeletal disorders remain our largest health impact due to the older average age and lifestyle factors of the employees in this region. During the year, 39 cases were recorded, including strains and sprains of gradual onset experienced by employees.

Noise

In South Africa, noise-induced hearing loss is a particular concern and we are committed to meeting the South African Department of Minerals and Energy's target to eliminate all equipment noise above 110 decibels (dB) by 2013. The number of employees exposed to noise exceeding 95 dB declined substantially from 11% in 2007 to 4.1% in 2008. This movement indicates that exposure levels have reduced as a result of the various noise reduction projects at our mines. However, we need to broaden our efforts as the number of workers exposed to noise levels of 85-95 dB increased from 32% to 43%. Our occupational exposure target remains less than 85 dB for noise and we continue to work with original equipment manufacturers to achieve this.

A successful innovation has been the introduction of axial flow Durafans at Goedehoop colliery. Their design is unique in that the fan's operating speed is half that of conventional ventilation fans, resulting in a different noise frequency spectrum. A traditional 11 kilowatt (kW) two-pole fan operates at a sound pressure level of 92 dB and a sound-attenuated 11 kW fan operates at approximately 85 dB. The axial flow 7.5 kW four-pole Durafan, however, produces sound pressure levels of 79-81 dB. These fans are now in operation at Goedehoop and are being installed at other Anglo Coal underground operations.

When deterioration in the hearing of our employees is detected, we conduct interviews with them to determine the root causes so that these can be addressed. Discussions include noise levels in the working environment, the correct use of personal protective equipment and any possible activities at home that could be contributing causes.

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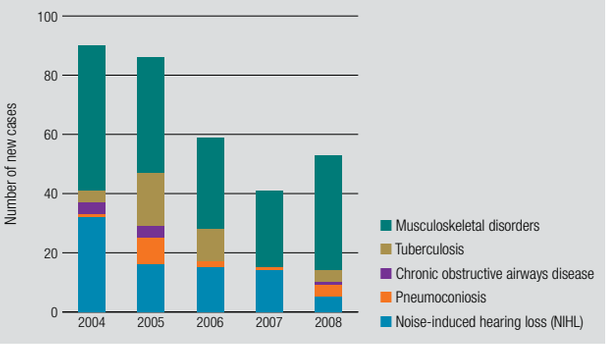
Dust

In 2008, 15.9% of our South African employees were exposed to coal dust levels exceeding our 2.0 mg/m³ target. This reflects a deterioration when compared with 14% of employees exposed to these coal dust levels in 2007 and reinforces the need for us to maintain our dust suppression systems. The exposure of roof-bolters, who work behind continuous miners in underground operations and face excessive levels of dust, remains an area of concern. We monitor and screen these operators regularly and continue to work with the machine supplier to redesign dust extraction systems. New Vaal colliery has installed a passive dust-stilling hood at its primary tip to reduce the amount of airborne dust in this area of the mine (see case study on page 38).

New cases of occupational diseases	
Noise-induced hearing loss (NIHL)	5
Pneumoconiosis	4
Occupational tuberculosis	4
Chronic obstructive airways disease	1
Musculoskeletal disorders	39
Other	1
Total	**54**

Trends of the predominant types of occupational disease



A Water sprayed on the cutting head of a continuous mining machine minimises coal dust in the underground working area

B Noise-induced hearing loss is a particular concern and we are committed to eliminating unacceptable levels of noise in the workplace. Audiometric testing is carried out on a regular basis

Industry collaboration

Our operations in South Africa are participating in various initiatives that will assist us in meeting the government's noise and dust reduction targets. One of these targets requires that, after December 2008, there may be no deterioration in hearing greater than 10% among employees who are exposed to noise. A coal working group, comprising major players in the industry, is working to find solutions to reduce excessive equipment noise.

We are also involved in the Mining Industry Occupational Safety and Health Task Force formed to assist mines to implement technical and operational best practices that will enable them to meet the 2013 occupational health and safety milestones set by industry, labour and government in 2003. These targets relate to fatalities, injuries and occupational diseases. Current focus areas include dust, noise, falls of ground and leadership. Teams comprise both permanent and part-time members who have been interacting widely throughout the mining industry. Anglo Coal has a full-time representative on the team that addresses dust.

Fatigue

Fatigue was highlighted as a specific risk during the year. The Anglo Fatigue Management Guideline was extensively revised and republished. Mine-based initiatives are focused on addressing the causes of fatigue in the workplace (see case study on page 20).

South Africa's Kriel colliery highlighted the importance of fatigue management when it arranged a two-month programme to give the spouses of the mine's employees a greater understanding of their partners' working environment, daily duties and challenges.

Tours of the mine's opencast and underground sections were provided to give spouses an insight into the scale and complexity of the industry. The programme included discussions around safe behaviour in the workplace.

Exposing spouses to the working environment of their partners is part of the mine's 'Circle of Life' safety campaign – employees leave home, go to work, work safely and come home safely – and it enables their loved ones to understand the nature of their work.

Kriel colliery believes that partners in the home environment can ensure favourable conditions to combat fatigue, help to create a healthy and balanced lifestyle, and influence safe working behaviour.

Fighting fatigue

Anglo Coal South Africa undertook a study to determine the fatigue factors that affect female machine operators. The investigation, initiated after a rise in fatigue-related incidents, was conducted by a multi-disciplinary committee that set out to establish the root causes of fatigue in female employees and how this is exacerbated during pregnancy.

The study, which was benchmarked against fatigue factors in Anglo American divisions and other industries, drew on existing research into the causes of fatigue in the workplace.

The focus groups comprised female employees from each of our operating collieries. A total of 110 women, who represent 12% of our total female workforce, participated in four interactive workshops and presented a clear picture of their experiences of fatigue in the workplace. Although the study was targeted at machine operators, who comprised 80% of the sample group, mining assistants, artisans and office workers also contributed to the study. The participants, who included married women with children, single women with no children, single mothers, pregnant women and those who live with an extended family, shared a wide range of personal circumstances.

Women were specifically chosen as facilitators to aid open and honest discussion on the various talk topics presented. Some of the factors that emerged during the focus groups included the demands of juggling the roles of mother, wife and employee, the poor management of rest periods, pregnancy-related ailments, and separation anxiety, depression and lack of sleep following a new mother's return to work.

We believe that the study will not only play an important role in improving safety but will shed light on the challenges that still remain in incorporating women into the mining sector. The information gathered will be analysed so that possible solutions can be devised. The committee will look into ways in which employees can manage their fatigue and what Anglo Coal can do to assist them in addressing the problem.

Fatigue-related incidents prompted Anglo Coal South Africa to investigate the causes of fatigue, particularly among female employees

HIV and AIDS

The prevalence of HIV and AIDS is regarded as one of the most significant challenges faced by South Africa today. Apart from its human tragedy, it retards economic growth and leads to the loss of valuable knowledge and skills. Anglo Coal employees, their families and the communities that surround our operations are not isolated from the pandemic. More than 60% of the deaths in our South African workforce during 2008 were HIV-infected employees and we continue to manage the disease.

As the best prevention is knowledge and understanding, we encourage our employees to know their HIV status and to undergo voluntary counselling and testing (VCT) on an annual basis. During 2008, 7,938 of our South African employees (86%) were tested, representing a 1% improvement compared with the previous year's figure. The prevalence rate declined slightly to 15% and 1,228 employees are currently enrolled in our HIV disease management programme.

Eighty-two people who were HIV-negative in 2007 tested positive in 2008. While this is cause for concern, we are pleased that the overall incidence rate continues to decline on a year-on-year basis. This is an indication that our awareness programmes have been effective. A further 77 employees, who had never before undergone VCT, were found to be infected. Despite the negative aspects of this, we are encouraged when new HIV-positive cases are brought to light as these people might have died or become seriously ill had the virus remained undetected.

We have provided our HIV-infected employees with access to free anti-retroviral treatment (ART) for six years and, in late 2007, implemented a compulsory medical aid scheme for employees not previously covered. This means that dependants who are registered as beneficiaries of the scheme now have access to HIV disease management at no cost to themselves. Previously, only those HIV-infected family members who were covered by the company's medical aid scheme received the benefit of ART.

Approximately 416 of our employees and 42 dependants are receiving ART. The uptake of ART by employee dependants has not been as rapid as anticipated but we believe that this will accelerate as the process unfolds. To ensure life-saving results,

Giant billboard at Greenside colliery in South Africa. HIV and AIDS awareness is an integral component in the fight against the disease

Reaching out and making a difference

The Bhubezi Community Healthcare Centre in Bushbuckridge in the Mpumalanga province of South Africa is mitigating the ravaging effects of HIV and AIDS, tuberculosis and malaria within the local community.

The facility, which opened in April 2007, was established after Anglo Coal South Africa, Virgin Unite and the United States government joined forces to provide rural people with access to primary healthcare facilities which had not previously been available.

Since its inception, the healthcare centre has attended to almost 10,000 patients, with as many as 200 people seeking medical help per day. Over 1,400 patients have been provided with free anti-retroviral treatment (ART), which makes it possible for them to lead healthy and productive lives despite their HIV-positive status.

"The clinic has made a huge impact on the communities we serve. Before it was opened, people had to travel between 80 and 110 kilometres to the nearest ART clinics. As the level of poverty here is high, many died because they could not afford the fare," says Bhubezi medical director Dr Gilbert Khosa.

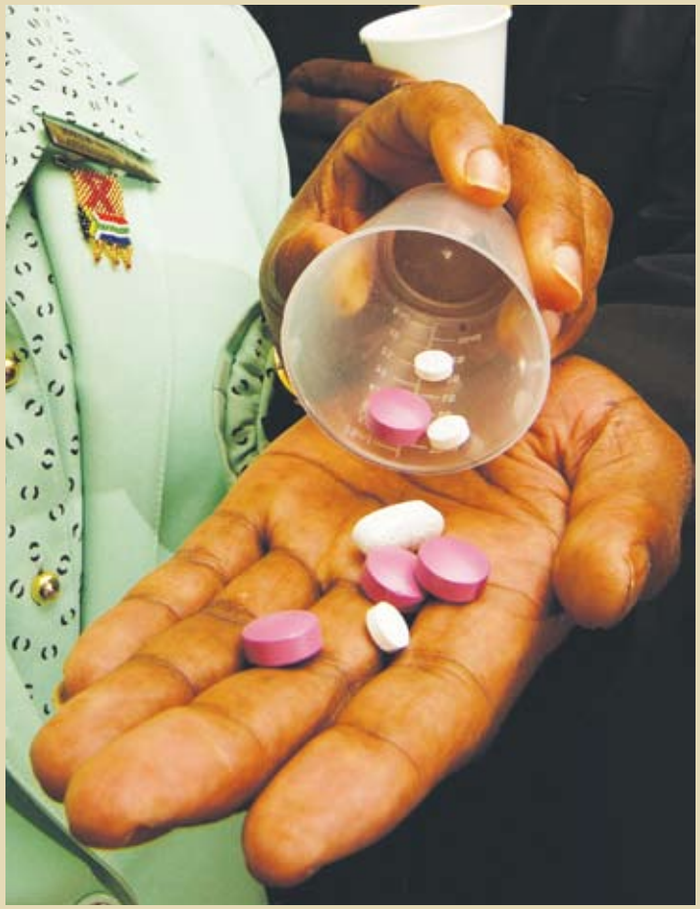
"The number of funerals in the area has also declined significantly. In my village, for example, we used to have between two and four funerals every weekend. Now one or two weekends pass without one," he says.

Apart from administering treatment, the clinic is doing much to stem the tide of new infections. Representatives from the Bhubezi AIDS Awareness Programme arrange community events to address HIV infection, prevention and the importance of voluntary counselling and testing (VCT) and to provide information on the varied health services provided by the centre.

"The number of people undergoing VCT at the clinic and at community events is increasing and indicates that our awareness programme is achieving its goal and we are slowly dismantling the stigma of HIV."

The centre currently employs 56 local people and is based on a programme devised by Dutch social entrepreneur Dr Hugo Tempelman, chief executive officer of the Ndlovu Care Group. Anglo Coal works closely with the Ndlovu group, a non-governmental organisation, which has developed a sustainable model for delivering high-quality health, childcare and development services in rural communities.

In the future, Bhubezi will operate on a 24-hour basis and will extend its activities into community development programmes that aid job creation. Examples of these include food gardens, computer literacy training and entrepreneurial skills development.



Many of those who reside close to the centre are family members of Anglo Coal employees, a fact that prompted the company to invest both capital and management support into this public-private partnership. It invested R5 million into the development of the centre and pledged an additional R1 million annually over five years to cover management costs. Anglo Coal has also shared with the Bhubezi Community Healthcare Centre many of the lessons learnt from its own successful HIV and AIDS management programme.

Over 1,400 patients have been provided with free anti-retroviral treatment at the Bhubezi community healthcare centre in Bushbuckridge in the Mpumalanga province of South Africa

ART is a lifelong commitment that cannot be put on hold or compromised in any way. During 2008, we commissioned a study on employee adherence to ART and this revealed positive results.

A range of HIV and AIDS awareness drives are undertaken at our collieries, most of which have employed co-ordinators and wellness peer educators to drive home the message to employees, their families and, increasingly, to local communities. Wellness peer educators provide home-based care and counselling and educate people at schools and community events about the disease. During the year, they received refresher training in line with Anglo Coal's back-to-basics approach that explains, in simple terms, what HIV is and how it is transmitted.

During 2008, we staged a highly successful industrial theatre performance called 'Siyaphila – We are Alive!' which was warmly received both in the workplace and in surrounding communities. The play was customised to depict Anglo Coal and our current circumstances and challenges in the AIDS arena.

A significant landmark in the fight against HIV and AIDS was reached on World AIDS Day in 2008, when senior members of the Congress of South African Trade Unions and the National Union of Mineworkers publicly underwent VCT at Anglo Coal's Highveld Hospital in Witbank.

In China, HIV and AIDS awareness training was conducted at our Beijing office during 2008.

South Africa: Voluntary counselling and testing participation and HIV incidence*

*Conversion of known HIV-negative to HIV-positive

Tuberculosis

South Africa has a high prevalence of tuberculosis, with an incidence rate of 859 cases per 100,000 and a death rate of 15%. More than 80% of diagnosed tuberculosis patients are HIV-positive. We have submitted for certification, in terms of the Occupational Diseases in Mines and Works Act, the 10 tuberculosis cases identified in our Anglo Coal South Africa workforce.

Pandemic influenza

A major influenza pandemic remains a threat to society. In preparation for such eventuality, Anglo Coal has developed pandemic flu management plans, which include both medical provisioning and business continuity measures. The protocol preparatory and mitigation actions are aligned with the pandemic flu risk levels identified by the World Health Organisation.

Drugs and alcohol

During 2008, we embarked on a programme of increased surveillance for drug abuse at our operations in South Africa and found that a higher than expected number of contractors and employees who present for certificate of fitness assessments or medical surveillance tested positive for abuse of drugs. This was especially high in the fourth quarter of the year.

As a responsible employer that puts the safety of its people first, we have adopted a zero tolerance approach to alcohol through the recent formalisation of a new policy that applies to all employees, contractors and visitors to our sites. The presence of even a small level of alcohol in the bloodstream can affect a person's balance and judgement, posing a threat not only to his or her own safety but to the safety of people nearby. The policy states that employees who test positive for alcohol are given a final warning, even if they are first-time offenders. They are referred immediately to the employee wellness programme, regardless of whether or not they have a known problem with substance abuse. Should they refuse to commit to the programme or be found guilty of a second offence, they face instant dismissal.

General well-being

All employees are included in a programme that aims to protect and improve their health. This includes annual risk-based medical examinations and access to a range of worksite health programmes.

In Australia, regular 'toolbox talks' focus on the need for a healthy diet and exercise and deal with topics including the abuse of drugs and alcohol, fitness-for-work management, work fatigue, workplace rehabilitation, heat stress, the correct manual handling and lifting of heavy weights, and the use of hearing protection. Some sites also include the provision of influenza vaccines and emphasise the prevention of exposure to ultraviolet rays.

Capcoal, in partnership with the Central Highlands Rural Division for General Practitioners, established the 'Lighten Up to a Healthy Lifestyle' programme in Middlemount. This is a group-based programme for adults and gets back to the basics of healthy eating and exercise with the aim of making long-term differences to the lives of participants. Topics include physical activity, mental strength, managing stress and healthy eating. In addition, the two parties joined forces to organise monthly visits from a dietician for the benefit of Middlemount residents.

Representatives from Callide mine and a local partner offer free resuscitation education sessions to the community of Biloela.

Anglo Coal South Africa's Highveld hospital, which offers a full range of health services for employees and their dependants, has a fully-fledged wellness clinic where people are counselled and educated on lifestyle-related illnesses and chronic diseases. These include diabetes, hypertension, asthma, tuberculosis, HIV and AIDS. They receive advice on nutrition, weight management, healthy eating habits and fitness.

Isibonelo colliery launched its 'Project Kusasa', a programme that educates employees and their families on issues related to health and wellness. Kusasa means 'tomorrow' in the isiZulu language and the initiative encourages employees to look after their health today so that they can live up to the ultimate goal of the project and remain 'stronger for longer'.

The campaign, which addresses noise-induced hearing loss, dust-related ailments, fatigue, thermal stress, HIV and AIDS, tuberculosis, diabetes and heart disease, follows on from an employee wellness booklet that was published by the colliery earlier in the year.

The world-class Anglo Coal Highveld hospital uses the best available technology, including state-of-the-art digital X-ray facilities that do not require the use of environmentally-damaging chemicals. Anglo Coal South Africa has installed similar facilities in clinics at its collieries to ensure fast and effective diagnosis of any health problems

Smiles all round at Middlemount

Residents of Middlemount in Australia are no longer required to drive extended distances and endure long waiting lists to visit a dentist as a result of collaboration between two BHP Billiton Mitsubishi Alliance operations and Anglo Coal's Capcoal mines.

The two companies have facilitated the opening of the Life Time Smiles Dental Group which provides the local community with a full-time dental service. Sharing the same goals, the mining companies pooled their resources to develop an incentive package to attract a service to their respective communities and two dentists now rotate between the Middlemount and Dysart surgeries on a fly-in-fly-out roster.

The dental group's unique training programme and business model enables a team of dentists to provide the same general and specialist services usually only available in major cities. Working in rural areas has become less daunting for members of the dental profession as modern technology allows them to open files remotely and workshop difficult cases face-to-face over the Internet.

The Life Time Smiles Dental Group, established after collaboration between Anglo Coal Australia's Capcoal operation and two BHP Billiton Mitsibushi Alliance operations, provides a full-time dental service to the local community in Middlemount. From left: Dentist Damian Lavery, receptionist Tanya Jackson, dental nurses Melina Eagle and Justine Di Salvo, operations manager Jessica Vidler and the patient Julian Vella, underground operations engineering superintendent (mechanical) at Capcoal

Policy and standards

As with safety incidents, we believe that all workplace-related illnesses are preventable. The Anglo Occupational Health Way (AOHW), issued during 2008, is aligned with the OHSAS 18001 management system. This set of standards draws attention to the management of health risks. During the year, AOHW self-assessments were carried out at our sites in Australia and South Africa to ensure that all occupational health risks have been identified.

Anglo Coal Australia found that emergency preparedness, health promotion, occupational rehabilitation and programmes to manage the incidence of musculoskeletal diseases are well-managed. However, health targets, plans and monitoring programmes will be developed to improve the understanding and management of the potential long-term impacts of occupational health hazards. As a result, several initiatives, including the development of a health network, training within health and safety units, increased personnel resourcing, health risk assessments and a proposed health incident reporting process, are being co-ordinated.

