

**The Blenheim Report**

Confidential Intelligence Report

* **Mining Services**
* **Energy, Oil & Gas Producers**
* **Iron Ore Producers**
* **Coal Producers**



Blenheim Partners is a premier international Executive Search and Board Advisory consulting firm. Our team have acted at Board and CEO level for the ASX100, FTSE100 and Asian listed companies, as well as for a range of mid-cap and smaller businesses both publicly and privately owned. We have come together bonded by a singular purpose of providing a search and consulting model that ensures our clients achieve the optimal outcome through a highly dedicated and accountable partnership. Our goal is to help our clients deliver superior performance by maximising the composition of their senior management teams. Blenheim combines the quality, structure and process of a large firm with the flexibility, creativity and relationship focus of a boutique.

Our work falls into three areas: Top Level Executive Search, Non-Executive Search and Consulting.

* We only partner with 1 company per sector to make certain our clients receive complete coverage and in-depth intelligence
* We do not have “off limits” restrictions as a result of our partnering model
* We allow our clients to determine the fee tied to meeting and exceeding expectations
* We provide Assessment and On Boarding with all searches
* We feel our proposition produces diversity of thought and innovation
* We have “no limitations” in the pursuit of excellence

**Confidentiality**

This report and the information contained in it are confidential and proprietary information belonging to Blenheim Partners. The report contains confidential and proprietary information based on data from public and private sources, including Blenheim Partners’ proprietary database of information. **The recipient will not use or disclose, or permit the use or disclosure of, this Report by any other person or for any other purpose**. The information contained in this report is preliminary in nature and subject to verification by Blenheim Partners. Blenheim Partners does not guarantee its accuracy or completeness.



**The Blenheim Report**

CONFIDENTIAL INTELLIGENCE REPORT

MINING SERVICES

October 2013

CONTENTS

**Introduction** 4

**Ausdrill Ltd** 5

**BGC Contractors Pty Ltd** 15

**Downer Mining** 18

**Fluor Corporation** 30

**Leighton Holdings Ltd** 43

**MACA Ltd** 57

**Macmahon Holdings Ltd** 62

**Mineral Resources Ltd** 72

**Monadelphous Group Ltd** 79

**NRW Holdings Ltd** 84

**UGL Ltd** 91

**WorleyParsons Ltd** 102

**Market Intelligence** 118

**Conclusion: Themes** 120

**Blenheim Partners** 121

|  |
| --- |
| INTRODUCTION |

**Mining Services Overview**

Mining Services companies have borne the impact of the slowdown in the resources sector, with a significant number of projects on hold across a number of resources. A December 2012 report released by Deloitte1 identified ‘Capital project deceleration’ as one of the most significant outcomes of the impact of the decline in commodity prices and global economic uncertainty.

More recently in an analysis undertaken by Ernst & Young2, “84 companies were identified on the ASX which generate a significant proportion of their revenue from mining services, either through equipment or non-equipment (eg labour and consumables) services”. Of those 49% “have issued profit downgrades in the past six months, with a third of these in the past three months. The total market capitalisation of the 84 listed mining services companies has declined 16% in the period 31 December 2012 to 13 June 2013”.

The impact on unemployment in the sector has been significant. Over the period July 2012 to July 2013 the mining jobless rate increased from 1.7% to almost 10.9%\*\*\*. The Australasian Institute of Mining and Metallurgy has revealed that one in ten mining professionals are now unemployed after a slowing in project expansion. The unemployment rate is nearly double the overall labour force rate and under-employment has increased three-fold to 9.1%. AusIMM states that the downturn is the result of mining services’ clients focusing on existing operations rather than exploration and expansion. Examples cited include BHP Billiton’s Olympic Dam mine and port expansions in Queensland.

However there has been recent positive news around iron ore as confidence in the iron ore price remains high, and growth projects have become more appealing. Roy Hill has awarded $2.37bn in projects to a number of mining services companies, including NRW Holdings and Leighton Contractors. Iron ore is currently trading around US$134 per tonne having bounced back from lows of a year ago of around US$853. Analysts and commentators state it is important to recognise the highly cyclical nature of pricing, and to note that in recent weeks iron ore prices have trended down due to tough market conditions for steel producers and easing Chinese demand ahead of their holiday period, however it is generally accepted that a price collapse is not expected in 2013.

Iron ore does stand-alone in this regard. It retains a very strong average industry margin of around 52% (2014 FY)4, thus supporting the ongoing focus of major producers such as Rio Tinto and BHP Billiton on expansion projects at their low cost iron ore operations. This stands in stark contrast to coal and bauxite for example, both having margins of less than 25% in 2013, with export thermal coal declining to an average of 19% in 2014.

