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Safe AND SUSTAINABLE

Newmont Mining is Australia's largest gold producer and understands the value of operating safely and sustainably in a market that is undergoing subdued conditions.

Images by David Phillips

It's been more than two years since *The CEO Magazine* spoke with Newmont Mining, discussing the thriving resources sector of our region with Jeff Huspeni. After 30 years with the organisation, Jeff announced his retirement in November 2012 and the organisation appointed Carlos Santa Cruz as Senior Vice-President for Australia/New Zealand. Carlos stepped up to the challenge of his new position, bringing with him a wealth of knowledge and experience from decades of working in the mining industry.

Carlos's career in the resources sector goes back to the early 1970s when he entered university to become a mining engineer. "Of

course, all of my education was done in South America, in Peru, where I graduated as a mining engineer. I was born in the town of Nazca, Peru, which is 400 kilometres south of Lima. All of my training as a mining engineer was in Peru; I started working in an iron open pit as a student in training.

"After graduation, I worked in the Andes in silver mines. Peru is one of the major silver producers in the world, and I worked for Buenaventura in the Julcani underground mine. Then I decided to continue postgraduate studies in the US; I went to Michigan Technological and Penn State where I eventually obtained a doctoral degree. I then went back to work in the industry in early

1990; I joined Buenaventura Engineers, which is a local consulting company, essentially to do engineering work."

In 1992, Carlos joined the Yanacocha project, which was a joint venture between Newmont Mining, Buenaventura, and the BRGM (Bureau de Recherches Géologiques et Minières). "I did work initially as a project coordinator and eventually went into operations, starting as an operations manager for the Yanacocha mine, which initially was a relatively small mine producing 300,000 ounces of gold per year from an open-pit mine. Through the years, I progressed in the company and eventually ended up being general manager of Yanacocha. We grew the >



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production from 300,000 ounces per year to pretty much 3.3 million ounces per year. It took us almost 12 years to reach that level.

“Parallel to that, I got involved in managing the operations that Newmont had acquired in Bolivia and had interaction and coordination with the exploration business that we have in the area. In mid 2000s, I was promoted to the position of regional vice-president in South America, and I worked in that position until I was transferred as senior vice-president of Australia and New Zealand in 2012.”

During Carlos's tenure, Newmont Mining's safety performance has reached unprecedented levels. “I think we have been successful in safety through a combination of leadership and systems. Leadership starting at the top level is key in this space, but, of course, to be successful as an organisation, we need to make sure that there is

leadership at every level within the organisation.

“Our ultimate objective is to ensure that safety ends up a part of the culture of our everyday jobs so that it's nothing outside of our routine but is a part of our lives inside and outside of work. What we do normally is to interact as much as we can with people within the organisation. We encourage our people to speak up when there is something wrong; and when somebody sees something wrong within our organisation, we should stop the job.

“I think we understand clearly that this is a journey, and we've been building up the sophistication of our systems also; but the fundamentals of our current systems are based on safety interactions with the people at the different levels of management and supervision. We have a very systematic process to review incidents or near misses that we do consistently, and we treat those as

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- Doug Blom, Chief Marketing Officer, Joy Global*



real incidents. We have a pretty good program of safety coaching to improve the level and quality of the work of our supervisors doing safety on the job.

“Something that we're working on a lot is fatality risk elimination, which is one of the major objectives on this journey. We start every meeting with a safety share, and we understand that it is a matter of culture, that we are on a journey that will never end. Our objective is to eventually be an organisation with zero harm. We count any injury of our business partners as our own.” >



Newmont Mining regularly measures its health, safety, and loss prevention (HSLP) performance to ensure continuous improvement against planned and actual outcomes. The work culture of the company, defined as 'safe production', is directly influenced by what is measured and reported. As a measure of HSLP performance, Newmont Mining monitors against defined leading and lagging indicators to assess overall HSLP effectiveness, performance, and safe production. Leading indicators are designed to drive and measure activities that are carried out proactively to control and prevent illness and injury, loss to property and process. Lagging indicators provide one measure of information to the company around undesired events that resulted in harm to people and/or loss of process and property.

The main operation for Newmont Mining within the Australia/New Zealand region is Newmont

Boddington Gold in Western Australia, which is the country's largest goldmine and contributes 40 per cent of the region's production. At the time of writing, Boddington's production was heading to approximately 665,000 ounces of gold and 27,000 tonnes of copper per year. "We are progressing the 'Full Potential of Boddington', which is a program to reduce cost and improve productivity in the operation. This is an effort that includes all the activities across the operation, but essentially the main focus is the mining activity and the process plant.

"Our objective is to eventually put the total cost of Boddington well below \$1,000 per ounce. We are on track to achieve this objective. We started this program in January 2012 and we have made a lot of progress in gaining efficiencies in the mine, improving the reliability of the process plant, via our approach through waves of improvement.