At our South African operations, compliance with the AOHW varied between 56% and 70%. We found that, while we are compliant with monitoring audits and reviews, risk assessments and emergency preparedness, improvements must be made in document and data control, incident reporting and investigation. The gaps identified in data control and incident reporting are being addressed through the Anglo Coal South Africa PIVOT system, an electronic platform for the management of information.

Environment

We aim to reduce our environmental footprint and create more positive outcomes in the long term. The impacts of climate change, the management of water resources and energy security are among the greatest challenges facing society. We are examining the long-term implications of climate change adaptation on our operations, in particular on water availability and the performance of our supply chain infrastructure. As a major player in the coal mining industry, we understand the need for the secure supply of affordable clean energy and water.

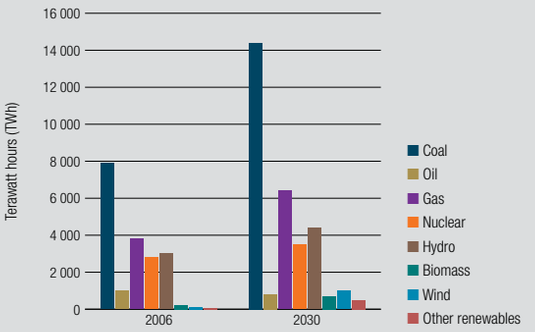
Climate change

According to the International Energy Agency (IEA), carbon dioxide (CO_2) emissions from coal use account for approximately 42% of global energy-related greenhouse gas emissions. We are committed to minimising our direct greenhouse gas emissions from mining-related activities and to working with industry partners in the development and uptake of clean coal technologies and the identification of opportunities for carbon capture and storage.

Reducing emissions from mining

In 2008, our total carbon dioxide equivalent (CO_2e) emissions amounted to 7.16 million CO_2e tonnes. We produced 75 kilograms (kg) of CO_2e per saleable tonne of coal, just short of our target of 74 kg of CO_2e per saleable tonne for the reporting period.

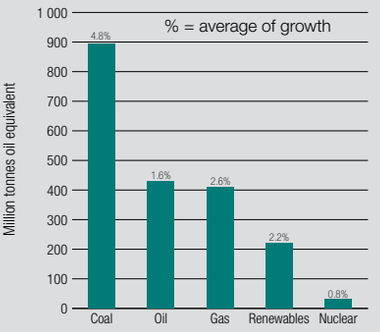
World electricity generation



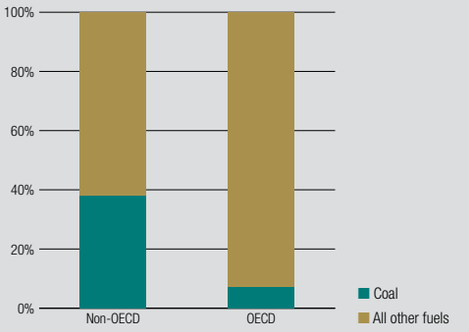
Source: IEA World Energy Outlook 2008 – The Reference Scenario, 2006-2030

"The shares of coal and renewables in the power-generation fuel mix increase to 2030"

Increase in primary demand, 2000-2007



Shares of incremental energy demand



Source: IEA World Energy Outlook 2008 – The Reference Scenario, 2006-2030

OECD = Organisation for Economic Co-operation and Development

"Demand for coal has been growing faster than any other energy source and is projected to account for more than a third of incremental global energy demand to 2030"

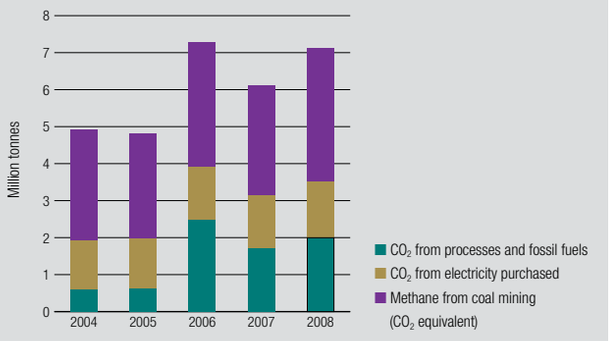
Our Australian operations performed well, owing to the commercial capture of methane for power stations. However, in South Africa, we marginally exceeded the target as a result of an increase in the use of diesel to keep heavy equipment operating during the country's electricity crisis, the ramping up of Mafube colliery to its budgeted performance level and an escalation in spontaneous combustion at Kleinkopje colliery.

Methane is a powerful greenhouse gas and is a significant contributor to global climate change when it is released into the atmosphere. According to the Inter-Governmental Panel on Climate Change, methane has a global warming potential 21 times greater than that of carbon dioxide over a 100-year time horizon. Emissions occur naturally from sources such as wetlands, while human-influenced sources include landfills, natural gas production and distribution, agriculture and some forms of coal mining. The development of technologies to reduce methane-related emissions has been ongoing for many years and has emerged as a key aspect of the international response to the challenge of climate change.

CO_2 equivalent emissions by source (000 tonnes)

	2007	2008
Electricity purchased	1,409	1,513
Fossil fuels used	620	857
Processes	1,102	1,140
Ventilation shaft methane	2,981	3,620
Methane flared	79	26
Total CO_2e emissions	**6,192**	**7,157**

CO_2 equivalent emissions



Methane-related emissions account for 50% of our greenhouse gas emissions footprint. At Anglo Coal Australia, we have for some time focused on addressing the technical, economic and regulatory challenges to minimise fugitive coal mine methane emissions. We have recently implemented improved underground drilling techniques to drain methane from coal seams before the coal is mined. In addition to improving mine safety, the use of drained methane as fuel to generate electricity has the double benefit of dramatically reducing mining emissions and of utilising a fuel source that would otherwise be a potentially-harmful waste gas.

In 2002, we began to investigate the opportunity to produce electricity from waste mine methane and, in early 2007, a 32 MW power station was commissioned at Capcoal in Australia. Subsequently, a similar 45 MW power station was built at the Moranbah North mine and began generating in late 2008. When full production is reached, these two mine-based methane power projects will reduce Anglo Coal's greenhouse gas emissions by over two million tonnes of CO_2e each year. In addition, gas in excess of the needs of the Moranbah North power station is delivered by pipeline to Arrow Energy for supply to the Townsville power station.

In some of our underground mines in Australia, however, there are still significant quantities of highly-diluted methane associated with the large volumes of mine ventilation air released into the atmosphere. Dealing with methane in mine ventilation air is a safety, technical and economic challenge. Success will mean the virtual elimination of all methane emissions associated with underground coal mining. In 2009, we will move ahead with pilot projects to study innovative technologies designed to oxidize methane in trace concentrations with the aim of general deployment at all underground mines that have gas potential.

Anglo Coal Australia is preparing to meet the greenhouse gas and energy measurement requirements of the country's National Greenhouse and Energy Reporting Act.

In South Africa and Botswana, we are exploring opportunities for the extraction and use of coal bed methane, which may further reduce our total greenhouse gas footprint.

Avoiding CO_2e emissions

We continue to focus our efforts on enhancing our energy efficiency and CO_2e emissions performance at the operational level through asset optimisation, our supply chain and other related initiatives. The avoided and offset methane emissions reduce the exposure of our Australian operations to the Carbon Pollution Reduction Scheme, which is expected to commence in 2011.

Reducing emissions from coal utilisation

The utilisation of coal currently accounts for approximately 42% of the global energy-related CO_2 emissions. The rapid industrialisation of the emerging coal-dependent economies of China and India over the last decade has resulted in coal becoming the world's fastest-expanding energy source. According to the IEA, energy demand is expected to continue its strong growth by around 50% over the next 30 years, driven largely by the demand in coal-dependent emerging economies.

Anglo Coal has been effective in reducing emissions from the use of coal by improving coal quality and the development of low emissions technology

With the growth in global coal utilisation, the related increase in greenhouse gas emissions will continue undiminished until low emissions coal technologies are available and affordable for widespread deployment. We are active in national and international initiatives to promote the research and deployment of clean coal technologies.

Clean coal partnerships

In 2006 and 2007, Anglo American contributed to the international workshop series that, in 2008, led to the development of recommendations from the IEA to leaders of the G8 countries for the accelerated demonstration of carbon capture and storage (CCS). With the endorsement of these recommendations by the G8 leaders, Anglo American became a founding member of the Global Carbon Capture and Storage Institute (GCCSI), created to ensure that the recommendations are implemented. Administered and funded by the Australian government, the institute is an important global initiative that aims to facilitate the development and deployment of CCS projects. CCS involves the injection of CO_2 into stable geological structures for long-term storage to prevent its harmful release into the atmosphere. The GCCSI will bring government and industry together and support the achievement of the G8 goal of developing at least 20 industrial-scale CCS projects by 2020.

Other international organisations with which we undertake clean coal policy work are the Coal Industry Advisory Board, where we currently hold a leadership position, the World Coal Institute and the Carbon Sequestration Leadership Forum.

At the technology research and development level, we participate in research through the International Energy Agency's Clean Coal Centre and Greenhouse Gas Programme and in regional initiatives in both Australia and South Africa. We are providing some US$55 million to the ambitious COAL21 coal industry programme to develop a portfolio of low emissions demonstration projects in conjunction with governments, power generators and equipment manufacturers.

In Australia, the Otway storage project is already operating successfully and the construction of the Callide Oxyfuel project, adjacent to our Callide mine, has begun. We have placed the Monash Energy brown coal-to-liquids gasification project in Victoria under review. This ultra-clean low-sulphur diesel project

Moranbah North methane-fired power station

In late 2008, Anglo Coal Australia commissioned a methane-fired power station at Moranbah North that could reduce the mine's CO_2e emissions by 1.4 million tonnes per year, which is equivalent to removing 300,000 cars off the road. Using coal seam methane from the mine, the power station will reduce greenhouse gas emissions, improve energy efficiency and strengthen the power network in the area. At capacity, the Moranbah North power station will generate 45 MW of power. The power will be supplied to the national electricity grid, which will enhance electricity supply assurance to the mine and for future projects.

Carbon dioxide storage atlas and Carbon Capture and Storage Centre

During 2008, Anglo Coal supported an initiative that will develop a South African carbon dioxide (CO_2) storage atlas aimed at identifying potential sites for the geological storage of CO_2. Carbon capture and storage, an internationally-recognised mitigation measure for the lowering of greenhouse gas emissions, requires a detailed investigation into locating and characterising potential carbon geological storage sites.

CO_2 is captured from industrial flue gases and then geologically stored by compressing it into liquid form and injecting it into deep geological formations such as saline reservoirs, coal seams or depleted oil and gas fields. Worldwide, storage reservoirs are commonly associated with sedimentary basins in which oil and gas occur.

Although South Africa lacks natural world-class storage reservoirs, the onshore central basin of the Karoo Supergroup, with its substantial sedimentary formations, may offer storage opportunities. Offshore sedimentary rocks along the coastline also hold potential for storage.

The 18-month investigation is being funded by Anglo Coal, Sasol, Eskom, PetroSA and the South African National Energy Research Institute. The Council for Geoscience and the Petroleum Agency South Africa are expected to publish the initial assessment of storage potential in an atlas by the end of 2009. This will illustrate the distribution and ranking of potential geological CO_2 storage reservoirs in South Africa, including estimated CO_2 storage capacities, the main sources of emissions, the location of industrial hubs, transportation pipelines and other factors that relate to storage feasibility. This information will direct further investigation should carbon capture and storage technologies be pursued in South Africa.

In early 2009, Anglo Coal became a founding member of the South African Carbon Capture and Storage Centre. This centre will support research and create human capacity in the areas of capture, transport and geological storage technologies, monitoring and verification, risk assessment, regulatory and policy research, public outreach and awareness.

Anglo Coal Australia responds to impending emissions trading scheme

In 2008, the Australian government implemented a number of policies related to climate change – the key one being an Australian emissions trading scheme (ETS). As a major energy producer and user, Anglo Coal Australia is working to inform policy, understand its implications for the business and explore greenhouse gas mitigation options.

During the second half of 2008, the government released its green and white papers on Australia's ETS, which it titled the Carbon Pollution Reduction Scheme (CPRS). Among other key issues, the papers detail the timing of comments on and implementation of legislation, a staggered emissions reduction approach, nominal financial assistance to coal mines and information on the use of permits.

The design of this scheme could have significant financial implications for all Australian coal companies. Anglo Coal Australia has been actively engaged in discussions with the government on the design of the CPRS, as well as the possibility of co-ordinated research and development opportunities and clean coal technologies. Teams have been established to lead the company's external lobbying strategy and to ensure that the business is prepared for the introduction of the scheme. An internal preparedness team is conducting a detailed analysis of the proposed CPRS and its impact on Anglo Coal Australia and is focused on identifying further opportunities to implement carbon-reduction measures.

Our recently-commissioned Moranbah North methane-fired power station in Australia will generate 45 MW of power when full production is achieved

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included carbon capture and sequestration. However, it has become difficult to pursue this high-risk project due to the changed commercial environment and the absence of an international regulatory framework to provide incentives for carbon capture and storage.

Since 2006, we have sponsored research work at two New South Wales universities in Australia for coal projects that include the consideration of emissions impacts in the iron-making industry. The research involves the clarification of coke quality relationships with organic and inorganic properties, their effects on slag properties and the emerging environmental issue of fine ash emissions from pulverised coal combustion.

In the United States, Anglo American is a participant in the proposed FutureGen project and, in South Africa, the company is co-sponsoring a national programme to map geological reservoirs suitable for use in CCS projects. In early 2009, Anglo Coal became a founding member of the South African Carbon Capture and Storage Centre. This centre will serve as a platform to initiate a range of CCS-related research projects (see case study on page 29).

We will continue with business-wide efforts to identify and implement carbon offset Clean Development Mechanism (CDM) projects, an example of which is the commencement of a methane flaring project at New Denmark colliery in South Africa. The mine plans to install two mobile flares into its existing, post-mining, methane drainage system. It is anticipated that this will reduce the colliery's CO_2e emissions by an estimated 100,000 tonnes per year. Methane capture at New Denmark is not practical, due to the inherently low coal seam gas concentration level and a high variability in the post-mining borehole emission volumes.

A Morne Tromp, a fitter at Isibonelo colliery in South Africa, and Kenneth Mokoena on the walkway from the colliery's Vaskop return water dam inlet tower after completing an inspection. Recycling and re-use are important elements of our efforts to conserve water

B Water quality is rigorously monitored and tested throughout the year

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Water

Globally, the demand for water exceeds supply and this situation continues to worsen owing to continued population growth, urbanisation and increased domestic and industrial water use. According to the World Health Organisation, water scarcity affects four of every 10 people.

Anglo Coal exercises great care in managing both its use of and impacts on water resources. Our goal is to develop robust, integrated water management planning and target a zero discharge policy for all operating sites.

Water consumption

In 2008, our operations consumed 20.8 million cubic metres of water for primary activities.

At our South African operations, the total amount of new water used for primary activities was 8.6 million cubic metres and the average water consumption rate was 141.3 litres per saleable tonne. This reflects a 20.4% and 22.1% reduction on our figures for 2007, respectively, and can be attributed to an improved understanding of the new methodology for reporting on water use and efficiency. Other contributing factors are:

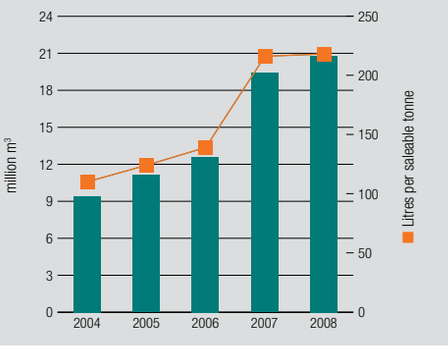
- The development of an integrated water balance model for Greenside, Landau and Kleinkopje collieries
- Decreased water use for dust suppression activities owing to heavier than normal rainfall
- An increase in the levels of monitoring for water volumes as opposed to estimates
- The closure of the Bank 5 section at Goedehoop colliery.

At our Australian operations, total primary water use was 12.2 million cubic metres and the average water consumption rate was 357.8 litres per saleable tonne. We exceeded our 2008 target in Australia owing to increased use of water in the coal beneficiation process, haul road dust suppression and other industrial water usage.

As far as possible, we use recycled or re-used water for mining and process-related activities, including dust suppression. In Australia, we recycled 19.5% of water consumed and, in South Africa, recycled water amounted to 14.9% of consumed water. South Africa's eMalahleni water reclamation plant has rendered three of our collieries, the shared services precinct, the Rapid Loading Terminal and Anglo Coal Highveld hospital self-sufficient in terms of their water requirements. It has also significantly reduced the potential impact of discharging underground mine water into the environment. The establishment of another large-scale water desalination and reclamation plant, based on the model of the eMalahleni water reclamation plant, is being discussed as an opportunity for a public-private partnership.

Under high-flow conditions in 2008, there were controlled releases by our South African mines in the Upper Olifants catchment area in accordance with a directive set by the Department of Water Affairs and Forestry (DWAF). The regulator's decision is based on the assimilative capacity of the river system

Water used for primary activities



eMalahleni water reclamation plant

The eMalahleni water reclamation plant was originally intended to provide a solution to the operational, safety and environmental challenges associated with rising underground mine water. Today, it represents a world-class sustainable development project with far-reaching benefits for its local communities.

The plant, which purifies 25 megalitres of water to potable quality per day, supplies 18 megalitres daily to the eMalahleni (Witbank) local municipality, which has for years faced problems in meeting the water needs of an area that is experiencing tremendous industrial, commercial and residential growth. It has now embarked on its second phase, which will increase the desalinisation and purification of water to 33 megalitres of water per day.

The eMahlahleni water reclamation plant in South Africa is a world-class sustainable development project. It has reduced the potential impact of discharging underground mine water into the environment by purifying this to potable quality, with far-reaching benefits for its local communities

The eMalahleni plant has rendered Anglo Coal South Africa's Greenside, Landau and Kleinkopje collieries, the shared services precinct, the Rapid Loading Terminal and Highveld hospital self-sufficient in terms of their water requirements – further easing pressure on the system.

Apart from benefiting the community by supplementing its domestic water supply, the facility has launched two research and development projects that may offset the cost of the treatment facility and reap further socio-economic opportunities.

The plant operates at a 99% water recovery rate and the ultimate goal is for it to become a zero waste disposal facility through the 100% utilisation of the 100 tonnes of gypsum by-product it produces per day. This is not only costly to dispose of but is an environmental and post-closure liability.

The first study looks at the conversion of waste gypsum into sulphur, limestone and magnesite, while the second is investigating the use of the waste gypsum in the fabrication of mining and building products.

The South African banking sector has been mandated by government to provide assistance in eliminating the country's massive housing backlog, which has spurred it into seeking alternative building materials. The boom in the construction industry has caused conventional resources such as bricks and cement to be in short supply and has driven up the cost of housing.

As part of the study, Anglo Coal South Africa has built a three-bedroom house constructed almost entirely with gypsum-based building products. It is currently undergoing a range of tests to prove its quality and social acceptance and, should it be successful, it is envisaged that a black-empowered entity will be created to manufacture and market gypsum building products on a large scale for the credit-link housing market.