**Sources:**

1 <http://www.deloitte.com/view/en_AU/au/industries/energy-resources/mining/a9cf21fc11f5b310VgnVCM1000003256f70aRCRD.htm>

2 <http://www.ey.com/AU/en/Newsroom/News-releases/Mining-services-shake-out-will-see-winners-and-losers>

3 <http://www.afr.com/Page/Uuid/c5e94fce-23de-11e3-995e-f3600b54a504>

4 <http://www.afr.com/Page/Uuid/1a2bb894-231a-11e3-9240-1db44f74ad57>

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| LEIGHTON HOLDINGS LTD (ASX:LEI) | | | | | | | | | | | |
| **Market cap:** $5.75bn| **Revenue:** $11.5bn (1H13)| **NPAT:** $366m (1H13)| **Employees:** 56,000 | **Operations:** Australia/Pacific, Asia, Middle East, Africa| **Head office:** Sydney  Leighton Group owns and operates a number of diverse and independent operating companies: Leighton Contractors; Thiess; John Holland; Leighton Asia, India & Offshore; and Leighton Properties. Leighton has a 45% investment in Habtoor Leighton Group, and a 19.55% investment in Mining Services company Macmahon Holdings Ltd. Businesses in Mining Services are Leighton Contractors P/L (LC); Thiess P/L; John Holland Group P/L (JHG); and Leighton Asia, India & Offshore (LA). The majority shareholder of Leighton Group is HOCHTIEF Australia Holdings Ltd (56.39% at 22 July 2013), which is wholly owned by HOCHTIEF Aktiengesellschaft, the eighth largest provider of construction related services in the world. Grupo ACS, a Spanish construction conglomerate, in turn owns 50.16% of HOCHTIEF.    Leighton Group companies undertake a variety of activities in the markets they service:   * Contract Mining: world’s largest contract miner with significant operations in Australia, NZ, Indonesia, Mongolia, the Philippines, India and Sthn Africa; accounts for approximately 24% of the Group’s operating revenue; majority of work is in iron ore, gold, thermal & metcoal, copper and diamonds. * Construction: active in a range of major projects in the infrastructure, resources and property markets throughout Australia, Asia and Middle East. * Operation & Maintenance: services include waste disposal, telecommunications, roads, railways, utilities operation & maintenance, land remediation & contaminated site clean-up. * Development: experience developing many of the major economic and social public private partnership (PPP) projects in Australia; toll roads in India and the Philippines; property development and project management expertise in Australia and Asia in both commercial and residential sectors.   1HFY2013 Results <http://www.leighton.com.au/__data/assets/pdf_file/0003/25086/HYRPresentationAug2013.pdf>:   * LC: Revenue $3.8bn; work in hand $12.3bn * Thiess: Revenue $3.2bn; work in hand $11.8bn * JHG: Revenue $2.3bn; work in hand $6.3bn * LA: $1.4bn; work in hand $6.7bn * Contract Mining work in hand reduced 20% due to: volume reductions in Australian and Indonesian coal mines; contract losses at Collinsville and Peak Downs; partially offset by the Solomon iron ore award. * Group Outlook: on track to deliver 2013 full year underlying NPAT of $520m to $600m.   Recent press: On 3 October 2013, a six-month Fairfax Media investigation revealed "Bribery, corruption and cover-ups in Leighton Holdings' international construction empire were rife and known to top company executives and directors, according to internal company files"\*. Subsequently it has been shown that then CEO, Wal King, and his short-term successor David Stewart were aware of the alleged multimillion-dollar kickbacks in 2010. On 5 October, a Sydney Morning Herald headline revealed "Leighton Contractor’s losses over scandal may top $500m", for which the Group Outlook implications are ominous\*\*.  \* <http://www.smh.com.au/national/building-giant-leighton-at-centre-of-bribery-scandal-20131002-2usvp.html>  \*\* <http://www.smh.com.au/business/leightons-losses-over-scandal-may-top-500m-20131004-2uztz.html> | | | | | | | | | | | |
| **MINING OPERATIONS** | | | | | | | | | | | |
| **Project** | **Client** | | **Resource** | | **Services Provided** | **Personnel / Contract Value** | **Contract** | | | **Location** | **State / Ctry** |
| Burton | Peabody | | Coal | | Thiess – Design, Construct & Operate | 230 + 100 subcontractors / $3.9bn | Dec1995; life of mine | | | Bowen Basin | QLD |
| Caval Ridge | BMA | | Coal | | Thiess – Contract Mining | $183m | Dec2011-Sep2013 | | | Moranbah | QLD |
| Cosmo Deep | Crocodile Gold Australia Operations | | Gold | | LC – Contract Mining | $123m | Apr2011-2014 | | |  | NT |
| Curragh North | Wesfarmers | | Coal | | Thiess – Contract Mining Infrastructure & Mining Project | $634m | Jun2008-Mar2021  (Commenced 2004, extension awarded) | | | Bowen Basin | QLD |