We have already completed the first wave of improvements and we are at the beginning stages of the second wave. This will continue because full potential for us will be a philosophy within the way that we do business, and is focused on continuous improvement. That's the way we're heading at Boddington."

According to Carlos, a major issue at Boddington has been the process plant's reliability, which has been a particular focus for Newmont Mining given the mine's reliance on ceaseless production quantities to maintain the business plan. "We need to make sure that the process plant runs and is available as much as we can, and we are doing a lot of work in component reliability. For example, we have upgraded the availability of our conveyance system, which is a major achievement, and we continue doing that. Another major area of focus is a reduction of downtime during the maintenance



shutdowns, and we have already achieved substantial improvement, but we still have upside opportunity in that space."

Recently, Newmont Mining met with Western Australia Premier Colin Barnett to discuss a potential increase for the state's royalty

regime. Goldminers in Western Australia have formed a coalition to lobby against the proposed royalty rise as it would adversely impact many mining companies' bottom lines. "In 2013, we paid approximately \$61 million of royalties at the rate of 2.5 per cent, and those royalties were pretty

much generated by Boddington, Jundee, and the 50 per cent of KCGM. In the event that there is an increase of the royalties to 5 per cent, we double the royalty, and our additional costs would range from \$30 to \$40 per ounce. So that would be a major impact. One of the scenarios that we are considering is the potential for gold price to drop below US\$1,200 per ounce. Considering that scenario, any royalty increase will have a major impact on our bottom line.

"Considering that Australia is the second most expensive location in the world, further regulatory imposts will require that we make further adjustments to our costs structures. We are, however, well placed due to our previous actions to continue reducing operating, capital, and sustaining >

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capital expenditure and increase production efficiencies and have flexibility available to us. So the idea is in that space is we are working closely with the state government and the Chamber of Mines and Energy in Western Australia to make sure that the economic aspects of the debate regarding the royalties are known to the leadership of Western Australia government.”

Working within the resources sector, Newmont Mining is very conscious of the importance of environmental considerations and sustainable practices. Newmont’s vision is to be the most valued and respected mining company through industry-leading performance. Key to achieving that vision is the company’s ability to make a lasting and positive contribution towards sustainable development through environmental stewardship, social responsibility, and the protection of the health and wellbeing of its people.

Newmont Mining’s sustainability report, ‘Beyond the Mine’, describes the company’s approach to sustainability, the programs it has in place to guide Newmont Mining towards achieving sustainable development objectives, and the company’s annual performance. It is prepared as a part of Newmont Mining’s commitment to international initiatives such as the International Council on Mining and Metals’ Sustainable Development Framework, the United Nations Global Compact, and as a founding signatory to the Minerals Council of Australia’s Enduring Value Framework for Sustainable Development.

“We have a policy of sustainability and we have a sustainability strategy. The three main drivers of that are performance, social acceptance and reputation, and eventually risk management. With regard to performance, we try to achieve industry-leading

performance in community engagement, environmental protection, and value creation. We’re always trying to secure the support of the host communities at a regional level, at site level, and eventually at a national level.

“Parallel to that, we make an effort to relate to and connect well with stakeholders. Of course, we are trying to effectively identify and manage current and emerging social, environmental, and political risks and opportunities. With all that in the background, it’s very important for us to relate very well and establish the proper relationships with our stakeholders. Key suppliers, subcontractors, government, and community, are the partners that we normally address and maintain close contact with.”

Collaboration is paramount in the work Newmont Mining does, as it allows an exchange of ideas and practices. “The safety policies and