In addition, Anglo Zimele, Anglo American's enterprise development and empowerment arm, has created a black-empowered enterprise that utilises a small portion of the plant's water for the retail bottling industry. Known as the White River Beverage Company, the business markets its 4Life product to the South African bottled water market, which is growing by approximately 15% per annum. To date, the business has created employment opportunities for seven people.

in times of high-flow conditions. Documentation of the water bodies and related habitats where controlled release occurs is available from the DWAF.

In 2008, we took part in the Anglo American Group's 'WaterWays' workshop to develop a comprehensive water action plan that will address strategic water issues. These include the optimal use of ecosystem services, responsible and proactive planning for sustainable mine closure, optimising the full value of water, and fit-for-purpose design and operation maintenance. The workshop was attended by senior leadership, environmental co-ordinators, technicians and engineers.

Water monitoring

We have directed our attention at improved monitoring and intensified pollution abatement activities in the catchment areas around our operations.

The fish and crocodile mortality experienced during 2007 in the Olifants river and Loskop dam catchment areas downstream of our mining operations in South Africa did not occur during 2008. However, further crocodile deaths occurred downstream in the Kruger National Park during the latter part of the year. The cause of these deaths has not yet been identified and we have pledged our support, through the Olifants River Forum, for further investigations into water quality problems in that catchment area.

In November 2008, major players in the South African coal mining industry entered into a Joint Initiative Agreement (JIA) that will see them collaborate on water management in the highveld region of the Mpumalanga province. Anglo Coal South Africa, BHP Billiton Energy Coal South Africa, Exxaro and Xstrata signed the agreement, along with national power utility Eskom. This paves the way for the establishment of regional solutions to their collective water challenges.

Recent investigations have revealed that more water is stored in the underground workings of the mines situated in the Mpumalanga highveld region than in the three dams that feed the area. This not only poses serious safety, productivity and environmental problems for operating collieries, but could create significant impacts beyond mine closure.

As a result of the JIA, the mining houses and Eskom will jointly undertake water-related investigations and projects, pooling their resources of capital and expertise and benefiting from the accompanying economies of scale. The signing of this agreement is in line with the Department of Water Affairs and Forestry's and the Department of Minerals and Energy's regional mine closure and rehabilitation strategy, which views an integrated approach to closure and rehabilitation as the way forward.

Water licences

In South Africa, progress is being made in the backlog for approvals of water use licences submitted to the Department of Water Affairs and Forestry. These permits are required for effective water management and planning at operating sites. It is essential that the government and stakeholders work together to ensure the long-term water supply and demand balance is met and that 'dry permit' scenarios are avoided.

Water: challenges and opportunities

Challenges	Opportunities
Increased water demand	Reduce closure cost
Consistent increase in direct and indirect water-related costs	Recognise the value of water and improve planning to derive social and market benefits
Growing business disruption risks due to uncertain future water allocations and the impacts of climate change	Recognise the value of ecosystem services
Increasing customer expectations related to water use and impacts	Improve technology and processes through innovation
Impact of water strategies on our licence to operate and future expansion	Intensify pollution abatement in catchment areas
Catchment water legacy (acid rock drainage from old and abandoned mines)	Integrate river basin management
	Enable communities to have access to clean drinking water

Adapted from World Business Council for Sustainable Development

Water management at Trend mine

At Peace River Coal's Trend mine in Canada, water from areas affected by mining activity is drained and collected in a network of ditches that drain into sedimentation ponds. These settle out suspended solids before the water is discharged into the receiving streams. Trend mine is situated in a mountainous area and its water management structures, carefully engineered to survive a one in 200-year flood event, are built to withstand high flows from heavy rainfall and melting snow. The solids suspended in mine water vary in size, with coarser fractions settling out readily in the ponds. Finer clay particles are, however, particularly difficult to settle and many of these are released when the ditches and ponds are new. This presents challenges in the first operating year of a pond.

The government effluent permit relating to discharge from sedimentation ponds into streams stipulates in the case of Trend mine a maximum level of suspended solids of 40 milligrams per litre, and two methods are employed to ensure that discharge conforms to this limit.

The first is the controlling of sediment loading at source using small settling basins and vegetation windrows, while the second involves treating the water in the sedimentation ponds with flocculants. Organic polymers bind with clay particles, making them heavier and therefore more prone to settling. These water management measures were in place before mining started. However, the first year of pond operation was difficult and this led to the limits of the suspended solids being exceeded. As staff gained more experience in the process, they have been able to control these levels, with only a few instances of permit non-compliance during 2008.

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Long-term water strategy for New Vaal colliery

Like most of our South African mines, New Vaal colliery faces the challenge of an excessive amount of water. In fact, tonne for tonne, it pumped more water than it produced coal in 2008.

Water management currently involves the use of evaporation dams, using water for dust suppression and in the plant, and pumping water to the neighbouring Lethabo power station for use in its reverse osmosis plant. However, the results of monitoring conducted by the mine indicate that the volume of water required to be pumped each year in order to mine three coal seams is increasing dramatically year on year.

As a result, the colliery needs to find a sustainable strategy to manage this and, although treatment would provide a solution, it is the last step in the hierarchy of waste reduction – reduce, re-use and recycle.

Independent consultants have been asked to present the mine with all options for its excess water and our environmental services department has embarked on two projects that will provide the mine with an improved model and a water strategy for Anglo Coal South Africa.

New Vaal is currently defining the scope of the project and timelines for deliverables will be set. It is expected that the outcome will provide a range of potential solutions that will enable the operation to evaluate the best option in terms of the Anglo Coal strategy and sustainability beyond mine closure.

A Peace River Coal's Trend mine in Canada, situated near the Rocky Mountains, has strict water management measures in place to limit the discharge of suspended solids from sedimentation ponds into the local streams

B From left: Head of Anglo Coal Canada and South America Craig Wiggill, Anglo Coal chief executive officer Ian Cockerill and head of operational performance for Anglo Coal Canada and South America Glen Koropchuk on site at Trend mine in Canada.

Energy

Energy security, efficiency and the reduction of greenhouse gas emissions remain at the top of our global energy agenda. We consume energy in the form of electricity, liquid fossil fuels and explosives to extract and beneficiate coal. Using 2004 as a baseline year, we have committed to reducing our energy intensity by 15% by 2014.

Energy consumption

Our total energy consumption for 2008 was 17.8 million gigajoules (GJ) or 186 megajoules (MJ) per saleable tonne. This is an increase of 27% on our energy consumption in 2007.

In South Africa, energy consumption was 98.9 MJ per saleable tonne against a target of 90.6 MJ per saleable tonne. This can be attributed to worsening mining conditions that led to increased energy usage, the national power crisis which affected production output, heavy rainfall early in the year and switching fuel from electricity to diesel.

In Australia, energy consumption was 325 MJ per saleable tonne against a target of 158 MJ per saleable tonne. This reflects a 31% increase in overall consumption and a 15.6% deterioration in energy efficiency relative to 2007. This was due to operational growth, prevailing operating conditions and extreme weather events.

As this is its first year of commercial operation, our Trend mine in Canada is currently developing energy targets and will use 2008 as a baseline year.

During the reporting period, we concentrated on energy efficiency technologies to create awareness of the importance of energy saving. These included replacing traditional lighting with more energy-efficient alternatives, occupancy sensors, day/night switches on dragline booms and the installation of variable speed drives and soft starters on conveyors. We undertook diesel use monitoring and compressed air management. In 2009, the focus will be on projects involving large consumers of energy at our operations. These include draglines, conveyor belt systems, ventilation fans, pumps and screens.

Energy security in South Africa

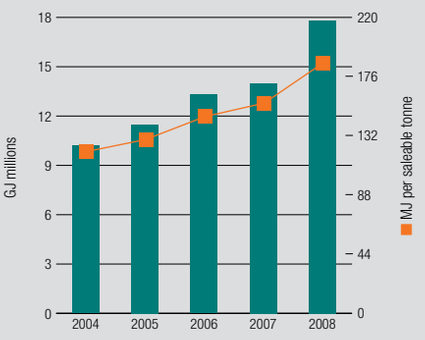
Widespread power outages in South Africa heralded a bleak start to 2008. The country was hit by a national power crisis, which led to imposed power cuts on the mining industry. Eskom, the national power utility, was unable to guarantee security of supply and called on mining companies to ease pressure on the national grid.

Anglo Coal South Africa's export collieries were forced to cease mining activities temporarily and, while this had no major impacts on safety, 264 production hours were lost.

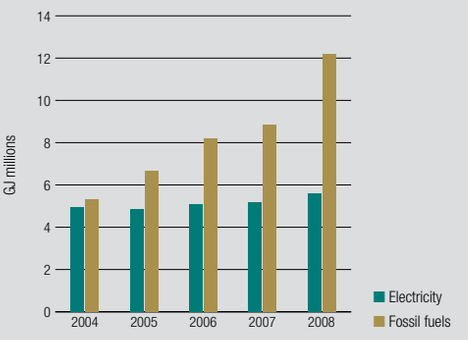
As part of a range of emergency measures, a working group chaired by Anglo Coal was formed by the Department of Minerals and Energy, Eskom and coal producers to achieve solutions that would assist the power utility in securing additional coal supplies. The group, which mobilised all players in the South African coal mining industry, was successful in increasing Eskom's low stockpile levels from an average of 11 to 20 days between January and June. The producers provided Eskom with an additional three-and-a-half million tonnes of coal prior to the start of winter and committed to supplying an additional 43 million tonnes over a two to three-year period.

Anglo Coal initiated a number of other measures to assist Eskom, the most significant being a decision that collieries which previously had produced coal exclusively for the export market would now have an Eskom-sale component. Anglo

Total energy used



Energy from electricity purchased and fossil fuels consumed



Discard coal-fired power project

Anglo Coal South Africa has initiated a study into the construction of a power generation plant that would operate using low-quality discarded coal as fuel.

Despite the current demand slowdown, the country's electricity supply reserve margin is expected to remain under pressure until Eskom has commissioned its new power generation facilities. Demand-side management and mandatory savings are planned, adherence to which may become a precondition to connecting power to large new projects. It is possible that the generation of a portion of our own power could, therefore, act as an enabler for future growth.

Despite its low calorific value, lower-quality coal and the fine powder generated from handling and mining processes could be used to generate electricity

Coal fines – the fine powder generated from handling and mining processes – and lower-quality coal cannot always be processed for sale and these products are stockpiled on waste dumps. Despite its low calorific value, this material could be used to generate electricity.

Coal discard dumps comprising an estimated 60 million tonnes are currently situated in the South African Coal Estates (SACE) complex and the mines making up this complex (Greenside, Kleinkopje and Landau collieries) produce a further four to four-and-a-half million tonnes of 'as arising' discard per annum. This would be sufficient to generate up to 1,200 MW for 40 years.

A 300 MW modular plant is envisaged and, should the project go ahead, it will make use of circulating fluidised bed technology. Four sites in the eMalahleni (Witbank) area on SACE property are being considered for the proposed facility.

A number of power plant developers and utility companies have expressed interest in participating in the project and various structuring, funding and ownership options are being considered. Should the plant go ahead, the benefits would include:

- Energy security for a portion of Anglo American's power demand
- Reducing the extent of coal discard dumps which occupy valuable land and result in potential environmental challenges
- Circulating fluidised bed technology results in low NO_x, SO_x and particulates
- The creation of jobs and the utilisation of an existing resource
- Introduction of a new power generation technology.

A technical guide for energy saving

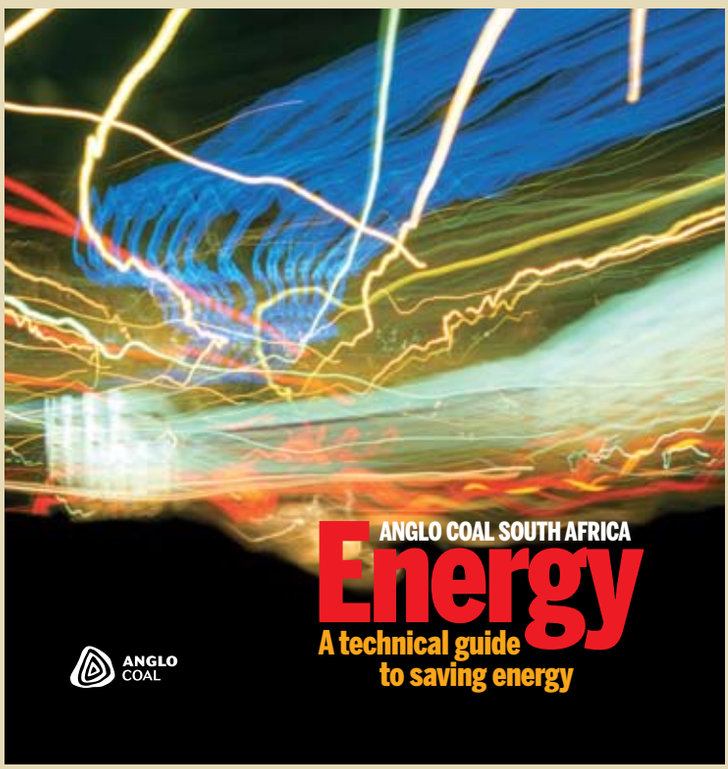
Anglo Coal South Africa has published a technical guide, which provides best practice tools, tips and checklists to assist engineers to save energy at their operations.

The guide is focused specifically on coal mining, can be applied to a wide range of equipment, and is designed to assist collieries to become more deliberate in the way they address their energy use, costs, wastage and, ultimately, their carbon footprint.

The publication, which is a live document in a format that can be easily updated, provides an overview of Anglo Coal South Africa's usage patterns and consumption figures as well as key steps for managing energy at the operations. It identifies some of the areas in which energy is often wasted and provides useful pointers for current installations, maintenance facilities and new designs to improve energy efficiency and assist in reducing energy costs.

Checklists are provided at the end of each chapter for engineers' own quick audits and recording purposes, and the file is in a format that allows them to add their own notes, case studies and research. Information on power outages caused by Eskom's load shedding is included as well as safety tips to be used during these periods.

The guide will be used in ongoing efforts to develop and share best practice in energy efficiency throughout the Anglo American Group.

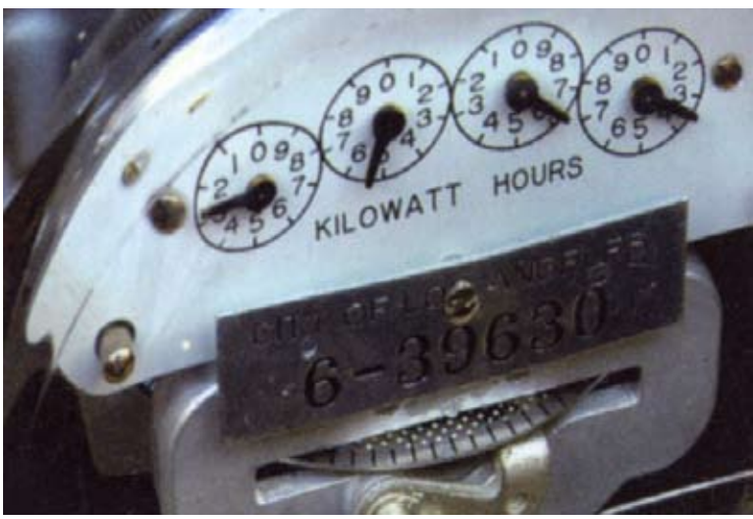


Coal's export collieries supplied an additional 2.6 million tonnes to the utility in 2008.

Emergency preparedness

We have developed a power outage emergency preparedness strategy to ensure that operations are better equipped to operate essential equipment during any future power cuts. These measures include the acquisition of power generators, the introduction of a system that provides near real-time energy usage and demand information, as well as awareness and communication.

Various strategies were employed at the mines in order to save electricity at the beginning of 2008.These included the introduction of a system able to monitor real-time energy usage and demand information



Passive dust-stilling hood

Every day, 50,000 tonnes of coal are offloaded from mine haul trucks into the primary tip at New Vaal colliery, where it is separated into two process streams and then crushed. The tipping action and crushing process generate significant amounts of airborne dust, a situation which is aggravated when the coal is burning as a result of spontaneous combustion. Not only is this potentially harmful to the environment but it has a detrimental effect on working conditions in the tip area.

New Vaal is situated in the centre of South Africa's 'Vaal Triangle' and this region was the first to be targeted by the Department of Environmental Affairs and Tourism for the development and enforcement of air quality standards. The colliery has aligned itself with this initiative by implementing its own air quality management plan that has yielded a significant reduction in dust levels around the tip area. The colliery commissioned the design and construction of a passive dust-stilling hood, which has the effect of enclosing the tip and improving dust extraction within the structure.

In order to obtain comparative measures to determine the efficacy of the hood, dust monitors were installed around the primary tip area in January 2008, a few months before the installation of the hood. The data collected in June showed a 60% reduction in dust fallout compared with the levels recorded at the beginning of the year. This is a clear indication that the intervention is assisting the colliery to manage its impact on the surrounding environment, of particular importance as New Vaal is situated close to busy residential and commercial areas.

The passive dust-stilling hood installed at New Vaal colliery's primary tip reduces the amount of airborne dust around the tip area

Long-term solutions

Anglo Inyosi Coal includes several greenfield projects that will supply a significant amount of coal to South Africa's new and existing power stations. During August, Anglo Coal signed a letter of intent with Eskom to supply its new 4,800 MW Kusile coal-fired power station with 17 million tonnes of coal per annum over its 47-year life. This coal will be supplied primarily from New Largo colliery, which will be commissioned in 2012. Zondagsfontein, which is in the construction phase, and the greenfield Elders mine will have a 50% and 40% Eskom component respectively. In addition, we are investigating the possibility of re-commissioning Goedehoop colliery's Brown Shaft to supply coal to Eskom.

Air quality

In late 2007, South Africa's Department of Environmental Affairs and Tourism declared the highveld region of Mpumalanga province, which hosts the majority of our mines, a national air pollution hot spot. The government is currently monitoring air quality in this area. The data collected will be fed into an emissions inventory, after which a management plan will be compiled. At this stage, we are yet to determine what implications this plan will have on our operations. We are in the process of acquiring additional resources to enable us to comply with requirements.

New Vaal colliery already has air emissions inventories in place and all our other opencast collieries will develop these. The inventories will give our collieries a greater understanding of where air pollutants are generated so that actions can be put in place to address these. In addition, we intend to purchase a mobile monitor to measure particulate matter with a diameter of less than 10 micrometers. The monitor will be used as a roving meter at all sites to obtain a baseline.

Anglo Coal South Africa once again supported the government's *'Basa njengo Magogo'* (make a fire like granny) campaign by rolling it out to further eMalahleni (Witbank) township areas. The initiative, which aims to reduce high levels of air pollution associated with the use of coal for heating and cooking in low-income households, introduces community members to a low-cost coal burning method that is not only less harmful to their health but is more cost-effective and environmentally-friendly. A total of 20,000 informal and formal households were targeted in the 2008 campaign. We continue to monitor and track air quality conditions and improvements brought about by the project.

Our Trend mine in Canada is situated on the side of a mountain and, consequently, faces several challenges for dust control in this very windy environment. In the processing plant, dust is

mitigated by conveyor shields and the use of sprays that release a mixture of water and calcium chloride to prevent the spray from freezing. Trend's biggest sources of dust, however, are its coal feed point at the run-of-mine stockpiles and the area where processed coal is discharged to the clean coal stockpile. To address the dust in these areas, the mine has constructed two wind fences, each 12 metres high, upwind of the stockpiles. Panels of porous fabric create a wind shadow that reduces dust discharge. The wind fence panel structures are being improved to withstand excessively high wind speeds.