| Dawson | Anglo American Metallurgical Coal | | Coal | | LC – Contract Mining | $318m | Nov2010-Dec2014 | | | Bowen Basin | QLD |
| Duralie | Yancoal | | Coal | | LC – Contract Mining | $294m | Jul2009-Jun2016  (Commenced 2006, extension awarded) | | | Gloucester | NSW |
| Hope Downs 4 | Rio Tinto / Hope Downs Iron Ore (50:50) | | Iron Ore | | LC – Contract Mining | $104m | Aug2011-Nov2013 | | | Pilbara | WA |
| Jax | QCoal (Queensland Government) | | Coal | | LC – Contract Mining | $400m | Jun2012-2017 | | | Bowen Basin | QLD |
| Jellinbah | Jellinbah | | Coal | | JHG – Contract Mining | $408m | Apr2011-2015 | | | Bowen Basin | QLD |
| Jwaneng | Debswana Diamon Co | | Diamonds | | LC – Contract Mining | $322m | Apr2011-2016 | | | - | Botswana |
| Khushuut | Mongolia Energy Company | | Coal | | LA – Relationship contracting | US$300m | Jul2010-Jun2016 | | | - | Mongolia |
| KPC Sangatta | Kaltim Prima Coal | | Coal | | Thiess – schedule of rates | US$2.5bn | Oct2003; life of mine  (Commenced 1989, extensions awarded) | | | - | Indonesia |
| Malek | Gunung Bayan Pratama Coal | | Coal | | Thiess – Contract Mining | US$1.7bn | Oct2008-Dec2016 | | | - | Indonesia |
| Martabe | PT Agincourt Resources | | Gold | | LA – Remeasurement | US$234m | Aug2010-Dec2015 | | | - | Indonesia |
| Masbate | CGA Mining | | Gold | | LA – Mining Operations | US$337m | Mar2008-Feb2017 | | | - | Philippines |
| MGM Mining Services | PT Marundah Grahamineral | | Coal | | LA – Contract Mining | US$417m | Apr2012-2019 | | | - | Indonesia |
| Moorvale | Peabody | | Coal | | LC – Contract Mining | $125m | Jun2012-Sep2013  (Commenced 2003, extension awarded) | | | Bowen Basin | QLD |
| MSJ | PT Mahakam Sumber Jaya/TANITO Coal | | Coal | | LA – schedule of rates | US$1.3bn | Jun2010-Mar2013  (Commenced 2004, extensions awarded) | | | - | Indonesia |
| Mt Owen Complex | Hunter Valley Coal (subsidiary of Xstrata) | | Coal | | Thiess – schedule of rates | $1bn | Oct1996-2015 | | | Hunter Valley | NSW |
| Pakri Barwadih | NTPC | | Coal | | Thiess – Contract Mining  Infrastructure Development | $286m | Nov2010-Nov2034 | | | - | India |
| Peak Downs Stage 7 | BMA | | Coal | | LC – Contract Mining | $604m | Jul2009-2015 | | | Bowen Basin | QLD |
| Prominent Hill | OZ Minerals | | Copper & Gold | | Thiess – Contract Mining | $1.1bn | Jul2006-2018 | | |  | SA |
| Roy Hill | Hancock Prospecting | | Iron Ore | | JHG – Construction | 270ppl at peak / $257m | Awarded Sep2013; Commence Oct2013 | | | Pilbara | WA |
| Satui | PT Arutmin Indonesia | | Coal | | Thiess – schedule of rates | $3.62bn | Jun2000; life of mine | | | - | Indonesia |
| Senakan | PT Arutmin Indonesia | | Coal | | Thiess – Contract Mining (schedule of rates) | $1.99bn | Jun2000; life of mine | | | - | Indonesia |
| Solomon Hub | Fortescue | | Iron Ore | | LC – Contract Mining (whole of mine management) | $1.54bn | Jun2012; 5yrs | | | Pilbara | WA |
| Sonoma | Sonoma | | Coal | | LC – Contract Mining (schedule of rates) | $1.2bn | Jul2012-2016  (Commenced 2007, extension awarded) | | | Bowen Basin | QLD |
| Tamtama Perkasa Mining Services | PT Tamtama Perkasa | | Coal | | Thiess – Mining Services | US$107m | May2012-2017 | | | - | Indonesia |
| Toka Tindung | PT Meares Soputan Mining/Archipelago Resources | | Gold | | LA – schedule of rates | US$173m | May2010-Feb2016 | | | - | Indonesia |
| Ukhaa Khudag | Energy Resources | | Coal | | LA – Relationship contracting | US$1.5bn | Mar2009-Dec2018 | | | - | Mongolia |
| Wahana | PT Wahana Baratama Mining | | Coal | | LA – schedule of rates | US$2.2bn | Dec2007-Dec2017 | | | - | Indonesia |
| **EXECUTIVE LEADERSHIP TEAM** | | | | | | | | | | | |
| **Name** | | **Title** | | **Background** | | | | **Location** | **Comments** | | |
| Hamish Tyrwhitt | | Chief Executive Officer  (Aug 2011-Present) | | Hamish started his 27 year career with the Leighton Group at John Holland and subsequently worked for Leighton International, Leighton Contractors and Leighton Asia. He was appointed Managing Director of Leighton Asia in 2007 and, in 2011, was given responsibility for the Indian and Offshore operations of the Group. Much of his career has been in Asia working across the region in the building, mining and infrastructure sectors.  Hamish is a Member of the Advisory Board of Infrastructure Partnerships Australia, a Member of the College of Civil Engineers Australia, a Fellow of the Australian Academy of Technological Sciences and Engineering, and a Member of the Hong Kong Institution of Engineers. He is also a Governor of the World Economic Forum’s Infrastructure and Urbanisation Group where he has a leading role in driving the WEF’s Strategic Infrastructure Initiative. He was also recently appointed to the Leadership Group of the Business 20, the business advisory group for the G20.  **Education** – BEng (Civil), University of Western Australia; FIEAust; CPEng; MemIEHK; FTSE | | | | Sydney |  | | |