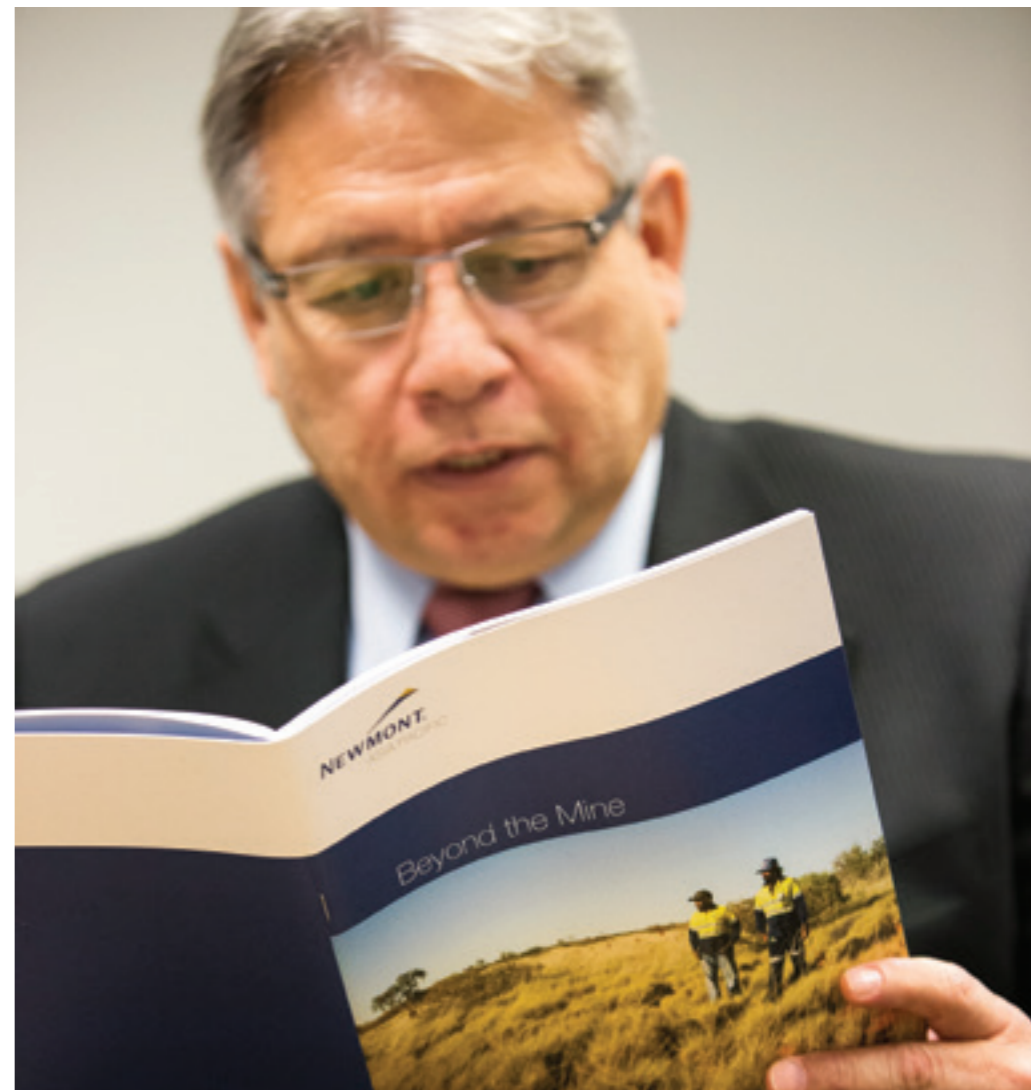
best practices that we have are shared with our business partners, so there’s a tremendous effort of joint cooperation in that space. We appreciate the engagement that we have with our business partners. There is mutual benefit within not only the economic aspect of that relationship but also in the intangibles associated with safety and community relations.”

Newmont Mining works hard to be a good corporate citizen by positively contributing to the areas in which it operates. “Besides all the efforts made to generate local employment, we also try to coordinate with the business partners, with the local government, the generation of as much local business as possible. That’s something where there’s a lot of progress to gain, a lot of space to improve, but we will continue working in that direction. In some of the programs for business development, for improvement in education—for example, training and health programs—we work closely with the government and industry with the idea and the intent to not duplicate efforts but to add value and align the efforts into communities.”

Carlos notes that Newmont Mining has some key production plans for the coming years. “In our region, Australia and New Zealand, we have a very robust production plan. Our results in 2013 show that while it was a challenging year, we achieved a positive result, and today we are heading towards a very promising and sustainable future.

“We have gotten approval for the expansion of the Waihi mine in New Zealand. And we have a sustained effort to continuously improve the cost and activity at Boddington, which is our major operation. Tanami’s production will continue growing, and we are putting a lot of resources and effort to progress that mine.”

While the mining boom has slowed down and the resources sector experiences subdued activity, Carlos notes that Newmont Mining



is still in a strong position to tackle the uncertainty of the future and to remain positive while national mining activity recedes. “These are difficult times as we go through these down cycles, but it’s an opportunity to strengthen our organisation. We need to be prepared to endure the difficult times, which is what we’re doing, and eventually focus on the aspects and parts of the business that we can control.

“We know that eventually the cycle will rebound. This, however, is out of our control and we hope that it happens sooner rather than later. I would say we are well prepared to endure throughout the down cycle and be really ready to take advantage of the improvements that we will see in the business environment, particularly in the mining sector, in the years to come.”

Despite the difficulties that the mining industry faces, Newmont Mining’s greatest strength comes from its people during these challenging market conditions. “One aspect that I would like to highlight is my recognition of the people of our organisation. I have an exceptional team of direct reports among the Asia-Pacific leadership team and the site GMs. And, of course, the site leadership teams have responded very well to the difficult times that we’ve gone through, and we now pretty much see the light at the end of the tunnel in a business environment that is difficult.

“I think we have a good plan and good expectations for the future. I think we can sustain a good business and be prepared for the new times that we expect to have in the mining cycle.” •

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- Carlos Santa Cruz



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