Spontaneous combustion

Spontaneous combustion (sponcom) of coal is the generation of heat through the oxidation of carbonaceous minerals, which occurs without the application of any obvious external energy source. Sponcom can lead to fire if uncontrolled and it has potential safety, health, productivity and environmental consequences. These include operational risks in mining such as a decrease in coal quality and increased production costs. Large opencast coal operations that have been previously mined by underground methods, especially those where flooded bord and pillar workings are present, are susceptible to sponcom.

While there are no internationally-accepted guidelines to determine CO_2e emissions from sponcom, Anglo Coal South Africa has undertaken a study to estimate sponcom-related emissions more accurately and further work is planned for 2009.

Land management and rehabilitation

Anglo Coal has a total of 38,980 hectares of land utilised for mining operations. All our sites have in place opencast rehabilitation plans, which are reviewed on an annual basis.

The Anglo Coal Rehabilitation Improvement Group continued work on drafting an Anglo Coal best practice guide for rehabilitation. This will set standards for, among others, rehabilitation planning, equipment, soil handling, fertility and the re-establishment of vegetation. Research and development projects for optimising fertiliser applications, planting indigenous grass species on rehabilitated areas, irrigation and soil compaction alleviation are under way. Two of these projects aim to break down weathered coal into an organic material that could be used as fertiliser on rehabilitated land.

Land disturbance and rehabilitation in hectares	
Total amount of land disturbed during reporting period	1,319
Total amount of land rehabilitated during reporting period	384
Total land disturbed and not yet rehabilitated (closing balance)	19,962

Closure

The Sustainable Development Planning and Mine Closure Toolbox developed by Anglo American's Technical Division is a long-term strategic planning instrument that will enable our collieries to leave behind positive legacies after they cease mining.

The toolbox expands the traditional focus of mine closure planning from financial provision for rehabilitation and physical closure to planning for long-term sustainability. Its purpose is to reduce long-term risks and liabilities and ensure that mining is

A water cannon is used to address spontaneous combustion and cool down blasted overburden before this is removed to expose the coal seam

used as a foundation for a better future for its surrounding communities. It is applied in the feasibility and planning processes of new projects to minimise negative environmental, economic and social impacts post-mining. Personnel at all our operations have been trained to use the toolbox. The model has been adopted in South Africa, at Cerrejón in Colombia and will be implemented at our Australian sites in 2009.

We have used the toolbox to undertake a gap analysis on mine closure requirements for our operations in South Africa and this process will be implemented at our operations in all other regions.

To cover the cost of closure for all operating collieries, environmental rehabilitation trusts have been created. The table provides details of the cost of planned closure for Anglo Coal South Africa's existing mines and the balance of the funds accumulated in the environmental trusts at 31 December 2008. The difference between the balances in the trusts and the cost of closure will be provided for by bank guarantees lodged with the Department of Minerals and Energy (DME).

Cost of closure and balances in environmental trusts (South Africa)	
	US$1000
Cost of planned closure	321,886
Cost of premature closure	666,035
Bank guarantees submitted	107,714
Balances in environmental trusts	133,534
Total closure funding	241,249

Mines that ceased operations before provision for closure legislation existed would not be covered by these funds. An example is Middelburg Steam and Station, which ceased production in the 1950s. This is a defunct mine that was acquired when Goldfields Coal was taken over by Anglo Coal South Africa in 1999. Anglo Coal is engaging with the DME on an approach to tackle final rehabilitation of this mine.

Anglo Coal Australia commissioned an independent review of current rehabilitation provisions and, as a result, these have been increased by an additional US$84.7 million. The exercise also highlighted opportunities to improve the mine closure planning processes in the region.

Biodiversity

As mining has the potential to harm biodiversity, either through the destruction of habitat or by negatively impacting air quality, land and local water sources, an important element of our environmental responsibility is the conservation of biodiversity.

Each of our operations has a biodiversity action plan (BAP) in place and an Anglo American peer review process facilitates the sharing of best practice and ongoing improvement in this area. Our projects have a clear scope of work regarding sensitive ecosystems, listed species and ecosystem services and the conservation of biodiversity is integrated into mine planning and design at the earliest possible stages.

During 2008, biodiversity reviews were conducted at South Africa's New Denmark and Landau collieries and Australia's Callide and Drayton mines. Reviews will take place during 2009 at South Africa's Kriel and Kleinkopje collieries and Australia's Capcoal and Moranbah mines. Focus areas in the next reporting period will be the further integration of biodiversity into the ISO 14001 system and the improvement of leadership support for the management of biodiversity.

Anglo Coal Australia has signed a conservation agreement with the Queensland National Parks and Wildlife Service for the establishment of the Mount Murchison nature refuge. The area, which is situated on land managed or owned by Callide mine, is home to a number of regionally-significant remnant vegetation types. Callide completed a threatened species survey in this area and on the Bluff mining lease. During 2008, Dawson mine showed significant progress in the development of its BAP with a number of initiatives (see case study on page 42).

In South Africa, the phase one off-site wetland rehabilitation project at Isibonelo colliery continued in 2008. We continue to support the Mpumalanga parks board's breeding projects for the rare black-footed cat and southern ground hornbill and this relationship is set to grow even further, with a possible partnership between Anglo Coal, the parks board and Be Free Wildlife, a rehabilitation and environmental education organisation.

In Canada, the impact of mining activities on caribou reindeer is the key biodiversity concern at Peace River Coal as both Trend mine and the Roman project are located in the caribou winter migratory range. Our focus will be to address habitat corridor requirements for the caribou. We are engaging with government and other stakeholders to solicit their inputs in the reclamation planning process. Peace River Coal continues to support a caribou collaring study to gain a better understanding of the caribou migratory patterns and habitat use.

Turning pit into pasture

A herd of zebra grazes off the lush green savannah while, nearby, a new-born blue wildebeest takes its first hesitant steps under the watchful gaze of its mother. A kingfisher perches on the branch of a swaying tree at the water's edge and a teal noisily takes flight, disturbing the siesta of a monitor dozing on a rock. Amazingly, this panorama exists not in South Africa's Kruger National Park but in New Vaal colliery's biodiversity park, an ongoing rehabilitation programme that will continue long after mining has stopped.

The biodiversity park is continually growing and will soon cover an area of over 1,000 hectares with an increasing amount of wildlife. Species already present include impala, springbok, zebra, red hartebeest, blue and black wildebeest, eland and duiker. As the park grows, it will be able to support larger game, including white rhino. The birdlife is prolific and includes darters, cormorants, greater and lesser flamingo and red kestrels, and there has been a recent sighting of a giant kingfisher.

New Vaal believes that conservation is the ideal building block for the creation of sustainability as it attracts tourism, aids job creation, promotes environmental awareness, facilitates outreach programmes and conserves our natural heritage. The mine's vision for the future is that, as the park grows in size, it will be used to promote educational and recreational activities. The introduction of game drives, the establishment of hiking trails and 4x4 routes are ideas that may be considered in the future.

Progress in the rehabilitation process at the colliery has gained considerable momentum over the last two years and, in 2008, a record amount of ground was levelled. The importance that New Vaal colliery places on rehabilitation is evidenced by the resources it allocates to this vital task. Fifty-seven people are dedicated to this function and they are appropriately equipped with six bulldozers, two hydraulic sand shovels, six flat-backed trucks, three tractors and other agricultural equipment. The mine has put a great deal of effort into developing and training its rehabilitation staff in the use of this equipment, particularly in optimising the use of the bulldozers.

An equally-important responsibility is the preparation of land that is about to be mined. Any animals present on this land are gently driven off to the biodiversity park or are lured there with the aid of salt licks. The presence of vulnerable or sensitive plant species is noted so that these can be reintroduced in the subsequent rehabilitation phase.

A variety of wildlife roams freely in New Vaal colliery's biodiversity park which will soon be enlarged to cover over 1,000 hectares of the mine's property. Conservation is considered to be the cornerstone of sustainability as it creates jobs, attracts tourism and facilitates various outreach programmes, while preserving our natural heritage

Vegetation mapping at Dawson

The biodiversity action plan at Anglo Coal Australia's Dawson mine identified opportunities for positive inputs on biodiversity by creating nature corridors. The mine has linked isolated ecosystems to its rehabilitation sites to allow the movement of flora and fauna between them and create collectively larger habitats with more robust, stable and diverse ecosystems. This has improved the quality of Dawson's rehabilitation work and the biodiversity values for the area.

By identifying and mapping the original, pristine ecosystems and by regenerating the endangered regional ecosystems, Dawson is more consciously able to manage its impacts on these areas. The programme has already yielded positive results. During a night survey within a large area of the regenerating Brigalow habitat immediately adjacent to the mine, eight endangered ornamental snakes and nine species of frogs were found.

In 2008, the operation identified and mapped endangered regional ecosystems across and adjoining mining leases and conducted flora and fauna assessments at the Willawa nature refuge, where two previously-unrecorded vulnerable species were identified.

Dawson is investigating the potential for using mining voids for aquaculture programmes and continues to support research for the conservation of the Fitzroy river turtle. This vulnerable species is endemic to the Fitzroy basin in central Queensland and the mine is involved in a project to conserve it through monitoring, nest protection and by raising awareness in the community.

One of the eight ornamental snakes identified during a recent night survey at Dawson's Brigalow habitat in Australia

Material consumption

Fuel, explosives, lime, magnetite and conveyor belting are some of the primary materials we use at our operations. While none of these is formally recycled, we re-use conveyor belts and magnetite. The table illustrates how much new material was acquired during the year.

Material consumption		
Fuel	(million litres)	315
Explosives	(thousand tonnes)	182
Lime	(thousand tonnes)	100
Magnetite	(thousand tonnes)	92
Conveyor belts	(thousand metres)	140

Waste management

Non-mineral waste

To ensure a sustainable future, we recognise the benefits of recycling and some of our collieries have extended their own programmes to include local schools and communities. At Australia's Capcoal operation, the recycling of paper and cardboard has been fully implemented and was extended throughout the commercial area of Middlemount. The mine has also started recycling hard hats and copper wire and has commenced a trial recycling project with aluminium cans. These complement the re-use of waste oil, gloves and oily rags and the recycling of electrical components, wood pallets and printer cartridges.

Biologists place a radio collar on a caribou near Trend mine in Canada. Telemetry data from these collared animals are used to study their movement patterns and habitat use

Waste management		
Non-hazardous waste to landfill	(tonnes)	14,698
Paper recycled to external user	(tonnes)	64
Metal recycled to external user	(tonnes)	9,326
Non-hazardous waste sent for recycling or re-use	(tonnes)	372
Used oil recycled to external recycler	(thousand litres)	63,248
Recycled printer cartridges	(units)	250

1) This table refers to data for Australia and South Africa
2) The figures for recycled paper and printer cartridges refer to South Africa only. Although recycling takes place in Australia, it is not measured.

Hazardous waste (tonnes)	
Hazardous waste to landfill	1,933
Hazardous waste to incineration	5
Medical waste to incineration	0.2

In South Africa, the recycling of paper from our operations increased from 33 tonnes in 2007 to 64 tonnes in 2008 and the process has been made more efficient with the provision of trolleys for cleaning staff and the covering of waste collection areas to prevent littering. To conserve paper, photocopiers and printers have been set to print on both sides of the page where this is feasible.

Discard coal

Discard storage facilities at our operations are managed through a mine discards code of practice, discard facility designs, the IS0 14001 environmental management system and in accordance with legislative requirements. To ensure their structural stability, residue deposits are operated under the supervision of a professional engineer, who checks at least once a year that the operation of the dump complies with the design safety factor. Regular site inspections and audits are undertaken at rehabilitated, active and closed facilities.

Our approach to the management of discard facilities includes the following:

- Minimising the infiltration of precipitation into discards by installing a suitable cover and intercepting and treating polluted water before it is discharged into the environment
- Ensuring soil covers are protected against erosion and are properly vegetated

- Ensuring the effective separation of clean and dirty water.

Tailings and waste disposal facilities are reviewed on an annual basis as part of our risk assurance requirements.

In South Africa, the disposal of mineral waste in the form of low-quality discard coal and fines results in the loss of what could be valuable fuel for the generation of power. As the country is facing a critical demand for electrical energy, we are investigating or have already implemented a range of initiatives to make use of this resource. These include:

- A pre-feasibility study into the construction of a power generation facility that would be fuelled by discard coal from the Greenside, Kleinkopje and Landau colliery dumps. The proposed plant would also make use of 'as arising' coal fines generated in their processes (see case study on page 36)
- The sale of roof and other poor-quality coal to clients, including Eskom, via black economic empowered entities

The benefits of recycling waste material, wherever feasible, have been recognised. Programmes have been implemented on all sites to raise awareness and to extract the best possible value from all types of scrap

Turning waste oil into an asset

Two of our South African collieries are making use of what would otherwise be waste oil in the explosives used in their opencast mining operations.

Our nine operating collieries in South Africa produce in excess of 60,000 litres of waste oil per month from their diesel fleets. Waste oil is generally recycled by an outside service provider and sold back to the company and other users.

Kleinkopje and Landau collieries, however, saw an opportunity to benefit from this waste product by utilising it in their explosives. Traditionally, large quantities of diesel are blended with ammonium nitrate to produce an explosive known as ammonium nitrate fuel oil (ANFO) and, as the global price of diesel had risen to unprecedented levels, the mines sought cheaper alternatives.

After conducting extensive trials, in which half the diesel previously used in ANFO was replaced with the recycled waste oil, it was found that the new blend would have no adverse effect on the quality of the blasts, that there were no other risks involved and that the blend meets legal requirements. During the first two months of this practice, the two collieries saved 59,000 litres of diesel, realising significant financial savings.

Plans are in place to implement this initiative globally and to ensure that it becomes an Anglo American standard in explosives as the potential financial benefit for the Group is estimated to be savings of between US$3-6 million per annum.

Over the past number of years, Anglo Coal South Africa has been conducting trials to introduce crumbed rubber sourced from old earthmoving vehicle tyres as a substitute for diesel in ANFO. Should these trials be successful, it may be possible to eliminate the use of diesel in explosives by combining used oil and crumbed rubber.

Waste oil storage tanks at Landau colliery in South Africa. After the oil is recycled, it is blended with ammonium nitrate to produce the explosives used for blasting on the mine

- A potential project to beneficiate, in a 300 tonnes per hour plant, discard coal arising from Greenside colliery's export plant. This will be supplemented with material from a portion of the mine's 'bull-nose' dump. Should the project go ahead, it will be a joint venture between Anglo Coal and a BEE partner. The product would be sold to Eskom. The same concept is being investigated for a second South African operation
- A 1,000 tonnes per day fines beneficiation plant in operation at Goedehoop colliery
- The new generation process plant at Mafube colliery, which recovers ultra-fine coal that can be added to the end-product.

Environmental incidents

In 2008, we recorded 94 level two incidents (moderate impact or disturbance with medium-term effect). The increase over the previous year's figure of 44 incidents reflects the growth of our business footprint and the increased level of commitment to reporting. At our operations in Australia, incidents were related to blasting and the disturbance of cultural heritage sites and, in South Africa, the majority resulted from uncontrolled spills of polluted water into the surface water system. Most incidents reported by our operations in Canada were related to spillages of hydraulic fluid.

One level three incident (significant impact or disturbance with extensive or long-term effect) was reported in 2008. During the construction of a large clean water dam at Dawson mine in Australia, work occurred outside of the authorised Permit to Disturb zone, resulting in a breach of cultural heritage procedure. This precipitated action under the Cultural Heritage Investigation and Management Agreement. The impacted traditional owner groups were informed immediately and all corrective actions have been implemented to avoid repeat incidents.

No monetary fines or sanctions related to non-compliance with environmental laws were received during 2008.

Environmental incidents	Level 2	Level 3
2004	90	0
2005	58	0
2006	32	0
2007	44	0
2008	94	1

Level 2: Moderate impact or disturbance with medium-term effect
Level 3: Significant impact or disturbance with extensive or long-term effect

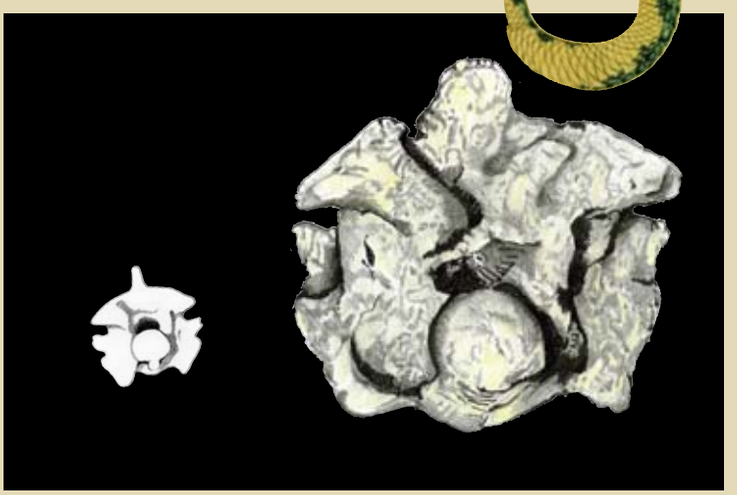
The serpent of Cerrejón

Early in 2009, fossil hunters searching for traces of prehistoric life at our Cerrejón mine in Colombia made an amazing discovery when they found the partial skeleton of a giant python estimated to have been over 14 metres in length and a metre wide.

Named the Titanoboa Cerrejonensis, the reptile would have been longer than a bus and, at 1.25 tonnes, about the weight of a small car. It inhabited South American rain forests over 60 million years ago. Expedition leader Dr Jonathan Bloch from the University of Florida commented that truly enormous snakes spark people's imagination but that, this time, reality had exceeded the fantasies of Hollywood.

Its diet gives a chilling indication of its size as Dr Bloch's team found the remains of giant turtles and crocodiles in close proximity to the snake. The massive serpent lived during the Paleocene era, the 10 million-year period following the extinction of dinosaurs. According to experts, it helps fill a missing gap in the history of evolution.

"We have a window into the time just after the dinosaurs went extinct and can actually see what the animals replacing them were like," said Dr Bloch.