| Peter Gregg | | Deputy Chief Executive Officer  (Apr 2013)  & Chief Financial Officer  (Oct 2009-Present) | | Peter was an Independent Non-Executive Director of Leighton Holdings from July 2006 to October 2009. Formerly Chief Financial Officer and Executive General Manager Strategy for the Qantas Group, he was appointed Chief Financial Officer of Leighton Holdings in October 2009. Peter is a Commissioner of the Australian Rugby League Commission.  He is a former Director of the following other ASX listed entities: Qantas Airways Limited from September 2000 to September 2008 and former Chairman of the Singapore-based Jetstar, and its parent company Orangestar, Stanwell Corporation Limited until September 2009, Skilled Group Limited and Skilled Rail Services Pty Ltd from March 2009 to February 2011, and QR Limited (Queensland Railways) from May 2009 to November 2009.  **Education** – BEc, University of Queensland; FFTA; MAICD | | | | Sydney |  | | |
| Dharma Chandran | | Chief Human Resources & Corporate Services Officer  (May 2013-Present) | | Dharma joined the Leighton Group as Acting Executive General Manager, Human Resources in October 2011, and was appointed Chief Human Resources Officer in January 2012. In his current role he is responsible for the legal and internal communications in addition to the human resources function.  He was Managing Partner of Ernst & Young's Far East Area Performance & Reward Practice based in Hong Kong from 2009 to 2010 and was seconded to Suncorp Group in Australia as Acting Group Executive, Human Resources from April to August 2010. From 2003 to 2008 Dharma held several General Manager level HR roles for Westpac Banking Corporation in Australia. Dharma also previously worked for McKinsey & Company as HR Director for South East Asia, with Hewitt Associates as Head of Asia-Pacific M & A Practice and for Towers Perrin as Head of Asia-Pacific Financial Services Practice, all while based in Singapore and Malaysia.  **Education** – BCom; LLB; MCom | | | | Sydney |  | | |
| Mike Rollo | | Chief Risk Officer  (Mar 2012-Present) | | Prior to joining Leighton, Mark was a Director of WatermanBurns Associates Pty Limited from 2009 to 2012. Previously, he has also worked for Leighton Holdings and Leighton Contractors and other companies including Watpac Pty Ltd, Costain Australian Limited, Citra Construction Limited and Civil and Civic.  **Education** – BEng (Civil); MBA; FAICD; FAIM; FIEAust; CPEng | | | | Sydney |  | | |
| Vanessa Rees | | Group Company Secretary  (Aug 2013-Present) | | Vanessa was appointed Company Secretary of the Company in April 2009. She has a financial and legal background and has previously held various listed Company Secretarial positions with Ascalon Capital Managers Limited and Investa Property Group. Vanessa sits on Chartered Secretaries Australia’s Legislative Review and NSW Professional Development Committees.  **Education** – Dip Law; FCIS | | | | Sydney |  | | |
| Patrick Brothers | | Executive General Manager Corporate Strategy  (Jan 2012-Present) | | Patrick joined the Leighton Group in February 2010. Prior to this, Patrick was a Director with Deloitte working in various senior roles in Private Equity, Corporate M&A and Strategy after serving in the Australian Army as a graduate of the Royal Military College, Duntroon.  **Education** – BSc, UNSW; MBA, AGSM | | | | Sydney |  | | |
| Steven Fouracre | | Executive General Manager Treasury  (Mar 2012-Present) | | Prior to joining Leighton, Steven was Group Treasurer of Qantas Airways Limited for eight years having previously worked in a variety of Treasury related roles at the airline. He was also a director of the Qantas Staff Credit Union Limited, Qantas Superannuation Limited, and Southern Cross Insurances Pte Ltd.  **Education** – BEc; MCom; GAICD | | | | Sydney |  | | |
| Jamila Gordon | | Chief Information Officer  (2010-Present) | | Jamila is a former Chief Information Officer of Qantas Airways Limited from 2007 to 2009. At IBM from 1999-2007 she led global IT transformations for some of the world’s largest corporations in the manufacturing, insurance and banking industries.  Prior to this she worked for Deloitte Touche Tohmatsu and GIO Insurance. Jamila has been based in France, the Netherlands, UK, UAE and Australia, and has extensive experience working across EMEA, Asia and the US.  She is a member of the La Trobe University Council and a member of its Finance and Resources Committee, a member of the Advisory Board of the Sydney Women’s Fund, and is a recipient of the La Trobe University Distinguished Alumni Award in 2008.  **Education** – BBus & IT, La Trobe University; GAICD | | | | Sydney |  | | |
