

Mining's EMERGING PLAYER

A commitment to the sustainable development of coal reserves, the safety and wellbeing of employees, and working constructively in local communities is the ethos behind Whitehaven Coal.

Images by Scott Ehler

Whitehaven Coal is an emerging force in the Australian coalmining

industry, experiencing exponential growth in the past couple of years. The company is the leading coal producer in the New South Wales Gunnedah Basin, with operating open-cut mines at Werris Creek, Tarrawonga, and Rocglen, a large-scale underground mine at Narrabri North, and the Maules Creek open-cut project, which opened earlier this year.

In 2012, there was a merger between Aston Resources and Whitehaven to create the Whitehaven Coal of today, and to aid in its expansion. The business managed to double its size and output within just two years, mainly at the commencement of operations at the Narrabri site. Managing Director and CEO Paul

Flynn spoke to *The CEO Magazine* about how he came into his role with Whitehaven Coal and what the business is doing to ensure it continues its path to success.

The CEO Magazine: Can you give us an overview of your professional background leading up to and including your current position, looking particularly at the lessons you've drawn from your experiences?

Paul: I'm a finance person by trade; I did a finance degree and went into the accounting profession to start off with. I was in that industry for about 20 years and was an advisor to mining and energy companies for the entire time. It was that connection with the mining industry that ultimately led me to where I am today.

I had a long-term career with Ernst & Young. I was the managing

partner of their largest office in Australia, but had been seconded to senior management roles in clients during this time. Rather than being the adviser on the other side of the table, I decided that it was the right time to become the person receiving the advice.

When I left Ernst & Young, I was managing the Sydney office with some 2,000-odd employees and almost 200 partners that I was responsible for. I joined one of my then clients, which was the Tinkler Group. I'd been an adviser to Nathan Tinkler throughout his growth period during various transactions, and he had tried to coerce me into joining him a number of times previously. I had resisted those overtures until such times that his business clearly needed some help and I thought I could add value. Knowing him as I did, I decided to join him and assist him in pulling his business together. >



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So I joined as the CEO of the Tinkler Group. One of the major attractions of that role was the mining focus, but also the diversity of investments in the portfolio at that time. The largest single investment at that time was the cornerstone shareholding in Aston Resources Limited. So with Mark Vaile, the now chairman of Whitehaven and the then chairman of Aston Resources, we went through a process of negotiation with Whitehaven to merge the companies and form what you see today as the enlarged Whitehaven Coal Limited.

Once we'd agreed on all the merger principles, settled the transaction documentation, and set out the procedural pathway for the scheme of arrangement, I turned my focus to the restructure of the rest of the Tinkler Group. Needless to say, Nathan and I had divergent views as to the immediacy of the need for change. So, at the time of the consummation of the merger,

I'd left the Tinkler Group as I felt my work there was done.

I came onto the board of Whitehaven Coal as a non-executive director as part of that merger transaction. I stayed for 12 months on the board and then succeeded Tony Haggarty in the role of CEO and managing director in March 2013.

What are the key values that define Whitehaven Coal?

It's a young and dynamic business, and hasn't been listed for a long period of time. It certainly has a very open culture that is based on mutual respect and integrity. We are a small business with a relatively small team, and, as such, it needs both those important characteristics—being open and respectful. Similarly, teamwork is absolutely critical. A high-functioning team achieves a hell of a lot more than part-functioning individuals, and

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Everybody needs to be pulling in the right direction in order to deliver a common goal. I think that's one of the defining things that's stayed with me throughout my career—every time we've achieved good things, or every time I've been able to achieve good things, it's always been a product of how good a team you have around you.

We focus on hiring exactly the right people, in exactly the right roles, and by doing that we have managed very well in doubling the size of our business in a difficult part of the commodity cycle.

What role does corporate social responsibility and community work play in your company's ethos?

Our social responsibility commitment really is essential to >



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everything we do. We consider ourselves to be a local business, and not just in our operations. Our genesis is from the Gunnedah Basin, and it is that deep connection with the community that is our greatest strength. The purpose of merging Whitehaven with Aston was actually to put the company in a dominant position in our home turf, but also within what is the only emerging high-quality coal basin in the country. Now we dominate the basin, but we're also still a local company.