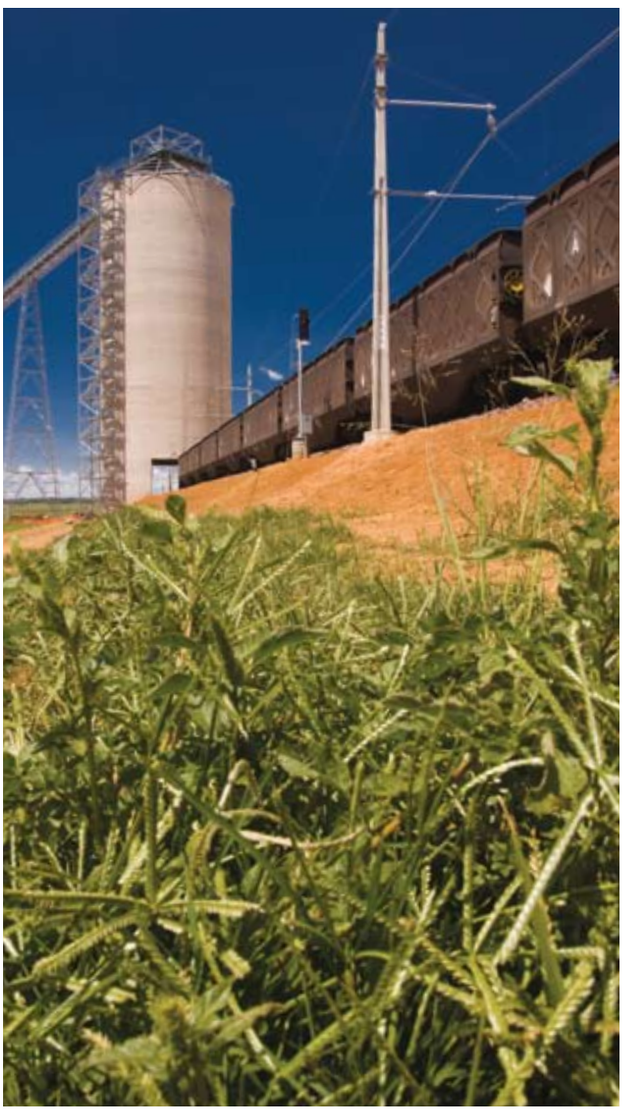


The vertebra of a modern-day 5 metre boa constrictor (left) compared with the vertebra of the 14 metre prehistoric Titanoboa Cerrejonensis found at Cerrejón in Colombia

Compliance

All our certificated mines retained their ISO 14001 certification and successfully converted to the upgraded ISO 14001:2004 standard. The more recently-commissioned Mafube colliery in South Africa achieved its certification for the first time during 2008. In Australia, Foxleigh mine, which was acquired in 2008, will progress towards ISO 14001 certification in 2009. Both Trend mine in Canada and Zondagsfontein colliery in South Africa, currently in the construction phase, will advance towards ISO 14001 certification in 2010.

The coal loading terminal at the recently-commissioned Mafube colliery in South Africa. The colliery achieved its ISO 14001 certification for the first time during 2008



Community engagement

Our communities are integral stakeholders and we aim to be a catalyst for sustainable socio-economic development and growth.

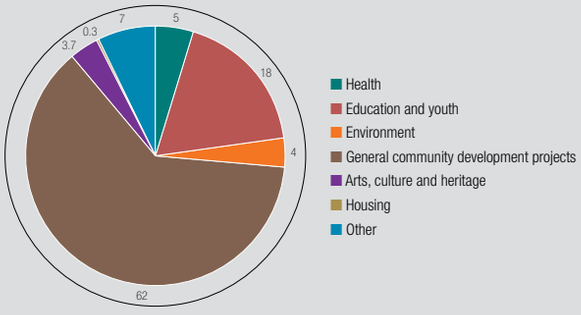
Corporate social investment

During 2008, our global corporate social investment (CSI) expenditure was US$5.7 million. In South Africa, our CSI expenditure increased from US$3.5 million in 2007 to US$5 million in 2008.

The needs of our communities differ in the various regions and our CSI activities are focused on these.

In South Africa, they are aligned with the Integrated Development Programmes (IDP) and Local Economic Development (LED) plans of the relevant municipalities. Community development staff members participate in IDP and LED forums and seminars when plans are formulated and they attend meetings when community needs are identified at provincial and local government level. Our priorities include poverty alleviation, job creation, infrastructure development, education, healthcare and small enterprise development. We work closely with local municipalities to enhance service delivery and have pledged US$4.8 million to the eMalahleni local municipality for the provision of bulk services that will be used for the relocation of people from shack dwellings to formal housing. In addition, we have constructed a clinic in the Steve Tshwete municipal area in Middelburg and established a community trust for Anglo Inyosi Coal.

Corporate social investment (CSI) spend (%)



Total CSI spend for managed operations – US$5.7 million

In Australia, the needs of our communities revolve around housing, education and adequate healthcare in remotely-located communities. Anglo Coal Australia continued its partnership with the Queensland Community Foundation, providing 10 consecutive years of support, and Dartbrook pledged US$170,424 to the Upper Hunter Shire Council for the redevelopment of Taylor Park in Aberdeen. We hosted a sponsorship programme for the youth of the Wulli Wulli indigenous community, providing financial support to six successful nominees in 2008. The purpose of the programme is to help young Wulli Wulli people achieve their academic and sporting goals and assist them to enter the workforce. The Wulli Wulli people, who originate from the area to the south of Dawson, are valued stakeholders. Dawson mine also conducted a training programme designed to prepare indigenous people in the Woorabinda community for work in the mining industry and the mine built a public viewing platform overlooking the operations.

In Canada, Peace River Coal's Trend mine encourages employees to settle in the nearby town of Tumbler Ridge by making it attractive for families. It has embarked on a programme of supporting essential services such as doctors, dentists and teachers, makes donations to community groups and actively supports recreational activities. The operation is located within 210 km of three non-aboriginal communities with a combined population of approximately 34,000. The company has donated funds to various community causes including sports and recreation leagues, fire department services, schools and a

At our Capcoal operation in Australia, housing manager Mark Brown and builder John Creedon discuss the new water-efficient fittings being used in the housing upgrade project

Mathematics, science and ICT centre

In 2009, Anglo Coal South Africa, in partnership with the Mpumalanga provincial Department of Education, will open a mathematics, science and information communications technology (ICT) centre for the benefit of young people in its local communities.

This educational facility, which will be situated at the region's shared services precinct in eMalahleni (Witbank), will cater for high school pupils and out-of-school youths in the greater eMalahleni and Nkangala region. Its aim is to create interest in mathematics and science and, at the same time, provide information, knowledge and training to young people and their teachers.

Donated by Anglo Coal, the building in which the learning hub will operate will include a separate block for local teachers who do not have access at their schools to computers, printers and the internet. In addition, the company has invested US$1 million into the project.

Through the use of interactive educational technology, which will provide entertaining demonstrations, a new generation of learners will gain a deeper knowledge and interest in science.

The ICT centre will provide practical assistance for English language teachers who will be able to increase their pupils' abilities in reading, comprehension and spelling, which should have a positive effect on pass rates in the region.

Anglo Coal aims to employ and offer bursaries to the young people who reside around its operations and believes that a facility of this type will assist the youth to achieve a higher level of academic performance.

In addition to its academic role, the facility will include an active career guidance and assessment centre which will not only assist learners and school leavers to investigate a variety of possible career paths but will provide practical advice on job-hunting skills and information on self-employment. Early indications suggest that as many as 20,000 young people will be assisted annually.

palaeontology museum. The mine is committed to building productive, mutually-beneficial relationships with its aboriginal and non-aboriginal host communities.

In China, Anglo American is working with PLAN, a non-governmental organisation focused on community development, to increase access to potable water and sanitation in Shaanxi province, situated close to where our proposed Xiwan project will be located.

Resettlement

We ensure that all resettlement activities are handled with sensitivity and that constructive engagement takes place with relevant stakeholders and interest groups within an affected community. Relocation is only considered an option when there is no realistic alternative. However, when these activities do take place, World Bank and International Finance Corporation guidelines are met or exceeded.

In South Africa, we are engaged in the following resettlement activities:

- A total of 103 graves were relocated to make way for the Zondagsfontein project, which is currently in the construction phase
- More than 350 graves were relocated from the Elders greenfield project site and consultation has commenced with the 36 farming families resident on this land
- Mafube colliery will be relocating 40 households in 2009
- Seventeen households situated within the 500-metre blasting radius at Kriel colliery are being resettled and this process will continue into 2010
- One household at Isibonelo colliery was relocated.

No resettlements were made or are foreseen at our Australian and Canadian operations and no concerns relating to land rights or the special cultural and political rights of indigenous people were noted in South Africa and Canada in 2008.

Australia did, however, record a level three incident when a contractor at Dawson mine failed to follow the details outlined in the issued Permit to Disturb (PTD). This resulted in a breach of cultural heritage procedure which precipitated action under the Cultural Heritage Investigation and Management Agreement. Corrective actions were carried out immediately with the contractor and were followed by consultation with the traditional owners. Following this, co-ordinates for culturally-sensitive work areas have been included in the cultural heritage assessment section of the PTD and the operation's cultural heritage zoning map.

Anglo Coal small business hub initiative

Anglo Coal South Africa has launched four small business hubs that are aiding employment creation, poverty alleviation and black economic empowerment by stimulating the development of small enterprises in the communities that surround its operations.

The initiative, which is the brainchild of Anglo Zimele, Anglo American's 19-year-old empowerment and enterprise development arm, aims to create sustainable businesses outside the Group's operations to ensure that, when mining operations in an area cease, local economies not only survive but thrive.

Anglo Coal South Africa's small business hubs opened their doors to the communities of eMalahleni (Witbank), the Vaal area, Middelburg and Secunda in 2008 and have already contributed meaningfully to economic growth in these regions.

All four hubs, which are staffed by personnel with extensive experience in business development, facilitate loans through the Anglo Zimele Small Business Start-up Fund and provide fledgling entrepreneurs with free hands-on advice on the day-to-day running of their businesses.

Support services include business planning, training, mentoring and tax and accounting advice. Entrepreneurs are able to visit the hubs to access administrative facilities including the internet, fax machines, scanners and printers.

In its first year, the Anglo Coal hub initiative supported 66 businesses that jointly employ just over 500 people. These enterprises were provided with loan finance of US$2 million through the fund.

The programme, which has also been adopted by Anglo American's Anglo Platinum and Kumba Iron Ore divisions, aims to assist 150 businesses per year, thereby creating 1,000 employment opportunities per annum. Anglo Coal South Africa has plans under way to open a fifth hub in the Bushbuckridge area of the Mpumalanga province, which is home to a large number of employee dependants.

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A Leseding Embroidery Services, a member of the Anglo Coal Small Business Hub in Middelburg, specialises in the large and small-scale embroidery of a variety of garments and other items for schools and the corporate sector. In the photograph are entrepreneur Dolly Mahlangu and assistant Mathabo Sekhohola

B Xoli Ndebele, Gugu Hadebe, Solomon Sihiangu and Sybo Ditsego of hub enterprise Reditsego Transport with a newly-acquired vehicle purchased with the assistance of the Anglo Zimele Small Business Start-up Fund

C Jacque de Wet of hub enterprise Imifino Gardens promotes skills development and job creation through sustainable vegetable-growing projects

Peace River Coal supports classic wilderness event

Peace River Coal's Trend mine in Canada operates in a high-value habitat which is home to many British Columbian species including caribou, wolverine, ptarmigan and the grizzly bear.

The beauty of this natural wilderness, with its paths and tracks through forest and over high altitude trails with spectacular views of the Rocky Mountains, has made the small mining town of Tumbler Ridge a focal point for outdoor activities in the region.

In 1999, the town's outdoor club, the Wolverine Nordic and Mountain Society, organised the first Emperor's Challenge Mountain Run – a 20 kilometre race over and down the Roman Mountain – that has grown steadily to well over 300 participants. It is billed by the organisers as the 'toughest and most beautiful' half-marathon in the world.

The opening of Trend mine in 2005 brought with it concern that the race might be in jeopardy as coal was going to be mined across portions of the event's traditional route. Mindful of the importance of this race to the community and the culture of Tumbler Ridge, the mine decided to take a proactive approach and entered into discussions with the race organisers to find a way of altering the route without losing anything of the character of this unique event.

As a result of this dialogue, a solution was found that enabled the event to retain its traditional start and finish point. Agreement was reached on a revised route and the mine funded the clearing of a new section of trail as well as the construction of a bridge to take the runners over a local creek. To the delight of the organisers, the new route was even tougher for athletes, which added to the challenge of this 'extreme' event.

The tenth running of this important community event took place in August 2008 and Peace River Coal remains not only a major sponsor of the race but has committed to assisting in future alterations to the route as they become necessary.

Athletes describe the Emperor's Challenge Mountain Run, a 20 kilometre race run over and down Roman Mountain in Canada, as the toughest and most beautiful half-marathon in the world

A positive milestone was reached at Cerrejón in Colombia when a long-outstanding legacy issue associated with the relocation of the Tabaco village and resettlement of its community was resolved. While the engagement process has been under way for some time, the agreement followed an independent third-party review of social issues at Cerrejón under the leadership of Professor John Harker, president of Cape Breton University in Canada. Although the resettlement had occurred before the current owners of Cerrejón assumed management control, this has been a significant impediment to better community relations. Following the recommendations of the review, a no-blame approach was taken by the Tabaco Relocation Committee (on behalf of the Tabaco community) and Cerrejón to resolving issues and an agreement, facilitated by Professor Harker, was signed in December 2008. Cerrejón is currently in the process of relocating 140 families at Roche, Chancleta and Patilla. This relocation process, which is fully-aligned with the World Bank Guidelines, is expected to be completed by 2010.

Should our proposed Xiwan project in China advance beyond the feasibility stage, the resettlement of approximately 3,200 people will become necessary.

Social performance review

During 2008, Anglo Coal participated in an Anglo American review of the capabilities and social performance of its South African operations.

This was commissioned by the Sustainable Development Committee of the Anglo American board to evaluate how the Group is faring in terms of compliance with the regulatory requirements of the Mining Charter, the Codes of Good Practice and the Group's commitment to the principles of good corporate citizenship and sustainable development.

The review highlighted Anglo Coal South Africa's leading position in various fields including the management of HIV and AIDS in the workplace, housing, social investment and enterprise development (the latter conducted in conjunction with Anglo Zimele, Anglo American's enterprise development and black economic empowerment arm).

It identified challenges in areas such as the low uptake of adult-based education and training opportunities by illiterate employees, the lack of a database on the exact origin of migrant labour for the identification of developmental projects in these areas, and the implementation of the Socio-Economic Assessment Toolbox (SEAT) process. The review also identified the need for both internal and public sector capacity-building to facilitate the

Mafube helps establish rural village

During 2008, Mafube colliery donated in excess of 200 hectares of land to the Steve Tshwete local municipality, in South Africa's Mpumalanga province, for the establishment of a rural village for the resettlement of 450 families who currently reside on commercial farms and land earmarked for future mining activities.

The municipality's Local Economic Development (LED) objective is to provide services for rural people and, in appreciation of the colliery's donation of land, the new permanent settlement has been registered as the Mafube Rural Village.

Forty families affected by Mafube's mining activities will be resettled in 2009. A second community, comprising a further 60 homesteads, will be re-established prior to the mine commencing operations at its Nooitgedacht site approximately seven years from now. A cornerstone of the project is that residents will become land and home owners for the first time and will be given registered title deeds. Houses will be provided with running water and the option for electricity. Great care has been taken to ensure that the resettled community is able to continue its traditional lifestyle in a suitable environment. Subsistence farmers, for example, will have access to land for the raising of livestock and the production of vegetables.

Engagement with community members has been an integral part of the relocation process and the mine is ensuring that family living space is apportioned to maintain the traditional location of grandparents, parents and children within each family's domain. Outside walls will remain unpainted to allow the new residents to decorate their homes with their familiar Ndebele tribal patterns.

Homes are situated on an area of farmland that will allow for housing to be built not only by Mafube but by other mining companies that need to resettle communities. The mine has already given priority to the rural community when sourcing labour.

Aligned with the municipality's LED plan and in conjunction with the other businesses, the local authority and the relevant government departments, Mafube has committed to contributing to the building of a clinic and a multipurpose centre in the area. This interaction is vital to ensure that both these facilities and the community remain sustainable after closure of the mine. Provision has also been made for a school.

The Mafube relocation process is aligned with the World Bank Guidelines on resettlement.

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A One of the 40 families affected by Mafube colliery's mining activities who will be resettled in the newly-established Mafube Rural Village in 2009

B Mafube colliery donated over 200 hectares of land for the establishment of this rural village for the resettlement of 450 families affected by its mining activities and those of other mining companies

implementation of projects identified through SEAT and municipal Integrated Development Plans, and the growing expectation from the South African government that the mining sector should perform a development role in South Africa by becoming a more effective partner with government in addressing poverty and the growth of informal settlements.

As a result of this review, our operations will soon participate in a workforce census which will provide enhanced information about, among other things, labour-sending areas, housing conditions and the level of educational attainments.

In addition, an agreement has been reached with the University of Cambridge Programme for Sustainability Leadership in the United Kingdom and the University of Queensland in Australia on the development of both a foundation and advanced course for Anglo American social practitioners. Three of our senior community development staff will benefit from the advanced programme in 2009.

Socio-Economic Assessment Toolbox

A cornerstone of our operations is free, honest and open communication with all the stakeholders who reside close to our mines. This is facilitated through our Socio-Economic Assessment Toolbox (SEAT) process, which improves our understanding of and helps manage our positive and negative impacts. It provides a guideline for consistent and structured engagement and gives us a greater appreciation of the dynamics of the stakeholders identified in a particular community.

The three-year programme involves the profiling of communities before gathering information on the impacts of our operations. Management responses to the concerns and priorities of stakeholders are published in a SEAT report which is distributed to all stakeholder groups including local, provincial and national government, non-governmental organisations and interested and affected parties. This ensures accountability and provides a mechanism for stakeholder feedback. The implementation of the management responses generated by the SEAT process is taken forward through three-year Community Engagement Plans (CEP), which are updated annually.

Although our Xiwan project in China is currently in the pre-feasibility study phase, SEAT 2 has been used as a reference in the development of the project's CEP as well as in the social and environmental chapters of the pre-feasibility study report.

In Colombia, Cerrejón has made use of SEAT 2 as a primary reference tool to ensure it is aligned with the company's standards and that it is well-positioned to maintain its favourable relationship with both the Guariá communities and the government. Cerrejón has strengthened its Voluntary Principles on Security and Human Rights and the management of human rights and community issues. In 2008, it established a human rights office which is responsible for handling the concerns of its community and the implementation of the company's Voluntary Principles.

Our people

The strength of our company lies in our people. We continue to position ourselves as an employer of choice to attract the talent we need to achieve our objectives.

Our workforce comprises 13,287 permanent employees and 8,100 contractors based at our managed operations in Australia, South Africa, Canada and China and at our corporate offices primarily in London and Johannesburg.

Transformation of workplace culture

Anglo Coal has embraced the drive towards 'One Anglo', knowing that a unified and integrated way of thinking and working will give the Anglo American Group the best possible platform to achieve its ambition of becoming the world's leading global mining company. The six values that underpin this culture govern the way in which we operate in the workplace, in our environment and how we interact with our communities. They are listed below:

The employer of choice journey

The attraction of motivated, qualified and skilled employees is vital if we are to accomplish our aspirations of growth and long-term sustainability in the energy domain. In an increasingly-competitive global skills market, we endeavour to become an employer of choice and have taken a number of steps to achieve this.

During the year, Anglo Coal Australia developed a range of practical initiatives and workable policies to establish its reputation as a preferred employer. Two such endeavours include a graduate overseas experience programme and the introduction of flexible working guidelines. The graduate global mobility initiative enables young employees from our Australian mines and South African collieries to gain greater visibility of our global operations, exposing them to different cultural experiences and work-related challenges. Flexible work arrangements include a formal fly-in-fly-out policy at remote operations and guidelines for work options such as job-sharing, flexible hours and part-time employment.

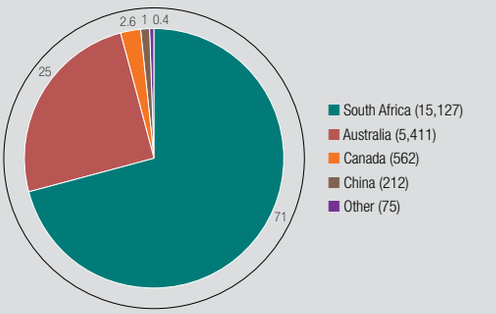
Anglo Coal South Africa, placed ninth in Deloitte's *Best Company to Work For* survey in 2008, believes that ensuring people are engaged with the organisation, are challenged and given the right development and exposure, are keys to effective retention.