| Justin Grogan | | Executive General Manager Media & Investor Relations  (2009-Present) | | Justin joined the Company in 2000. He has extensive experience in corporate affairs responsibilities including investor relations, crisis management and corporate communications.  **Education** – BCom, University of Western Australia; MBA, University of Sydney | | | | Sydney |  | | |
| Stephen Helberg | | Executive General Manager Internal Audit  (2012-Present) | | Stephen was previously the Global Head of Corporate Assurance of Rio Tinto Ltd, and a former partner at Ernst & Young in Sydney. He is a member of the Board Audit and Finance Committee of the Australian Conservation Foundation. He was appointed as Executive in Residence in the Faculty of Business and Economics at Macquarie University and is a past part-time lecturer of the Masters degree in Project Management in the Faculty of Civil Engineering, Sydney University. Stephen serves on the National Board Nominations and Education Committees of the Institute of Internal Auditors.  **Education** – BCom (Acc), University of Pretoria; Hons.BCompt, University of South Africa; CA Australia & Sth Africa; GAICD; CertMemb IIA | | | | Sydney |  | | |
| Adelle Howse | | Executive General Manager Investments, Divestments & Acquisitions  (Jan 2010-Present) | | Adelle joined the Leighton Group in 2003. Prior to this she worked for John Holland Group, Tarong Energy, Energex and Unilever Australasia. Dr Howse is a former Director of the Manila North Tollways Corporation, and a current Australian Mathematical Sciences Institute (AMSI) board member.  **Education** – BSc (Hons), University of Queensland; PhD (Mathematics); GAICD; GradDip (AppFin&Invest), Finsia | | | | Sydney |  | | |
| **OTHER KEY EXECUTIVES** | | | | | | | | | | | |
| **Name** | | **Title** | | **Background** | | | | **Location** | **Comments** | | |
| Bruce Munro | | Managing Director Thiess  (Sep 2011-Present) | | Bruce joined the Thiess Group in 1986. A civil engineer with 36 years’ experience in the construction and mining industries in Australia, South East Asia and India, he has held a number of senior positions within the company. These have included President Director of PT Thiess Contractors Indonesia – a roll he held for eight years after his appointment in 1999. He was appointed Executive General Manager Asia in August 2007 and in January 2010 he took on the role of Thiess’ Chief Executive Mining. Bruce has a long history with Thiess’ parent company, Leighton Holdings, having worked with both Leighton Asia and Leighton Contractors.  He is a Non-Executive Director on the board of Sedgman – a leading provider of minerals processing and associated infrastructure solutions to the global resources industry. Bruce is also on the Boards of the Minerals Council of Australia and Australian Constructors Association and Queensland Chair of the Australia Indonesia Business Council.  **Education** – BEng | | | | Sydney |  | | |
| Craig Laslett | | Managing Director Leighton Contractors  (Sep 2010-Present) | | As Managing Director of Leighton Contractors, Craig leads a diverse company of over 10,000 employees delivering hundreds of projects across a broad range of sectors and wide geographical areas. He previously led the company’s mining operations and numerous technically challenging projects during the past 29 years.  He is a member of numerous industry boards. A passionate and focused leader, he is committed to assisting improve the lives of indigenous and disadvantaged youth through employment, training and mentorship opportunities with Leighton Contractors.  **Education** – BEng (Civil), University of South Australia; GradDip (Mgmt); CPEng; FAICD | | | | Sydney |  | | |
| Glenn Palin | | Managing Director John Holland | | Glenn is responsible for all construction and services operations of the John Holland Group. He has more than 30 years of experience in the Construction Industry, of which 19 years have been in the employ of John Holland. During this time, Glenn has held various roles within the organisation including most recently Chief Operating Officer, Executive General Manager, Specialist Businesses and General Manager, Northern Region.  **Education** – BAppSc (BltEnvir); GradDip (Bldg); GradDip (AppFin&Invest); Exec Development Program, Stanford University | | | | Sydney |  | | |
