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Queensland Floods Commission of Inquiry
PO Box 1738
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11 March 2011

Subject: Rio Tinto Coal Australia submission to the Queensland Floods Commission of Inquiry

Rio Tinto Coal Australia Pty Limited (“RTCA”) is one of Australia's leading mining organisations with a successful record in the development and management of world-class open cut and underground coal operations located in Queensland and New South Wales.

In Queensland, RTCA operates the Blair Athol, Clermont, Hail Creek and Kestrel joint venture mines at locations near Clermont, Mackay and Emerald in Central Queensland. RTCA’s Queensland operations produce approximately 24 Mtpa of coking and thermal coal for export markets.

All of RTCA’s Queensland operations are located in the upper regions of subcatchments of the Fitzroy River Basin; with all licensed water discharge points discharging to ephemeral (as distinct from perennial) watercourses.

RTCA appreciates the opportunity to provide this submission to the Queensland Floods Commission of Inquiry (“the Inquiry”). This submission is relevant to the following elements of the Inquiry’s Terms of Reference:

- “ c) *all aspects of the response to the 2010/2011 flood events, particularly measures taken to inform the community and measures to protect life and private and public property, including:*
- *immediate management, response and recovery*
 - *resourcing, overall coordination and deployment of personnel and equipment*
 - *adequacy of equipment and communications systems; and*
 - *the adequacy of the community’s response.*
- f) *implementation of the systems operation plans for dams across the state and an assessment of compliance with, and the suitability of the operational procedures relating to flood mitigation and dam safety,*
- g) *all aspects of land use planning through local and regional planning systems to minimise infrastructure and property impacts from floods,”*

RTCA wholly supports the submission to be made by the Queensland Resources Council (“QRC”), of which RTCA is a member, and makes this submission to provide additional detail relating specifically to RTCA’s experiences at its operations during the 2010/11 flood events.

The circumstances surrounding the wet weather event of 2010/2011 at RTCA's Hail Creek operation are presented below as a case study. The Hail Creek operation received significant rainfall during this period and faced a number of additional hazards as a result of water discharge restrictions in place at the time. Hail Creek is an open-cut mining operation employing 969 employees and contractors and located in close proximity to a number of ephemeral watercourses.

The following sequence of events describes the period from late December 2010 until March 2011 at Hail Creek:

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|-------------|---|
| 23 Dec 2010 | <ul style="list-style-type: none"> • Heavy rain commences. |
| 24 Dec 2010 | <ul style="list-style-type: none"> • Pre-strip operations cease due to roads too wet to operate. • Water levels in access areas rise such that planning for evacuation at 7am begins. • Dragline, coaling equipment and washery cease operating and personnel evacuated. • Railing of coal ceases. |
| 26 Dec 2010 | <ul style="list-style-type: none"> • All operations recommence after Christmas at scheduled time but productivity at reduced rates due to wet mine roads and water in pit. |
| 29 Dec 2010 | <ul style="list-style-type: none"> • Force majeure declared on sales contracts, effective 24 December. |
| 31 Dec 2010 | <ul style="list-style-type: none"> • Explosives supplies cease when water reaches Rockhampton and cuts road access. |
| 13 Jan 2011 | <ul style="list-style-type: none"> • Explosives supply recommences, although deliveries are not at normal levels; lack of blasted inventory will have a long term impact on production. |
| 27 Jan 2011 | <ul style="list-style-type: none"> • Ground continues to be waterlogged and site water storage facilities are full (approximately 7GL stored in dams and the pits). • Flooded pits prevent access to uncovered coal. • Pumping continues to transfer water from higher priority to lower priority areas. • Close to normal operations resume in parts of the pit for the short term. • Impact of pit flooding, deployment of resources to address water in pit, lack of explosives and consequent reduced pre-strip result in continuing loss of production and sales. |
| 29 Jan 2011 | <ul style="list-style-type: none"> • Transitional Environmental Program (TEP) approved in part, allowing discharge into Bee Creek from two agreed discharge points. TEP valid until May 2011. • TEP to discharge from a further two points continues to be sought. If not approved, continued transfer of water based on access priority is required causing further impact on production. • As at the time of writing, force majeure has not been lifted. |

Production interruptions were experienced by all RTCA Queensland operations as evidenced by weather-related force majeure declarations at Hail Creek, Kestrel, Blair Athol and Clermont mines. This has resulted in a significant financial impact for RTCA. As at the time of writing (10 March) one of the four weather-related force majeure declarations remains in force (Hail Creek Mine).

QRC's submission provides a chronology of recent history relating to the licensing of water discharges from Queensland mine sites. In summary; prior to 2008, discharges of water from Queensland mine sites were managed on a site-by-site basis. Following the 2008 Central Queensland floods, a number of reviews and studies resulted in the wholesale tightening of water discharge conditions via the introduction of "model conditions" which took effect on 1 January 2010. These "model conditions" effectively required Queensland mine sites to operate under near-zero discharge conditions, and made no consideration for the next inevitable extreme rainfall or cyclone event. In the

lead up to the 2010 wet season, the industry agitated for a review of discharge conditions with some minor concessions forthcoming; but too late to take effect before the 2010/2011 wet season.

As is evidenced by the circumstances of the Hail Creek mine above, the 2010/2011 wet season, along with cyclones Anthony and Yasi resulted in significant water management pressures on mine sites. With the refusal of the Department of Environment and Resource Management ("DERM") to invoke the Minister's Emergency Direction powers, Transitional Environmental Programs ("TEPs") became the only remaining mechanism able to provide some relief for mine sites.

While RTCA acknowledges that DERM allocated additional resources to speed up its assessment and approval of TEPs during the 2010/2011 flood period, the TEP process outlined within the Environmental Protection Act 1994 ("the Act") is a bureaucratic process unsuited, both in intent and in process, to dealing with extreme climatic events such as those faced in 2010/2011.

Critical to RTCA is that the use of TEPs, and the conditions imposed thereby created additional hazards, or (given the extreme circumstances in place) conditions that could not be met; both issues that need to be additionally managed at a time of severe wet weather/cyclonic conditions. Those hazards and/or conditions include:

- Requirements for monitoring at specific and remote locations and at specific points in time that cannot be met when roads are flooded and impassable.
- A significant risk of failure and subsequent downstream damage where the capacity of a mine pit or other disturbed landform is required to hold water when such a feature was never designed to do so.
- A risk of downstream damage from uncontrolled overflows where water storages exceed their design capacity, and controlled discharge is disallowed.
- Cumulatively from the above, a reduced ability to achieve business recovery once the extreme climate event has passed.


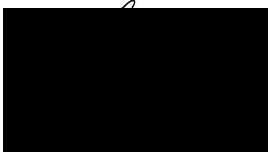
Of most concern to RTCA is that the use of the TEP mechanism in emergency circumstances shows no consideration of the significant safety and environmental risks that exist during extreme climatic events.

RTCA is of the view that extreme rainfall/runoff events and cyclones are not a completely unexpected part of operating in Central Queensland. As such, the Environmental Authorities issued by DERM to mining operations need to accommodate these circumstances in a realistic and practicable manner and with due consideration of the escalated human and environmental risks that exist during such events and the local conditions and circumstances inherent at individual mine operations.

The inclusion of clear threshold triggers and agreed and practicable management responses to flooded mine sites in Environmental Authorities, will provide clear direction to mine operators that will result in no additional safety risks, a net reduced environmental impact, and contribute to a substantially more efficient business recovery.

Any inquiries in relation to this matter can be addressed to the undersigned.

Yours faithfully



General Manager, Health, Safety and Environment