Employee turnover

We conducted an in-depth global analysis of our strategy relating to artisans, learners and technical skills in order to position ourselves to attract and retain these capabilities within the organisation.

South Africa's employee level remained relatively constant and, although staff retention in all areas has improved, the retention of artisans remains a focal point.

Workforce* distribution (%)



*This does not include employees at joint ventures where we do not have management control

In Australia, reducing labour turnover involves a combination of improved career management and development discussions as well as the ongoing enhancement of selection techniques to ensure a good match of individuals with their roles. Anglo Coal Australia conducts frequent organisational culture monitoring and analyses exit interviews to ensure that any challenges are identified and managed appropriately.

Remuneration packages are monitored to ensure that they remain competitive in key areas and we make effective use of the performance management system and individual development plans.

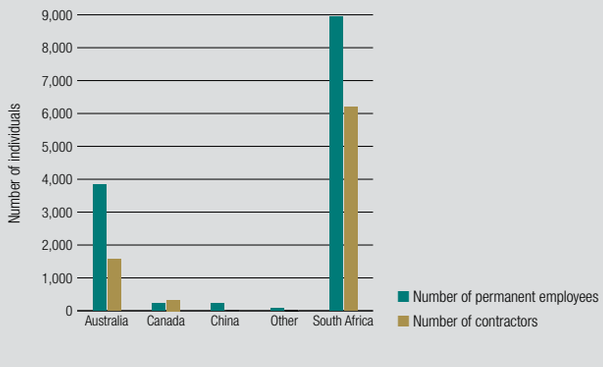
Diversity and employment equity

We recognise that there are real benefits to be harnessed by promoting diversity in the workplace and that increased creativity, new attitudes and fresh solutions to business challenges are brought about by integrating employees from a diverse range of backgrounds.

In South Africa, we have done much to transform our workforce and have exceeded the employment equity requirements of the Mining Charter which stipulates that historically-disadvantaged South Africans comprise 40% of management and that women account for 10% of the workforce by 2009.

The employment of women in mining is a focus area at all our sites and a wide range of measures have been implemented to cater for the needs of women. These include physical and health aspects, a working culture that ensures women are treated with respect and consideration, and provision of a suitable workplace environment and facilities. Women have the same access as men to rewarding career opportunities and there is no differential in the remuneration of male and female employees within Anglo Coal.

Employment by type



In South Africa, female champions have been appointed for each of the major technical and management disciplines and a special task team is in place to drive progress throughout the business. Women comprise 17% of the total workforce of Anglo Coal and 10% of employees in technical roles are women. Current and future focus areas include the participation of more women at senior management levels, childcare, the prevention of female operator fatigue and making the workplace more gender neutral.

Female representation in the workforce increased from 11% to 12% in Australia and, although Anglo Coal Australia is not required to meet official quotas for particular demographic groups, it has adopted strategies to increase female participation

Discussing the continuous miner pre-start checklist at the beginning of shift in the Khomanani section of South shaft at Goedehoop colliery in South Africa are continuous miner operator Xolisile Skosana, one of our women in mining, and fitter Steven Pieterse

Childcare centre supports our female employees

Anglo Coal South Africa's Greenside colliery has opened a childcare centre in recognition of the increasingly important role women are playing in the mining industry.

The centre, which is open to the children of employees at Greenside, Kleinkopje and Landau collieries, is designed to operate around the clock, seven days a week, and was created for the specific needs of women employees whose jobs require them to work at night and over weekends.

It has the capacity to cater for up to 120 children, from infants to age 13, and provides a safe and nurturing environment in which young children are educated, fed, assisted with their homework and entertained.

Apart from helping female employees to plan their work and family lives, the facility plays a vital role in the pursuit of zero harm. Its services enable mothers, especially those who are single and those whose spouses work shifts, to perform their tasks safely and without distraction, secure in the knowledge that their children are in safe hands. They are also less likely to suffer fatigue caused by insufficient or interrupted sleep which can occur when shift workers are at home with their offspring.

As women are assuming growing stature in the workplace, Anglo Coal South Africa believes that centres of this nature must become permanent fixtures if it is to attract and retain the best female staff. The provision of these services will assist the company in its goal to become the employer of choice by demonstrably putting its people, and their families, first.

Principal of the Greenside colliery childcare centre Ronel Smith (centre back) with her two assistants Lihan Dhlamini and Agnes Ndlovu and three of the many children who enjoy this safe and nurturing environment while their mothers are at work at Greenside, Kleinkopje and Landau collieries in South Africa

in mining. Opportunities for job sharing and part-time work through the recently-introduced flexible work practices policy make it easier for women to re-enter the workforce and manage the balance between work and home life.

Some site-specific initiatives have been developed around school shifts to further increase the number of women in production roles. At the end of 2008, we conducted a survey to gain a thorough understanding of the needs and perceptions of women employees and their families with a view to making the workplace more female-friendly and family-orientated. Parental leave was extended from six to twelve weeks – a leading initiative in the industry.

Women represent 16% of our workforce in China and 28% in Canada. Of Anglo Coal China's management structure, 11% are women.

Employee assistance programmes and lifelong learning

Apart from our occupational health framework, we provide an employee assistance programme that offers confidential counselling and support on work-related and personal problems. Counselling is provided by professionals from an outside service provider. They are able to assist with emotional and personal difficulties, family and relationship concerns, alcohol and drug abuse, stress and change management, financial matters, bereavement and loss, the effects of HIV and AIDS, and work-related concerns.

In South Africa, members of the workforce are able to improve their education at mine-based adult education and training facilities and computer centres. Employees and their dependants have the opportunity to broaden their future opportunities for employment at skills development centres that offer training on, among other things, sewing, beadwork, baking, welding and boiler-making.

Employee relations

During the reporting period, no labour disputes occurred in any of our areas of operation. In the event of major organisational changes that may affect the position of employees, our policy is to consult with the workforce in a timely manner and to ensure that processes are in place at all sites to address any concerns equitably. Consultation occurs according to the process and timeframe specified by local regulations and relevant terms of employment.

Our relationships with trade unions have steadily improved over the past few years. We do not exercise restraint on freedom of association or prohibit collective bargaining and no operations employ child, forced or compulsory labour.

In South Africa, our employees have the right to freedom of association in terms of the South African Constitution and the Labour Relations Act. Eighty-one percent of our South African workforce is represented by three recognised trade unions – the National Union of Mineworkers (NUM), the United Association of South Africa and Solidarity – and 88% are covered by collective bargaining agreements. Our relationship with these unions is stable and at a mature level and engagements take place regularly. We liaise with non-unionised employees through various communication forums. NUM embarked on three national strikes to voice its protest over the country's electricity crisis and the state of safety in the local mining sector. Employees at both Greenside and Goedehoop collieries stayed away from work for one day of mourning following a fatality at each of these mines.

In Australia, approximately two thirds (67.5%) of wage-earning employees are represented by a trade union or other bona fide employee representatives.

Employee discipline

We observe fair labour practices and a policy of non-discrimination within our operations and adhere to industry standards such as the International Labour Organisation conventions. Observance of the Anglo American Group's *Good Citizenship: Our Business Principles* is a condition of employment and these are conveyed during the induction process and through other media on a regular basis. Across our managed operations, 51 people were dismissed or asked to resign and 113 faced disciplinary action for breaching our business principles.

Housing

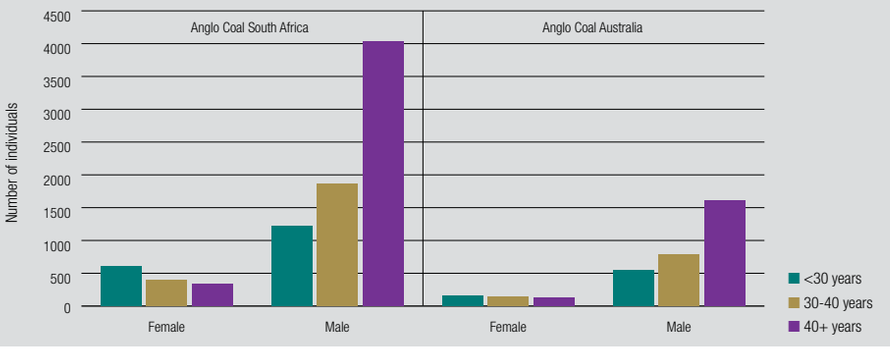
Our policy is to promote family living and, in South Africa, we aim to eliminate hostel accommodation by 2012. We have made significant progress in this regard, with 93% of our employees residing in self-contained housing and only 7% in hostel accommodation.

Forty-five percent of our South African employees are members of the company housing allowance scheme and the number of people living in Anglo Coal housing decreased from 4,578 in 2006 to 3,556 in early 2009. This decline of 22% is the result of a home ownership initiative currently under way. Its aim is to reduce the number of employees living in mine-provided accommodation to less than 20% of the workforce by 2012. This is in line with our vision to ensure that the majority of our employees live in sustainable human settlements, as expressed in the South African Mining Charter.

The home ownership initiative has four main focus areas designed to encourage employees to buy or rent their own accommodation in urban areas located near mining operations. These include:

- The provision of a market-related housing allowance that makes home ownership affordable. The company offers housing allowances that are in the top percentile for the South African mining industry
- Support for the provision of bulk infrastructure development to enable the delivery of housing developments in urban areas located near our mining operations
- The sourcing and support of housing delivery within urban areas located near mining operations
- The ongoing facilitation and marketing of home ownership to company employees.

Composition of workforce by age and gender



We have a number of development projects under way in South Africa to provide bulk services and deliver housing to employees. We are also investigating the feasibility of building houses with the new and innovative building products made from the gypsum by-product from the eMalahleni water reclamation plant.

Anglo Coal Australia revised its housing strategy in 2008 to ensure the optimal use of its accommodation resources of almost 1,000 houses. The revised policy aims to ensure that we are able to attract employees essential to successful operations by ensuring they have access to accommodation that is in line with market standards and pricing. It describes how we will manage this accommodation, including the allocation and administration of company-owned accommodation and subsidised rental arrangements.

Employees are encouraged to reside in open market accommodation, where this is both commercially and socially viable. Anglo Coal Australia assists with the provision of accommodation in areas where there is no open market accommodation or where the demand for houses creates a short supply. The allocation of accommodation is based on business needs, an employee's eligibility, personal circumstances and availability. We are committed to the sustainable design, construction and maintenance of company accommodation. An online tool enables employees to compare conventional housing designs with those incorporating sustainability features for saving energy and water.

Miners at Kriel colliery in South Africa prepare to go on shift

Learning and development

Learning and development are all about ensuring competency, which is critical to our objective of working safely. Our learning and development strategy not only ensures this competency but provides members of our workforce with opportunities for development. We endeavour to provide world-class, cost-effective and sustainable education and training to all our employees in order to meet our strategic goal of retaining our competitive edge.

US$1 million was allocated to education-related initiatives through our corporate social investment expenditure.

The recent implementation of new safety initiatives throughout Anglo American resulted in the development of a number of new training courses and material for the Anglo Coal safety leadership programme, a common approach to safety induction across Anglo Coal and a range of risk management programmes.

All new employees attend an induction course which includes training related to the Anglo American Group's *Good Citizenship: Our Business Principles*, which are based on the Universal Declaration of Human Rights. Training for our workforce also includes technical, functional and leadership courses. Highlights for the year included the development of a cadet programme for graduates, a significant increase in our learnership pipeline with a greater focus on bringing in students from our local communities. All office, supervisory and management personnel receive performance management and career reviews.

Anglo Coal Australia is currently developing a learning and development matrix that will provide each employee with career path and development strategies. In South Africa, we achieved re-accreditation to ISO 9001 for the Anglo Coal Training and Development Services centre and all its mine learning and development facilities.

Talent management

We implemented several regional initiatives to support the acquisition and development of talent. In South Africa, an important part of our talent acquisition programme is our bursary scheme. The selection process was recently amended to enhance Anglo Coal's community development agenda. As a result, 57% of bursars now come from our surrounding communities. To expand the pool of local students eligible for bursaries, we facilitated supplementary lessons for senior high school students around our operations (see case study).

Investing in young people through education

Anglo Coal South Africa is nurturing high school pupils in the eMalahleni (Witbank) community with the introduction of a supplementary school programme aimed at improving their competency levels in mathematics, physical science and the English language.

Although we make every attempt to offer bursaries to young people who reside close to our operations in South Africa, these efforts have been hampered as they rarely achieve the required academic standards in these subjects due to poor schooling in some areas.

To assist them to improve their marks, we launched a US$60,464 supplementary school project aimed at Grades 10, 11 and 12 pupils from two secondary schools situated in the impoverished townships of Kwaguqa and Lynnville. Highly-qualified education specialists provided them with additional classes during their winter and spring school holidays as well as Saturday classes and hands-on assistance with preparation for the examinations towards the end of the year. One of the students, Lehlohonolo Phogole, achieved 100% in his final Grade 12 examination and qualified for a bursary to the University of Cape Town.

School teachers participated in a development programme that incorporated subject-specific training, classroom management, mentorship and train-the-trainer instruction.

Pupils were provided with supplementary work guides and study sheets, scientific calculators, dictionaries and general stationery – items that are unaffordable for many of them.

The programme benefited 1,049 pupils and 120 teachers in 2008 and, should it be successful, we hope to broaden its scope to include a greater number of pupils and educators in the future.

A number of pupils have expressed new confidence and a deeper understanding of their subjects and we believe that this project will not only enrich them on a personal level but will aid in alleviating the country's shortage of technical skills.

Anglo Coal South Africa's supplementary school programme improves competency levels in mathematics, physical science and the English language

Through a partnership, in 2007, with the South African government in the Joint Initiative on Priority Skills Acquisition, Anglo Coal South Africa has realised significant success. Of the 40 pupils enrolled in the programme, 59% were selected to join our bursary or graduate schemes. We intend to continue with this initiative as an additional means of sourcing young talent.

During the year, the talent development process was enhanced by a scheme to formalise graduate secondments to our operations in other countries and to run development assessment centres for our emerging talent. To date, 20 high-potential individuals have benefited from developmental assessments, with each being given a tailor-made development plan.

To raise awareness among employees of their roles in achieving Anglo Coal's strategic objectives, we hold engagement sessions in South Africa to align their personal goals and aspirations with our objectives.

Graduates and high school students in Australia are given the opportunity to visit our operations and learn from experience. Students from high schools near our Moranbah North operation were able to experience for themselves what it is like to work in an underground coal mine. The site tours are highlights of their course work. In Queensland, high school students who expressed interest in working in the mining industry visited our Australian head office in Brisbane as part of the Queensland Mining and Energy Academy (QMEA) programme, which aims to provide young people with opportunities to gain knowledge of and experience in the exciting minerals and energy industry. At our Foxleigh site, Middlemount Community School students swapped their school uniforms for Foxleigh uniforms as they set about completing their school-based Business Administration Traineeship and school-based apprenticeships in mechanical fitting and boiler-making. Foxleigh has been hosting school-based trainees and apprentices since 2005 and these positions are open to students aged 15 years and older. After successful completion of a school-based apprenticeship, the apprentices obtain industry-recognised Black Coal Competencies.

Across our global operations in 2008, 836 employees participated in our trade apprenticeships, graduate trainee positions, bursaries and scholarship programmes aimed at attracting talent to our organisation.

Global experience for our graduates

Our Graduate Global Mobility Programme provides graduate employees with opportunities to work in different geographic locations around the world, allowing them to experience diverse cultures and develop their careers. It opens up limitless ideas and opportunities for our graduates to learn through our practical demonstration of commitment to 'One Anglo'.

Leaders in our workplaces

Anglo American hosts a series of development programmes aimed at ensuring our future leaders are prepared for their roles. These are designed and facilitated in conjunction with leading international business schools and management consultants.

We participate in Anglo American's global Programme for Management Excellence and, in 2008, 37 delegates completed the course successfully. Aimed at the development needs of middle managers, this management development course, presented by the Gordon Institute of Business Science in South Africa, builds on the strengths of previous management development programmes. It seeks to enhance leadership skills, business acumen and the knowledge, awareness and breadth of perspective necessary for building a safe, sustainable and enduring 'One Anglo'.

'Leaders in Anglo' is another of the Anglo American Group's management development programmes and, during 2008, 14 Anglo Coal employees attended the first module in Chile along with some 40 employees from Anglo American operations around the world. This challenging programme seeks to help individuals transition from being professionals to leaders and enhances skills in collaboration, commercialism and change management.

During 2008, first-line managers also participated for the first time in the 'Leading the Workplace' programme aimed at building leadership skills. The programme assists managers to lead their teams more effectively and deliver improved business performance. As part of the successful completion of the course, participants are required to select and prepare a proposal for a genuine business improvement project aimed at improving productivity and decreasing costs in their area of operation.

Exploration and development

To a large extent, the sustainability of our business relies on the new resources we locate through our exploration activities in various parts of the world. Our aim is to cause minimal negative impacts on both the environment and local communities. These exploration and development ventures provide us with opportunities to improve the circumstances of host communities in the future.

South Africa

We are exploring for coal bed methane over an area of approximately 80,000 hectares in the Lephalale region of the Limpopo province in the northern part of South Africa. Access to well sites is mainly by farm roads and we minimise our impacts on the natural thorn bush. Where required, disturbed areas around drill sites are re-seeded at the onset of the annual rains.

As the area is renowned for its wildlife, it is necessary for employees to remain vigilant at all times.

In the Mpumalanga province of South Africa, exploration for coal often takes place in areas with good agricultural potential. We maintain a close relationship with all interested and affected parties during the planning and drilling phases. To avoid potential impacts in key areas, we liaise with farmers and delay the commencement of drilling until the fallow winter months after crops have been harvested.

Botswana

We have been granted 47 coal bed methane prospecting licences covering 38,000 km^2 in central and northern Botswana. A reconnaissance programme commenced in 2008 and will continue through 2009 to identify the most prospective areas within this large tract of land. Our prospecting licences are generally located in remote and sparsely populated areas resulting in minimal contact with surrounding communities. There is, however, an abundance of wildlife on a number of the licences which requires extra caution and careful management of the environmental footprint.

Australia

Many of our mine sites and exploration areas in Australia are located on land covered by native title and these are all subject to cultural heritage guidelines. We respect the traditions and culture of the aboriginal people and recognise their rights and special relationship with their traditional lands.

Drilling for coal bed methane in the reconnaissance phase of the exploration project near Nata in Botswana

We have entered into a number of agreements with the native title claimants over areas of our operations and projects. The agreements recognise the role of traditional owners in the management of aboriginal cultural heritage on Anglo Coal Australia's tenures covered by native title. Known as Cultural Heritage Investigation and Management Agreements, these provide for a cultural heritage survey to be undertaken by the traditional owners before any exploration activities commence.

Generally, early-stage exploration programmes can be designed to avoid any areas of cultural significance. More detailed exploration activities may necessitate the relocation of artefacts, although Anglo Coal Australia's policy is to leave artefacts undisturbed if practically possible in order to preserve cultural heritage.

Colombia

In Colombia, Cerrejón is a joint venture company in which we have a 33% interest. Environmental management within the exploration programme is an important consideration as exploration for coal takes place in a number of natural habitats in the northern Guajira region.

These habitats include dry forest which, closer to the Rancheria river, becomes a jungle containing large Saman trees, some of which are over 30 metres tall. Where drilling takes place in heavily-wooded areas, care is taken to ensure that the forest is respected. Access roads are constructed around large trees, even if this means moving the planned drill sites.