| Ian Edwards | | Managing Director Leighton Asia, India & Offshore  (2012-Present) | | Ian was previously an Executive General Manager for Leighton Asia with responsibility for projects in Hong Kong, Macau, China and Taiwan. With over 30 years of experience in delivering complex infrastructure projects in Europe and Asia. Ian has a wealth of industry knowledge and expertise. Ian holds qualifications in civil engineering and is an Incorporated Member of the Chartered Institute of Building, a Council Member of the Hong Kong Construction Association and a Board Member of the Australian Chamber of Commerce in Hong Kong.  **Education** – ICIOB; FICE | | | | Sydney |  | | |
| **BOARD MEMBERS** | | | | | | | | | | | |
| **Name** | | **Title** | | **Background** | | | | **Location** | **Comments** | | |
| Robert Humphris OAM | | Chairman  (Mar 2013-Present) | | An Independent Non-executive Director since September 2004. Chairman of the Advisory Board of Leighton Contractors Pty Limited and a member of the Advisory Board of Leighton Asia, India and Offshore since November 2012.  Robert is Chairman of Ampcontrol Pty Limited. Former Managing Director of Peabody Resources Pty Limited (previously Costain Australia Limited). Former Chairman of Eroc Holdings Pty Limited, New South Wales Mineral Council, Australian Coal Association and Newcastle Coal Shippers Limited. Former Director of Australian Coal Research Limited and Port Waratah Coal Services Limited. Former Director of Leighton Contractors Pty Limited from February 2012 to November 2012, former Director of Leighton Asia Limited from November 2011 to September 2012, and former Director of Leighton International Limited from September 2007 to November 2011.  He is a former Director of the following other ASX listed entity: Australian Infrastructure Fund Limited from August 200 to May 2013.  **Education** – ARSM; BSc (Eng) (Hons), Royal School of Mines, Imperial College, London University; CEng; FIMMM; FAIMM | | | |  |  | | |
| Paula Dwyer | | Deputy Chairman  (Mar 2013-Present) | | An Independent Non-executive Director since January 2012. A member of the Advisory Board of John Holland Group Pty Limited since December 2012. Paula had an executive career in finance, holding senior positions in investment management, investment banking and chartered accounting with Ord Minnett (now JP Morgan) and PricewaterhouseCoopers. She is a member of the Takeovers Panel, a Director of Lion Pty Ltd since March 2012, a member of the Kirin Holdings International Advisory Board since 2012, a Board member of the Faculty of Business and Economics at the University of Melbourne and a Member of the ASIC External Advisory Panel.  She was formerly a Director of Suncorp Group Limited (from April 2007 to February 2012), Foster’s Group Limited (from May to December 2011), Healthscope Limited (from March to October 2010), Astro Japan Property Group Limited (from February 2005 to December 2011), Promina Group Limited (from 2002 to 2007), David Jones Limited (from 2003 to 2006) and RACV Limited (from 2001 to 2002). She is a Director of the following other ASX listed entities: Chairman of Tabcorp Holdings Limited since June 2011 (Director since August 2005), and Director of Australia and New Zealand Banking Group Limited (ANZ) since April 2012.  **Education** – BCom, University of Melbourne; FCA; FAICD; FFinsia | | | |  |  | | |
| Marcelino Fernandez Verdes | | Non-Executive Director  (Oct 2012-Present) | | A Non-executive Director since October 2012. Member of the Executive Board and Chief Executive Officer (CEO) of HOCHTIEF AG in Essen since November 2012. Former Chief Operating Officer of HOCHTIEF from April to November 2012.  Marcelino has held a variety of positions in the construction industry since 1984. In 1997, he became General Manager of ACS Proyectos, Obras y Construcciones, and then took over as Chairman and CEO in 2000. Following the merger between Grupo ACS and Grupo Dragados in 2003, he took office as Chairman and CEO of Dragados S.A. in 2004. He served as Chairman and CEO of Construction, Environment and Concessions at ACS Actividades de Construcción y Servicios S.A. from 2006. He was appointed to the Executive Committee of Grupo ACS in 2000, and to the Board of Directors of ACS Servicios y Concesiones, S.L. (Chairman and CEO) in 2006.  **Education** – Civil engineering, University of Barcelona | | | | Germany |  | | |