To give this commitment life, the community must get the benefit of our presence. All our operations are in the same region, and we are the largest single employer in the area. We need to have a very keen eye to integrate ourselves into the fabric of the community. We value the support that we get from the community and have to demonstrate that we do not take it for granted. We've always been focused on employing local people, and, as we stand today, about 75 per cent of our total workforce is recruited from the region, even considering our offices in Sydney, Newcastle, and Brisbane. In terms of community engagement, I think this feature distinguishes us from other coal companies around the country.

In providing job opportunities for the local community, we invest disproportionately in the training of these people that, for some, allows them to make a complete career change. We have people who work at our mines who come from very different walks of life, but they have chosen to come and join us. We've invested very heavily to be able to transition them from a cab driver, a teacher, or a café owner into someone who works with us in the mining industry. That has been fundamental to our success and is tangible proof of our commitment to our region.

As a responsible corporate citizen, we're very much focused on the notion that the community in which we work must benefit from our presence. One of the most tangible and enduring ways of doing that is through employment.



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As a company, we don't support the long-term, fly-in fly-out of workers who don't live, or aren't prepared to live, in the community.

How does Whitehaven Coal invest in staff with regard to training and development?

Our training commitment is huge. When we opened up the Narrabri mine, it was actually during a time when the commodity cycle was running pretty hard. Underground mines are heavily regulated in terms of the ratio of experienced hands to cleanskins that you can bring in at any one time. So we had to start the mine up by importing some temporary skilled labour, which temporarily slows the rate at which local people can participate.

While maximising the ratio of new, or cleanskins, into the business, they were trained up to become skilled underground operators. So, in addition to the local people, we were also able to entice other good people to come to the region and put down roots.

Now, our direct employees have replaced the entirety of that contracted operations workforce across our Narrabri mine. What we've seen is that productivity and output have stepped up while the cost profile has come down. We see this as a product of fantastic alignment between a very good asset and a workforce who see a

long-term future in a career with Whitehaven. You can understand the difference between someone who might be on a two- or three-year contract working for us, versus someone who has got a job for as long as they continue to perform in a mine that has 25 to 30 years life in it.

The Maules Creek project is another fascinating example. We opened the door last year to recruit the first tranche of the 450-odd workforce. The proposition was open to local people and those from further afield, with one important condition: if you weren't from the area, you had to move into the area to take up a role. In the first week of recruitment, we received 1,800 applications for the first 100 roles.

At the same time, we've also made a very genuine commitment to empower the local Aboriginal community. The Indigenous people in the Gunnedah Basin represent between 8 and 9 per cent of the population. So, with Maules Creek being a greenfield site, we set a target for ourselves to have 10-per-cent Indigenous employment within five years. With that first wave of 100-odd people that we've taken in, we've already achieved that. We're very proud of that achievement, and it's not something we do because we are regulated to do it. We do it because we think it is the right thing, and when we say we are engaged with the community, that means the whole community.

How is the company striving towards more environmentally sustainable operations?

There's lots of discussion going on about the place of coal in the future, and we're very fortunate that the Gunnedah Basin is typified by very high-quality coal. As the world is changing in terms of requiring cleaner fuels, cleaner coal is absolutely fundamental to that future. Consuming cleaner coal, with the lower-emissions profile that brings, is the most practical and material change we can make tomorrow while maintaining our quality of life.

With Maules Creek, and now our Vickery open-cut project approval, we have passed the high watermark in terms of contemporary environmental regulation, and we're very proud of that. We see lots of other projects really struggling to gain approval at a time when environmental concerns are heavily weighted. We have passed those high standards, and compliance with them is absolutely front of mind for our everyday operations.

At the end of the day, environmental compliance and responsibility are essential to our social licence to operate in the area. We couldn't do the things we're doing, and we wouldn't have so many supportive people around us in the community, if we weren't responsible in that regard.

We can see real alignment between the local community and ourselves. One of the dimensions that some people conveniently miss is the fact that it's not a binary discussion about whether the land should be for farming or for mining; we believe very strongly in the compatibility of both forms of land use. In fact, a very large number of farmers work for us.

The fact that they can draw a solid wage from us actually sustains their desire to stay on the land. Many of these people have been on the land for generations, and when the land's not paying, a decent wage from us underpins their ability to maintain that connection with the land.

Whitehaven Coal operates Maules Creek coalmine in New South Wales' Gunnedah Basin. How has this project been progressing, and what does Whitehaven aim to achieve with it?