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

Canada

In Canada, Anglo Coal is exploring for coking coal resources in the region of Tumbler Ridge in north-east British Columbia. This is an area characterised by steep, tree-covered terrain and access to exploration sites in the Rocky Mountains is difficult as the environment is extremely sensitive. Access routes for drill rigs are constructed through forest areas using heavy equipment, primarily dozers and excavators. In order to minimise negative impacts and facilitate the rehabilitation of disturbed sites, careful planning is required.

Proposed routes are forwarded to the government and all stakeholders for prior approval. Exploration trails are of minimal width and are routed to minimise tree felling. During the construction process, a chainsaw operator cuts down the length of the trees, which reduces the risk of bush fire. Topsoil is carefully removed by the excavator and stockpiled for use during the rehabilitation of the trails. This process ensures more rapid recovery of the landscape as original topsoil recovers more quickly than imported topsoil. Switch-backs are utilised on steep slopes and culverts are installed when crossing drainage lines in order to minimise the impact. Once drilling is complete, trails are decommissioned, rehabilitated and seeded. Utmost care is taken at sites located above the tree line at elevations greater than 1,600 metres above sea level, where drilling only takes place during the winter months to minimise the impact on the environment.

China

In China, Anglo Coal is evaluating the potential of the Xiwan coal mining project in Shaanxi province. As part of the exploration programme, drilling was undertaken in sensitive dune fields. Exploration activities were conducted using best practice environmental management procedures, which focused on minimising the immediate impacts of the drilling and rehabilitation of the site once drilling had been completed.

Access to drilling sites presents another potential negative impact as viable access roads are non-existent. The project team has developed an innovative way of dealing with the challenge of driving across sandy areas by engaging with local villagers who provide stable access routes using a base of grass and brush.

Economic contribution

In 2008, Anglo Coal delivered a record operating profit of US$2,240 million, a 265% increase over the previous year's results. This equates to 22% of Anglo American's total operating profit.

This strong performance resulted from higher metallurgical and thermal coal prices combined with increased coal production totalling 99.5 million tonnes, weaker exchange rates and the early benefits of tighter operational discipline across the businesses. These results were achieved despite further rises in the costs of royalties, fuel, rail, labour and most key consumables.

Payments to governments

US$842 million was paid directly to governments in taxes in 2008. This included company taxes, employer taxes, royalties, transaction and other taxes. In addition, Anglo Coal indirectly contributed US$240 million in value-added tax (VAT) and employee taxes, which it collected on behalf of governments and paid over to them. Anglo Coal believes that this wider tax footprint is a valid reflection of the tax contribution that results from its activities.

Taxes paid to governments	US$ million
Profits	480
Transactions	18
Labour	86
Royalties and environment	243
Other	15
Total taxes borne	**842**
Taxes collected and remitted	**240**
Total taxes paid to governments	**1082**

The taxes that Anglo Coal pays, those it collects from employees on behalf of government and those of suppliers dependent on Anglo Coal's presence are important contributors to the creation of wealth and well-being in host countries. Social benefits arise where governments use these revenues to provide employment and social benefits through expenditure on infrastructure and public services. Governments may also use these funds for positive environmental impacts, including better enforcement of legislation or fiscal incentives for emission reductions, for example.

No political donations were made in 2008.

Asset optimisation

As part of Anglo American's value-based management strategy, we have adopted Asset Optimisation (AO) – a vital component of the Group's drive to become the world's leading mining company.

AO aims to maximise the value of our assets and operations, resources, equipment and people, and brings both structure and focus to everything we do. It considers all aspects of the value chain, from the coal resource to the marketplace, in pursuit of value-adding optimisation opportunities. Furthermore, it optimises the performance of high-cost machinery, focuses on eliminating bottlenecks and involves the benchmarking of key equipment against mining companies across the globe.

During 2008, we initiated 139 AO projects that are expected to yield benefits of US$1.5 billion over the next five years and in excess of US$2 billion over the life of the projects.

Fitter Konrad Kirkman at Capcoal mine in Australia checks the tension on the wheel rim bolts of a large haul truck. Maintenance of tyres and wheels has increased tyre life and slashed costs

Doze-over assist initiative

South Africa's New Vaal colliery has optimised the exposure and extraction of coal through the implementation of its doze-over assist initiative. The project, which was successfully launched at the mine in 2008, utilises bulldozers to take over the levelling of the pad and ground preparation work so that one of its three draglines can concentrate exclusively on exposing coal.

The resultant productivity improvements have been significant as dragline time spent exposing coal has risen from an average of 14 to 20 hours per day. In addition, the time required to reposition the machine at the end of a cycle has been dramatically reduced from 12 days to 36 hours. Put into context, this initiative has the potential to provide an additional month of coal-exposing capacity per annum.

These efficiencies have had a corresponding effect on production as the dragline has been able to achieve its planned production target in terms of total cubic metres of overburden removed and run-of-mine tonnes of coal exposed in only 104 days out of its 136-day cycle.

The success of the project, which has been measured in financial terms, proves conclusively that the value it adds is far greater than the cost of running the dozer fleet. An additional benefit is that increased dragline capacity enables the mine to perform value-adding work over and above coal exposure operations. These include rehabilitation, ramp construction, dewatering sumps and best practice sand cladding to prevent spontaneous combustion. Essential maintenance can also be scheduled without influencing productivity.

A dragline at New Vaal colliery in South Africa prepares to remove coal from the area prepared by bulldozers

A range of initiatives has been implemented at both a regional and site level to extract the optimum value of our assets. One of these is a debottlenecking investigation at our South African Rapid Loading Terminal to improve reliability and ensure we become the preferred loading site for the local freight rail service. The Continuous Miner Improvement Group is raising productivity levels in underground sections and the Kleinkopje Productivity Improvement Project aims to enhance mine performance to deliver the value held in this asset base.

The increasing cost and scarcity of large tyres prompted collieries to embark on a drive to increase the lifespan of their haul truck tyres. We focused on four key areas, namely operator awareness, pit conditions, tyre and rim systems and tyre system management. Since the launch of this initiative, the incidence of tyre damage has declined.

The Dragline Improvement Group (DIG) is a formal working team tasked with advancing South African dragline output to match world benchmarks. DIG's 'Productivity Plus' programme is built around people, machines, key performance indicators and planning.

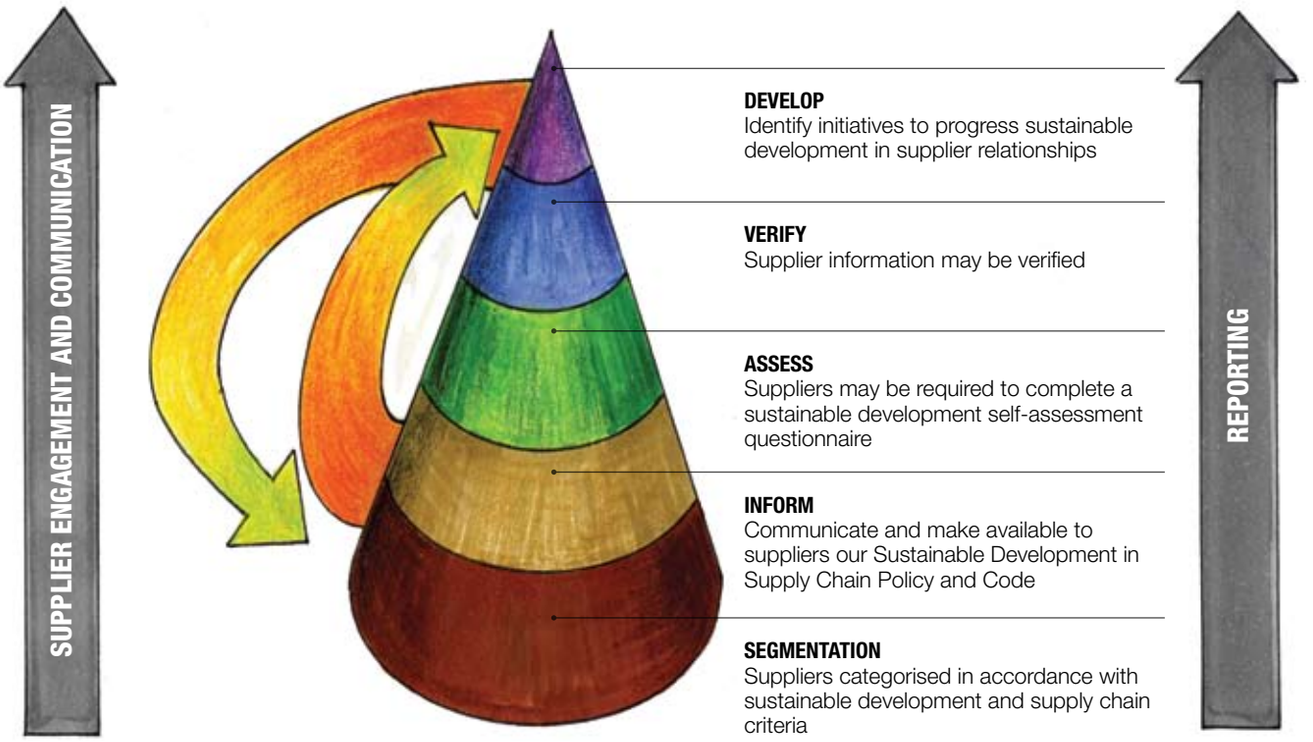
Opencast equipment initiatives such as excavator and shovel rate and utilisation projects constitute US$162 million in value in Australia, while additional gains will be generated from modified blasting designs and improved mining practices aimed at optimising coal recovery. To accelerate the generation of value, 'replication leaders' have been assigned to core focus areas such as shovel rate, coal loss and development utilisation.

In Australia, the largest gains of approximately US$477 million will come from the optimisation of equipment performance. For example, the longwalls at Moranbah and Grasstree mines and associated development processes will generate approximately US$315 million between 2009 and 2011 through rate and utilisation projects such as longwall automation and bi-directional operation.

In Canada, a key asset optimisation objective for Peace River Coal's Trend mine in 2008 was to transform its high-cost contractor mining operation into a more efficient, cost-effective owner-operator business. Building up its own fleet of equipment, the mine expects to see improvements in safety, cost and operational efficiency.

Vital to the AO approach is the measuring of improvements brought about by the projects we undertake. We are currently in the process of developing an electronic management reporting tool that will track, on a quarterly basis, how projects deliver value, the sources of this value and what is being done to increase and fast-track delivery. Going forward, we plan to include energy efficiency, greenhouse gas emissions and water conservation as key AO focus areas.

Supplier engagement model



The supply chain

We view our suppliers and contractors as an integral part of our operation and regard their commitment to the Anglo American Group's *Good Citizenship: Our Business Principles* as non-negotiable. The acceptance of these is a precondition to doing business with us and, during 2008, four contracts were terminated by one of our South African mines owing to breaches of these principles. No contracts were terminated in Australia, Canada or China.

As a member of the Anglo American Group, our vision is for our supply chain to reflect our commitment to sustainable development. In selecting and retaining suppliers, we show preference to those who embrace sustainable development and strive to follow the Anglo American Supplier Sustainable Development Code. We participated actively in the drafting of this code and Anglo American's Sustainable Development in Supply Chain policy.

This code and practice, which will be rolled out in 2009, includes the following key expectations of suppliers:

- Promoting safety towards a vision of zero harm
- Managing occupational health risks to ensure a healthy and productive workforce
- Achieving best practice in environmental and material stewardship. Particular attention should be paid to energy efficiency, greenhouse gas emissions, the responsible use of water, waste management and the correct handling of chemicals
- Upholding fundamental human rights and fair labour practices, in line with internationally-recognised standards
- Conducting their business ethically and with integrity
- Contributing to the economic and social well-being of the communities in which the supplier operates
- Implementing effective management systems and risk management strategies.

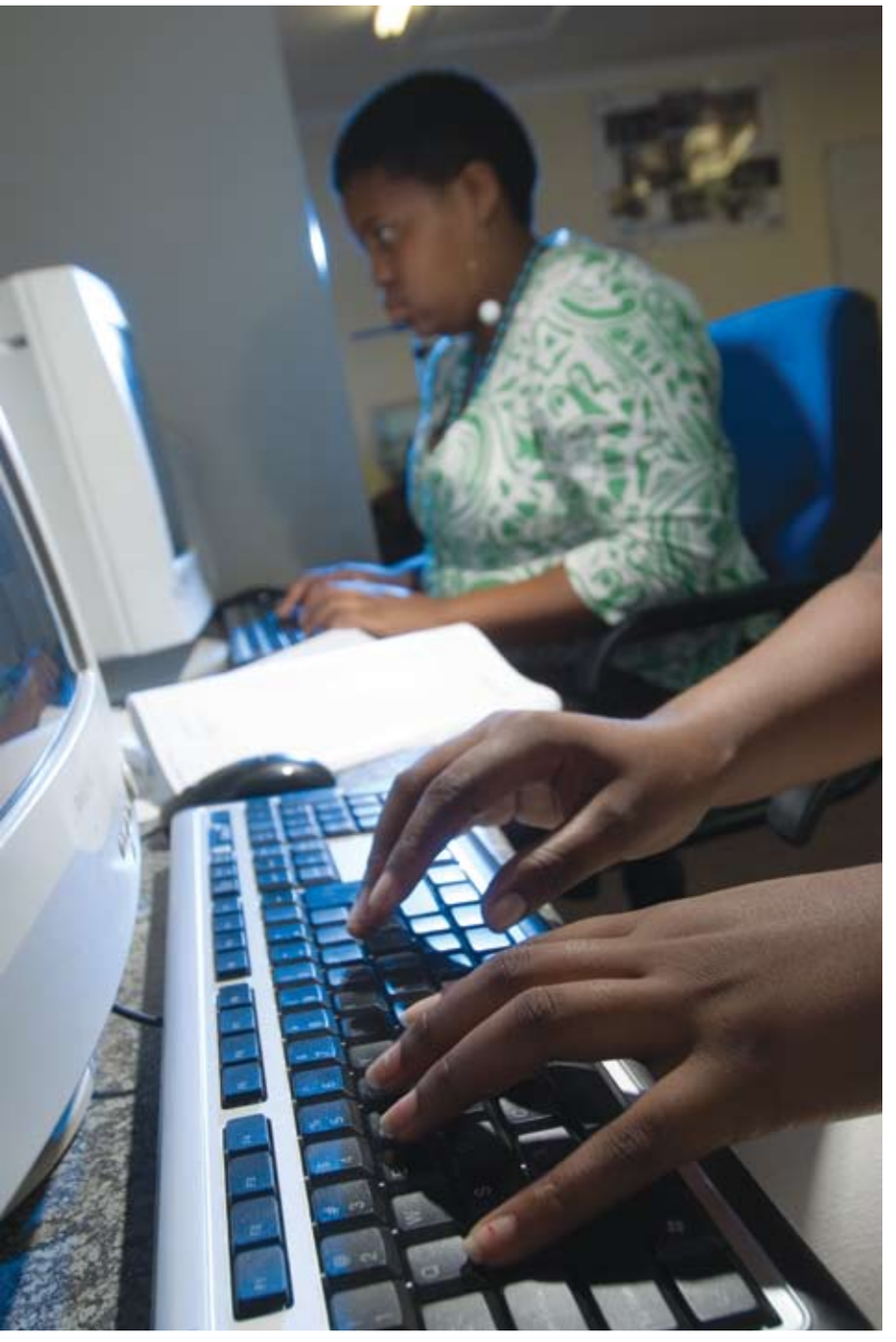
The South African Mining Charter
Report on the scorecard
The broad-based socio-economic empowerment charter

Human resource development

Anglo Coal South Africa offers Adult-Based Education and Training (ABET) and expects that all employees will be functionally literate within the next eight years. At present, 4% of the workforce is illiterate. Each mine has an ABET centre which is used by employees and members of local communities. In addition, the operations offer computer training and a range of skills development programmes with classes for, among others, arts and crafts, baking, sewing and welding.

A workplace skills programme provides training for all employees and is reviewed and improved on an ongoing basis. Individual development paths have been created for all disciplines and company officials have regular performance and career development reviews. Approximately 1,000 people participated in the process in 2008.

During the year Anglo Coal, in partnership with Anglo Zimele, Anglo American's black economic empowerment and enterprise development arm, launched four hubs that will assist small enterprises within its local communities. The hubs provide start-up and working capital and entrepreneurs benefit from training and mentorship on a range of business-related topics, thereby ensuring the long-term viability of their ventures through skills transfer and guidance (see case study on page 48).

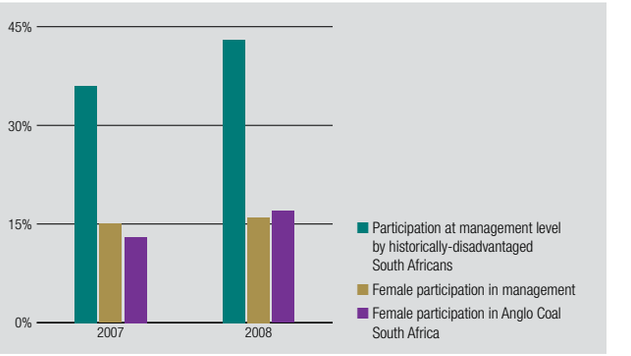


A range of skills development programmes, including training on computers, is offered at the training centres at our collieries

Employment equity

We have made significant progress in the transformation of our workforce and have achieved, if not exceeded, all the 2009 employment equity targets set by the Mining Charter. The number of historically-disadvantaged South Africans in management rose from 36% in 2007 to 43% and women account for 17% of the labour force. Ten percent of the entire employee population consists of women in technical roles and

Diversity in Anglo Coal South Africa



15% of female employees are in management positions. Anglo Coal South Africa is an active member of Anglo American South Africa's transformation committee and dedicates a portion of its monthly staffing meeting to this topic. In addition, each operation has an employment equity committee.

Migrant labour

As we are committed to uplifting the lives of the people who reside around our operations, Anglo Coal sources labour as far as possible from local communities. The number of migrant workers declined marginally from 6% in 2007 to 5.6%. These employees originate from Lesotho as well as South Africa's northern KwaZulu-Natal, Eastern Cape, eastern Mpumalanga and Limpopo provinces. Anglo Coal identifies community development projects for implementation in these areas and provides migrant labourers with the necessary skills for survival after retirement.

Mine community and rural development

Anglo Coal engages regularly with local people and every mine hosts a quarterly community engagement forum. A range of programmes is in place to address the socio-economic challenges faced in these areas and, during 2008, US$5.7 million was spent on projects that benefit local people.

Our Landau, Kleinkopje and Greenside collieries, which are all situated in the South African Coal Estates complex, will jointly complete the Socio-Economic Assessment Toolbox (SEAT) process during 2009, as will Kriel, New Denmark and Mafube collieries. Goedehoop, New Vaal and Isibonelo collieries will complete the SEAT programme in 2010. Community engagement plans, which are compiled through the SEAT process, are produced every three years for implementation and are revised and updated annually.

Housing and living conditions

Anglo Coal promotes home ownership with the long-term goal of meeting the Mining Charter's requirement that all employees live in sustainable human settlements by 2012. A project is currently under way to promote home ownership by encouraging developers to sell economical packages to employees on a willing-buyer-willing-seller basis. Anglo Coal South Africa is also investing in infrastructure so that serviced stands can be released for residential development purposes.