| Russell Higgins AO | | Non-Executive Director  (Jun 2013-Present) | | Russell has extensive experience both locally and internationally in the resources and energy sectors and in economic and fiscal policy. He is a Director of the St James Ethics Foundation since 2010. He was Secretary and Chief Executive Officer of the Department of Industry, Science and Resources from 1997 to 2002 and Executive Chairman of the Australian Government’s Energy Task Force from 2003 to 2004.  He is also a former Chairman of the Global Carbon Capture and Storage Institute, the Snowy Hydro-Electric Scheme, the CSIRO’s Energy Transformed Flagship Advisory Committee and the Australian Government’s Management Improvement Advisory Committee. He is a former Director of Ricegrowers Limited (trading as SunRice), Australian Biodiesel Group Limited, Export Finance and Insurance Corporation (EFIC), CSIRO, Austrade, the Australian Industry and Development Corporation, the Australian Tourist Commission and the Australian Sports Commission as well as a member of the Prime Ministerial Task Group on Emissions Trading (2006-7) and a former member of Australian Government’s Joint Economic Forecasting Group. He is currently a Director of APA Group (since 2004), Telstra Corporation Limited (since 2009), and Argo Investments Limited (since 2011).  **Education** – BEc; FAICD | | | |  |  | | |
| Michael Hutchinson | | Non-Executive Director  (Jun 2013-Present) | | Michael was formerly an international transport engineering consultant specializing in the assessment and planning of public sector infrastructure projects in Europe, Asia, Africa and Australia.  He has extensive experience in the transport and communications sectors, including as a senior official with the Australian Government in the Transport, Communications, and Finance portfolios. From 1996 to 1999 he was Chief Executive of the Federal Government’s Office of Asset Sales. HE is a former Director of Hastings Funds Management Ltd, Westpac Funds Management Ltd, Epic Energy Limited, Pacific Hydro Ltd, OTC Ltd, the Australian Postal Corporation and the Australian Graduate School of Management Ltd.  He is currently Chairman of Infigen Energy Group (since 2010) and a director since 2009, and a Director of the Australian Infrastructure Fund (since 2005).  **Education** – BSc (Eng) | | | | Canberra |  | | |
| Vicki McFadden | | Non-Executive Director  (Jun 2013-Present) | | Vicki has experience in the skilled labour market across most industry sectors in finance, law and corporate finance transactions. Previously Vicki was employed as a Director/Principal of Centaurus Corporate Finance and Managing Director, Investment Banking, at Merrill Lynch in Australia.  She is a member (appointed 2000) of the Advisory Board and Executive Committee of The Australian School of Business, the University of New South Wales. She is President (appointed 2013) of The Takeovers Panel and a member of the Panel since 2008. She is a Director (appointed 2011) of The Myer Family Company Holdings, The Myer Family Investments, Sidney Myer Custodian and The Myer Family Company.  She is currently Chairman of Skilled Group (since 2010) and a Board member since 2005.  **Education** – BCom; LLB | | | | Sydney |  | | |
| David Robinson | | Non-Executive Director  (Dec 1990-Present) | | A member of the Thiess Advisory Board since June 2013. Alternate Director for Mr Peter Sassenfeld since November 2011. Registered company auditor and tax agent. A chartered accountant and principal of the firm Harveys Chartered Accountants in Sydney. Adviser to local and overseas companies with interests in Australia. Participates in construction industry affairs. Chairman of Trustees of Mary Aikenhead Ministries, the responsible entity for the health, aged care and education works of the Sisters of Charity in Australia. A Director of HOCHTIEF Australia Holdings Limited. A former Director of Leighton Properties Pty Limited from May 2000 to August 2012.  David was formerly a Director of Valad Property Group (from February 2010 to August 2011).  **Education** – MCom; BEc; FCA; CTA | | | | Sydney |  | | |
| Peter-Wilhelm Sassenfeld | | Non-Executive Director  (Nov 2011-Present) | | Peter-Wilhelm joined HOCHTIEF AG in November 2011 as the Chief Financial Officer and prior to this was Chief Financial Officer of Ferrostaal AG. He has also worked as Chief Financial Officer at Krauss Maffei AG and in senior finance roles at Bayer AG and the Mannesmann Group.  **Education** – MBA (Diplom-Kaufmann), University of Saarland, Germany | | | | Germany |  | | |
| Hamish Tyrwhitt | | Managing Director & Chief Executive Officer  (Aug 2011-Present) | | See above | | | | Sydney |  | | |
| Peter Gregg | | Deputy Chief Executive Officer  (Apr 2013)  & Chief Financial Officer  (Oct 2009-Present) | | See above | | | | Sydney |  | | |