The Maules Creek construction is going very well. Our industry has been typified by construction delays, construction overruns, and large blowouts in cost. To be able to bring a project of this scale in ahead of time and under budget, I think, is a fantastic achievement. Narrabri was also a very



competitively built development that we put in place just two years ago, and we have now doubled our output as a company with our Narrabri mine. Maules Creek will double our output again over the next three years as we ramp it up.

We see this as a transformational asset for the company in the same way Narrabri was, and we see us attaining a scale and presence in the marketplace where we will be absolutely the premier ASX-listed coal company in Australia. That's

the position in the market we are striving to achieve, and to capture the benefits of achieving that goal for our shareholders.

Considering your position, how is the global coal market changing, and what is your organisation doing to adapt to these changes?

We're very confident about the future of coal and that it will remain the mainstay of global energy needs for the world into >





the foreseeable future. Other fuels and other energy sources, including renewables, will come into the energy mix to meet the growing demand, but the mainstay of global energy needs are going to continue to be met by coal. That's not to say that the coal today will be the coal that meets those requirements in 10 to 20 to 30 years time. The world is demanding higher-quality, cleaner coal. Gunnedah Basin coal is ideally placed to meet these more stringent needs.

What we see is that developing nations are meeting the very important needs for energy with cheap, low-risk fuel to fund their growth and help people out of poverty. China has done this extraordinarily successfully over the past 20 years. What we are seeing very clearly is a transition of higher demand for cleaner-quality coal. Australia as a whole probably sells the best-quality coal in the world, as a general statement. Whitehaven's coal is better than the Australian average quality, so we are in a unique position to meet this rapidly growing demand.

There are lots of countries that are bereft of natural resources in that regard, and one of the key markets for our high-quality coal is Japan, which has gone through an industrialisation of its economy over the past 50 to 60 years. Japan is at the leading edge of efficiency of coal use and emissions profiles, and achieves this by using Australia's superior coal. Now other countries like South Korea and China are on this same journey.

How does Whitehaven Coal collaborate with key suppliers and partners to create mutually beneficial relationships?

Coal prices are at a historic low—the lowest they've been in five or six years. Tough times for the mining and coal industries certainly means tough times for our suppliers and partners. Our focus is that, while we've been very successful in lowering our cost base, we have to be conscious of how we balance relationships with key suppliers.



Downer EDI is a critical supplier to Whitehaven Coal and is engaged in the construction of the CHPP at Maules Creek project. In addition to this, Downer EDI is engaged to design and construct 22-kV electrical infrastructure, including the provision of optical-fibre cabling and construction of 22-kV power lines throughout the project area.

Hitachi is a strategic supplier [OEM] to Whitehaven Coal for the manufacture, assembly, commissioning, and supply of

earthmoving equipment for the Maules Creek project. The Hitachi earthmoving equipment for Maules Creek includes EX3600 excavators, EX8000 excavators, and EH5000 rear dump trucks. Hitachi is also engaged for the supply of spare parts and selected services to our open-cut mines.

Emeco International is a major supplier of 'hire' earthmoving equipment to Whitehaven Coal. Emeco's hire equipment is being utilised across the open-cut operations and at the CHPP, and

includes dozers, graders, loaders, and rear dump trucks.

Our view has been to share our pathway with our suppliers. We give them visibility as to where we need them positioned in difficult times, as well as what rewards there might be when times are more buoyant.

What does the future hold for Whitehaven Coal?

We're creating the premier ASX-listed coal company in Australia; there's no doubt about that. There's really no comparable producer to us as a pure coal player on the market that we can see. We are unique from a global perspective when we look at the big-tier coal companies listed on various stock exchanges around the world. We're in a unique position, and we're very competitively priced on the cost curve for our industry. That makes us more robust and resilient during hard times, while also making more margin for our shareholders during the good times.

The prospects for us as a company are fabulous, especially when we look at the global fuel needs of the world and the desire for cleaner-quality coal going forward. To be positioned as the dominant player in the only high-quality coal basin emerging in Australia is a unique position and certainly opens up all sorts of prospects for us with expansion within the area as the dominant player there. It also creates opportunities for expansion more broadly in other coal basins around the country, and potentially further afield.

We're particularly proud of our investment in the local community, and we're particularly proud of the work we're doing with the Indigenous community.

We're very confident we're on the right pathway at Whitehaven. We are growing at the most difficult time in the cycle, but our proposition is so compelling, we are absolutely committed to delivering for our shareholders. •



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