Although company-owned houses in urban areas are not for sale, new homes built for employees based at Mafube colliery in Middelburg in the Mpumalanga province are for sale. In addition, plans are under way to make serviced stands owned by Anglo Coal in the Clewer suburb of Witbank available for sale to employees.

Anglo Coal South Africa has a housing committee comprising employees, unions, local and regional municipalities, the Chamber of Mines, developers and management. These stakeholders meet frequently to discuss measures to improve the standard of company-provided housing. Our housing department carries out all maintenance and upgrades and makes use of a tenant request system to expedite efficient attention to this work.

The Mining Charter requirement to have 50% of employees moved from hostel accommodation to self-contained married and family units has been exceeded. A total of 93% of employees reside in self-contained housing with only 7% in hostel accommodation.

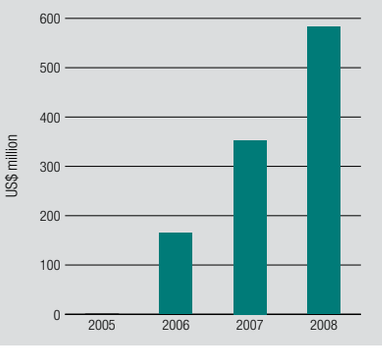
Procurement

Black economic empowered (BEE) companies are given preferred supplier status and an ambitious target of US$440 million for BEE expenditure was set for 2008. We are pleased to report that the actual figure achieved was US$583 million, representing a significant 65% increase when compared with BEE expenditure in 2007.

Our total expenditure with BEE companies in 2008 amounted to 54% of our discretionary expenditure. The purchase of consumables and services accounted for US$172 million, representing 61% of discretionary expenditure, and the acquisition of capital items accounted for the balance.

Anglo Coal South Africa does business with a good balance of large, medium and small BEE companies and the number of our active BEE suppliers increased from 438 in 2007 to 553 in 2008.

Black economic empowerment expenditure



As a result of planned capital expansion projects, our focus on engaging with BEE companies will continue. Our total BEE expenditure target for 2009 is US$507 million (55% of discretionary expenditure). Aggressive target setting and collaboration with Anglo Zimele will continue to ensure that BEE expenditure is optimised on an ongoing basis. All vendors are obliged to subscribe to company policies, including the Anglo American Group's *Good Citizenship: Our Business Principles.*

We have a policy, driven by our individual mines, to support spending in local communities.

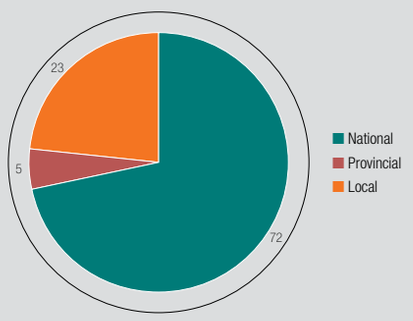
Ownership and joint ventures

To secure our growth and longevity as a leading private sector coal producer, we have embraced the spirit of transformation by empowering the coal sector through the creation of significant coal mining companies managed by historically-disadvantaged South Africans (HDSA). As a result of our substantial efforts over the past few years, we are confident that we will achieve the 26% HDSA ownership target set by the Mining Charter and the Mineral and Petroleum Resources Development Act.

Announced in 2007, the US$1 billion Anglo Inyosi Coal (AIC) transaction – in which Anglo Coal owns 73% and Inyosi, a broad-based BEE company, owns 27% – is nearing finalisation and should be completed in the third quarter of 2009. AIC, which will ensure the meaningful and substantial participation of previously-disadvantaged South Africans in the industry, has a 4.1 billion tonne coal resource base and houses key future domestic and export-focused coal operations. AIC's first project, Zondagsfontein, is progressing well and is scheduled to produce its first coal in 2009.

In 2007, Anglo Coal also established two new black-controlled mining companies. The first of these is Umsimbithi Mining, which will explore the Wonderfontein and Belfast reserves on the eastern flank of the Witbank coalfields. Umsimbithi Mining is 80% owned by Mbokodo Mining. Anglo Coal holds a 10% stake in this venture, while the Anglo Khula Mining Fund (AKMF) – a joint initiative between Anglo American and Khula Enterprise Finance Limited – owns the remaining 10%. Currently in the feasibility stage, the total resources at Wonderfontein and Belfast are estimated to be in the region of 130 million tonnes of multi-product coal, suitable for both the export and domestic thermal markets. A mining right has been applied for and first coal is scheduled in early 2010.

Distribution of BEE expenditure (%)



Beneficiation

As our product does not undergo beneficiation prior to utilisation by customers, no beneficiation targets have been set. It is, however, important to note that most of our coal is used for the generation of electricity and the rest is washed for the export market.

Reporting

Anglo Coal considers this report to be compliant with the Mining Charter reporting requirements.

The construction of Zondagsfontein, the first major coal mining project of Anglo Inyosi Coal, is nearing completion. The mine will produce its first coal before the end of 2009

PRICEWATERHOUSECOOPERS

Independent assurance report to the directors of Anglo Coal

Introduction

We have been engaged by the directors of Anglo Coal to perform an independent assurance engagement in respect of certain Identified Sustainability Information included in Anglo Coal's Report to Society 2008 for the year ended 31 December 2008 ("the Report to Society"). This assurance report is produced in accordance with the terms of our engagement letter dated 24 October 2008.

Scope and subject matter

The Identified Sustainability Information for the year ended 31 December 2008 consists of:

- Fatality injury frequency rate (FIFR) (page 10)
- Lost-time injury frequency rate (LTIFR) (pages 10 and 70)
- Total new cases of noise-induced hearing loss (NIHL) reported (page 19)
- Total new cases of occupational diseases (pages 19 and 70)
- Group total number of employees participating in anti-retroviral treatment (ART) (page 21)
- Group total number of employees participating in voluntary counselling and testing (VCT) (page 21)
- Group HIV prevalence rate (page 21)
- Total CO_2 emissions from electricity purchased in 1,000 tonnes (page 27)
- Total CO_2 emissions from processes in 1,000 tonnes (page 27)
- Total CO_2 emissions from fossil fuels in 1,000 tonnes (page 27)
- Total energy used in GJ (page 35)
- Total amount of water used for primary activities in m^3 (page 31)
- Total number of Level 2 and Level 3 environmental incidents reported (page 44)
- Total amount spent on corporate social investment (CSI) projects in US dollars (page 46)
- Compliance with the South African Mining Charter (page 66)
- Number of sites that commenced socio-economic studies using the Socio-Economic Assessment Toolbox (SEAT 2) in conjunction with community engagement plans (page 70)
- Anglo Coal's assertion that it has achieved a B+ Global Reporting Initiative (GRI) application level (page 1)

Our responsibilities do not extend to any other information.

Responsibilities of the directors

Anglo Coal's directors are responsible for the preparation and presentation of the Identified Sustainability Information in accordance with internal corporate policies and procedures, and the Global Reporting Initiative (GRI) new generation (G3) guidelines.

Responsibility of the independent assurance provider

Our responsibility is to conduct a reasonable assurance engagement and, based on our assurance procedures, report our conclusions to the directors.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 *Assurance engagements other than audits or reviews of historical financial information* issued by the International Auditing and Assurance Standards Board. This Standard requires, *inter alia,* that we comply with ethical requirements.

Summary of work performed

Our procedures included examination, on a test basis, of evidence relevant to the Identified Sustainability Information. It also included an assessment of the significant estimates and judgements made by the directors in the preparation of the Identified Sustainability Information.

Our work consisted of:

- reviewing processes that Anglo Coal has in place for determining the Identified Sustainability Information included in the Report to Society
- obtaining an understanding of the systems used to generate, aggregate and report the Identified Sustainability Information at the sampled operations
- conducting interviews with management at the sampled operations and at corporate head office
- evaluating the data generation and reporting processes against the reporting criteria
- performing key controls testing, and
- testing the accuracy of data reported on a sample basis.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusion.

As a division of Anglo American, Anglo American's internal corporate reporting policies and procedures (http://www.angloamerican.co.uk) and the Global Reporting Initiative's (GRI) new generation (G3) guidelines were applied as criteria for evaluating the Identified Sustainability Information.

Inherent limitations

Non-financial data are subject to more inherent limitations than financial data, given both the nature and the methods used for determining, calculating, sampling or estimating such data. Qualitative interpretations of relevance, materiality and the accuracy of data are subject to individual assumptions and judgements.

Conversion factors used to derive CO_2 emissions and energy used from fuel and electricity consumed are based on information and factors derived by independent third parties. Our assurance work has not included an examination of the derivation of those factors and other third party information.

Conclusion

We are unable to express an opinion on the *total amount of water used for primary activities in m^3* (page 31), since water use monitoring systems for key operations visited were still in the process of implementation during the reporting period.

In our opinion, except for the *total amount of water used for primary activities* referred to above, the Identified Sustainability Information for the year ended 31 December 2008 is fairly stated, in all material respects, in accordance with Anglo American's corporate reporting policies and procedures, and the Global Reporting Initiative's (GRI) new generation (G3) guidelines.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Carmen Le Grange
Registered Auditor, Johannesburg
10 June 2009

Governance

Good governance begins with accountability

As part of a global organisation, we comply with leading international corporate governance standards and policies put in place by Anglo American. The Anglo American Group's *Good Citizenship: Our Business Principles,* which comprise business integrity and ethics, good corporate citizenship, employment and labour rights, and safety, health and environmental stewardship, underpin our good governance to embed sustainability in our business.

We use our Socio-Economic Assessment Toolbox (SEAT) to determine how the communities that host our operations are affected by our work and what social and economic benefits we can offer them in return. A SEAT assessment is conducted at each of our operations every three years.

Our chief executive officer, Ian Cockerill, is a member of the Anglo American executive committee responsible for developing corporate and business unit strategy, reviewing operational and safety procedures at the business units and monitoring strategic progress in terms of key milestones.

The Anglo Coal executive committee has 11 members, who meet monthly. They are responsible for defining our strategy, monitoring progress and driving safety, sustainable development and operational performance. Anglo Coal's head of safety and sustainable development is a member of the executive committee.

Safety and sustainable development leadership

We subscribe to Anglo American's sustainable development policies and programmes under the umbrella of the 'Anglo Way'. These frameworks include the Anglo Safety Way, the Anglo Occupational Health Way and the Anglo Environment Way. The Anglo Social Way is currently being compiled. Each of these 'Anglo Way' frameworks includes performance standards and guidance documents. We also have in place a Sustainable Development in the Supply Chain Policy and a Mine Closure Toolbox. All sustainable development issues and concerns are incorporated into decision-making processes to ensure appropriate actions are taken to address these.

The rollout of the 'One Anglo' philosophy across the Anglo American Group underpins these policies and programmes through the adoption of the One Anglo values of safety, integrity, care and respect, collaboration, innovation and accountability, which aim to foster accountable and sustainable business practice.

Our corporate strategies and operational business plans align company operational practice with the overarching sustainable development principles. Anglo Coal's safety and sustainable development office provides strategic direction and guidance on matters relating to safety and sustainable development to all our operating regions. It plays a key role in the collation of reports and statistics received from the Anglo Coal operations in South Africa, Australia, Canada and China and performs a reporting, standardisation and assurance function.

Our regional executives in South Africa, Australia, Canada and China provide annual letters of assurance to the Anglo Coal chief executive who, in turn, provides a letter of assurance to the chief executive officer of Anglo American. These letters provide information on the effective implementation of Anglo American policies, adherence to the Group's business principles and the management of safety, health and the environment.

Managing our risks

Risk management forms an integral part of our business activities and is particularly important in our approach to improved safety management. Integrated risk management covers 18 key risk categories that include safety, health, environmental, social, financial, legal and reputational outcomes and consequences. All employees and contractors are responsible for the effective implementation, monitoring and continuous improvement of risk management practices, which are embedded in all key business processes. Where insufficient information exists concerning a risk, the precautionary principle is adopted and mitigation and management measures are implemented accordingly.

We have implemented risk management training for all levels of employees at our operations and risk and assurance audits take place on a regular basis at our sites. Safety and sustainable development risk registers are maintained at all sites and these are reviewed and refined regularly.

Our risk and assurance committee meets quarterly to discuss core business risks, including safety and sustainable development risks.

Legal compliance

There were no breaches of legislation that incurred fines or prosecutions at our sites in Canada or China in 2008. Although Anglo Coal Australia received four prosecutions during 2008, there were no material breaches of environmental legislation resulting in fines or prosecutions. The findings of an inquest for a Moranbah North fatality in 2007 are still pending and are expected to be released in 2009. Three outstanding actions relating to Dartbrook underground mine were finalised during the year. South Africa's Goedehoop colliery was fined an administrative penalty of US$24,186 following the injury of a fitter.

In South Africa, third-party audits were conducted by the Department of Minerals and Energy in the form of a high-level Presidential Audit, which comprised two streams — a legal audit and a technical audit of certain installations and practices at the mines. These included, but were not limited to, design and maintenance with regard to the provision of healthy and safe working conditions, servicing and maintenance of all equipment and systems, communication systems, occupational health and safety policies, safety risk management, mandatory codes of practice, explosives control, water management, and public health and safety. All recommended remedial and close-out actions raised on the audited sites were implemented and no administrative penalties were issued.

Whistle-blowing

We abide by our business principles, which state that we are firmly opposed to corruption, fraud, dishonesty and any other inappropriate behaviour, and we will not tolerate such actions by our employees. As far as we are aware, no cases of bribery or corruption were recorded during 2008.

We have a confidential whistle-blowing service known as SpeakUp, which is maintained by an independent service provider and reflects our commitment to building a culture of transparency and accountability. All new employees are informed of this facility during their induction programme.

Employees and stakeholders are encouraged to report any transgression of company policy and behaviour that may impact safety, health and the environment, failure to comply with our business principles and legal obligations, fraud, bribery or corruption, and miscarriages of justice. The facility guarantees anonymity to any person who reports irregularities. In 2008, our Australian and South African operations received 32 reports and all matters were addressed and resolved.

SpeakUp alerts	
Safety, health and the environment	0
Criminal allegations	6
Human resources	22
Suppliers and procurement	1
Malicious allegations	0
Other	3

At Cerrejón in South America, the company's Corporate Policy Document was strengthened with the addition of a Fraud Prevention Policy and a SpeakUp system was established during the year.

Further information about our governance processes and procedures is available in the *Anglo American plc 2008 Annual Report and Review* and in the *Anglo American plc Report to Society 2008.*

SpeakUp

Pay phone: +27 31 571 5407
Pay fax: +27 31 560 7395
e-mail address: anglocoal@anglospeakup.com
Website: www.anglospeakup.com

Key performance indicators

Indicator	2008 Targets		2008 Performance	2009 Targets
Safety				
Fatalities	Zero	×	4	Zero
Lost-time injury frequency rate (LTIFR)†	Zero	×	0.37	0.16
Total recordable case frequency rate (TRCFR)†	0.85	×	1.40	0.8
Health				
New cases of occupational disease	Reduce exposure to potential industrial hazards and ultimately eliminate occupational disease	→	54 Excluding musculoskeletal disorders (39), the incidence of other new occupational disease cases has reduced marginally from 17 in 2007 to 15 in 2008.	Reduce exposure to potential industrial hazards and ultimately eliminate occupational disease
Voluntary counselling and testing (VCT)	85%	✓	86%	90%
Environment				
Carbon dioxide equivalent emissions (CO_2e)	10% improvement in CO_2e emissions per saleable tonne by 2014 (2004 baseline) 2014 target is 52 kilograms CO_2e per saleable tonne Implement new methodology for improved CO_2e reporting	→	75 kilograms CO_2e per saleable tonne Trials conducted at operations in South Africa on methodology for reporting emissions	10% improvement in CO_2e emissions per saleable tonne by 2014 (2004 baseline) 2014 target is 52 kilograms CO_2e per saleable tonne Commence reporting using the new methodology
Total energy use	15% improvement in energy efficiency by 2014 (2004 baseline) 2014 target is 102 megajoules per saleable tonne Implement new methodology for improved energy reporting	→	186 megajoules per saleable tonne New methodology for reporting energy use commenced at operations in Australia and South Africa	15% improvement in energy efficiency by 2014 (2004 baseline) 2014 target is 102 megajoules per saleable tonne Fully implement new methodology for reporting energy use
Water used for primary activities	Development of site water balances and performance targets Implement new methodology for improved water reporting	↑	218 litres per saleable tonne Commenced testing of site water balances and Integrated Mine Water Management plans	Complete testing of site water balances and Integrated Mine Water Management plans using advanced software
Environmental incidents:				
Level 2 incidents	–		94	–
Level 3 incidents	Zero	×	1	Zero
ISO 14001 certification	Mafube colliery to achieve ISO 14001:2004 certification in 2008 and Peace River Coal in 2010	✓	All operations certificated except Foxleigh, Zondagsfontein and Peace River Coal	Foxleigh mine to achieve ISO 14001:2004 certification in 2009, and Peace River Coal and Zondagsfontein aim to achieve certification in 2010
Community				
Socio-Economic Assessment Toolbox (SEAT)	Implement and report on SEAT 2 at all operations over a rolling 3-year period	↑	All managed operations, with the exception of Peace River Coal, have undertaken SEAT assessments. Dawson has completed a SEAT 2 assessment.	Further 8 operations to finalise SEAT 2 reports in 2009

✓ Achieved × Not achieved ↑ Trending to meet target → In progress † Per 200,000 exposure hours

Glossary

Term	Description
AIDS	Acquired immune deficiency syndrome
ART	Anti-retroviral therapy
CO_2 emissions from fossil fuels	Carbon dioxide emissions calculated by applying conversion factors to fuel usage volumes
CO_2 emissions from electricity	Calculated quantity of carbon dioxide emitted in the generation of electricity, which is subsequently purchased by a business unit. Country-specific conversion factors are used in the calculation, unless region or site-specific conversion factors are available
CO_2e	Carbon dioxide equivalent, which enables the comparison of the impact of various greenhouse gases using CO_2 as a benchmark, thereby facilitating impact assessment and trading
Currencies	Figures are quoted in US dollars. Conversions are done at the time of announcing a project or at an average annual rate and are therefore indicative rather than exact
Fatal injury	The death of an employee or contractor resulting from a work-related injury
Fatality injury frequency rate	Number of fatalities per 200,000 man-hours worked
HDSA	Historically-disadvantaged South Africans – African, coloured and Asian men and women
HIV	Human immunodeficiency virus
ISO 9001	A quality management systems standard published by the International Standards Organisation
ISO 14001	An environmental management systems standard published by the International Standards Organisation
Lost-time injury	Any occupational injury which renders the person unable to perform his/her regular duties for one full shift or more following the day on which the injury was incurred, whether a scheduled work day or not
Lost-time injury frequency rate	The number of lost-time injuries, per 200,000 manhours worked
Managed companies	Companies in which Anglo Coal has management control
Noise-induced hearing loss	New cases of noise-induced hearing loss diagnosed and compensated during the reporting period
OHSAS 18001	An occupational health and safety management system standard created by a number of the world's leading standards bodies
Total energy used	Calculated from electricity purchased, biomass, charcoal and fossil fuels consumed
Total recordable case frequency rate	The number of total recordable cases per 200,000 man-hours worked
Total recordable cases	The sum of fatal injuries, lost-time injuries and medical treatment cases
Water used for primary activities	Total new or make-up water entering the operation and used for the operation's primary activities. Primary activities are those in which the operation engages to produce its product(s) and include dust suppression within the operational area

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