

SUSTAINABILITY STATEMENT OF INTENT

Sustainability is an upstream business driver influencing long term shareholder value and our licence to operate.

Our target is to double production in the five years from 2009 by achieving sustainable growth.

For us, sustainability is our commitment to develop our coal resources and grow our production by finding new reserves in a manner to maximise the economic and social benefits of mining and proactively manage our impacts on the natural environment and community.

The identification of our sustainability objectives recognises the economic benefit to the business of a broad range of value drivers. We believe that increased value can be achieved directly through such initiatives as cost management or improved efficiencies to reduce energy consumption or indirectly through reducing business risks by improving environmental management systems.

Ultimately all our decision-making is focussed on generating value for our shareholders and ensuring we are a good corporate citizen.

Key sustainability issues for Macarthur Coal are:

- safety performance of our employees and workforce
- development of our people and culture
- management of our impact on the natural environment
- management of our carbon emissions
- our contribution to the local community.

To identify and achieve our sustainability objectives, Macarthur Coal will maintain a high level of corporate governance about sustainability issues and developments affecting the company.

SAFETY PERFORMANCE

Safety is a non-negotiable component of sustainability performance.

Macarthur Coal is committed to constant improvement in workforce safety performance.

We are committed to finding better processes for improvement across all our worksites and in all our employees. We have the highest regard for personal and workplace safety and it is a constant area of focus. We have adopted a behavioural approach to safety and safety training that involves all levels of our company to ensure that safety becomes an intrinsic part of everyone's job.

PEOPLE AND CULTURE

Sustainability will be achieved through an overarching management approach to continuous business improvement, optimising the transfer of knowledge and embedding sustainable practices across our mining operations and all aspects of our business.

We will work together to build a culture across the company to embed sustainability issues, identify and recognise sustainability initiatives and ask, what have you done to mitigate risks and foster opportunities?

ENVIRONMENTAL PERFORMANCE

Macarthur Coal aims to operate at all times in compliance with all environmental legislative requirements. In the past this has not always been achieved. Macarthur Coal will ensure appropriate environmental management systems are in place to achieve continual improvements to achieve regulatory compliance and identified performance objectives and priorities.

At a minimum, Macarthur Coal will meet all its statutory obligations for monitoring and reporting in accordance with State and Commonwealth legislative obligations for greenhouse gas, energy use and environmental authorities for our mines.

Macarthur Coal will set environmental performance targets and objectives to:

- manage our impact on the natural environment, incorporating best practice in our planning, operations and rehabilitation
- minimise water discharge
- reduce our energy consumption.

CARBON MANAGEMENT AND ENERGY EFFICIENCY

Macarthur Coal has identified potential impacts to the business arising from carbon regulation including:

- compliance costs associated with Government regulation
- increased energy costs as a consequence of diesel and electricity costs rising
- increased coal distribution costs associated with increased rail and shipping costs
- direct financial costs associated with permit purchase under the Carbon Pollution Reduction Scheme.

We will continue to devote resources to embed processes for emissions data collection and reporting to ensure our emissions data is transparent, accurate and robust and fully complies with legislative requirements.

We will commit to providing resources and management effort to foster a culture which supports the ongoing identification and development of energy efficiency and abatement projects across our mining operations and in the corporate office to improve our energy efficiency and reduce our carbon emissions.

COMMUNITY CONTRIBUTION

Good community relations and responsible environmental management are essential for Macarthur Coal to maintain a relationship of trust, transparency and integrity with customers, suppliers, local communities and employees.

We aim to integrate into both the local and broader Queensland communities in which we operate to maximise the benefits associated with mining and minimise the social interruption.

We seek to make a meaningful contribution to the communities in which we establish our operations by ensuring we contribute financially to the local community through direct and indirect means.

SYSTEMS AND REPORTING

Macarthur Coal will ensure it has the appropriate systems, processes and corporate governance framework in place to enable it to fulfil its environment and sustainability commitments and reporting obligations.

Risks and opportunities associated with sustainability will be actively identified and considered by the Carbon and Environment Committee and, if appropriate, included in the risk registers with associated actions and responsibilities to manage these risks.

We recognise that accurate collection, reporting and monitoring of environmental and sustainability data is fundamental to providing a robust assessment of our performance, the identification of business improvements and meeting our statutory reporting requirements.

We recognise that regular disclosure of environmental and sustainability performance against accepted industry indicators will increase the transparency of our operations. We will report on sustainability against the Global Reporting Initiative (GRI) indicators.

Version 5 August 2009

Policy Owner EGM Sustainability & Environment

Review Due 5 August 2010