| **STRATEGY** |
| --- |
| Leighton Contractor’s current medium term strategy was formulated in 2012 and named ‘Stabilise, rebase and grow’. The focus of the strategy was stated at the time as being targeting expansion of net margins, improving balance sheet strength and delivering sustainable growth. The growth phase is expected from 2014. A further strategic objective formulated in 2012 was to manage Leighton Contractor’s exposure to the Al Habtoor Leighton Group. In early 2013 this strategic objective was made explicit with a key deliverable being an IPO of Habtoor targeted for 2016.  In more general terms, Leighton states that its strategy is to take its core competencies to select markets and deliver projects and value-added services for clients through its diversity, empowered people and financial strength. Its strategy is built on the diversity of its brands– or Operating Companies – its various geographies, markets and services, and its delivery systems.  Diversification is fundamental to Leighton Contractor’s business model. It acts to moderate the effects of cyclical downturns in certain markets and allows the Group to redeploy its resources to other markets. Diversification is about exporting core competencies to new markets but it is also about extending into related markets as value-adding opportunities arise. The Group has done this on numerous occasions, such as when John Holland acquired an aviation services business, when Leighton Contractors moved into the telecommunications market, and with the recent establishment of a new oil and gas engineering consulting business, Leighton Engineering in Malaysia.  In Australia, the diversification strategy is about ensuring all Operating Companies develop distinctive core competencies and highlight points of difference. The company encourages Thiess, Leighton Contractors and John Holland to compete when they have the capability, resources and experience to deliver projects that will generate an appropriate return for shareholders. The role of Leighton Holdings, as a strategic management company, will be to become more involved at the pre-tender phase to ensure that an Operating Company’s approval to bid is based on an assurance and evidence that it has the skills and resources to successfully deliver the project.  The Group has developed world class capabilities in construction, mining, and operations and maintenance. These capabilities are in demand across many developing markets in Asia, the Middle East and Africa. In recent years, this has seen Leighton take its contract mining capability to Mongolia and Botswana, and to consider mining opportunities in the Middle East. Similarly, Leighton highlights in its strategy formulation that it has exported its infrastructure construction skills to the Middle East, thereby transforming the Habtoor Leighton Group from a builder to a diversified construction company. Leighton Holdings has also encouraged John Holland to partner with the Habtoor Leighton Group to bid for some of the US$40 billion worth of rail investment that will take place in Qatar over the next 10 years. Leighton Contractor’s strategy includes developing Leighton Offshore into one of the leading international competitors in this market.  Underpinning the ability to pursue and deliver work is the strength of the Group’s balance sheet. Having a strong financial base is crucial for a contractor such as Leighton as it allows for investment in new plant and equipment, the provision of bonds and guarantees, and supports the working capital requirements of the Group. In addition, a strong balance sheet allows for acquisitions to be made which can further diversify the Group.  A key element of the financial strategy is also the recycling of capital. The Group is not just an acquirer of assets but also looks to add value to them and then divest when it makes economic sense. An example of the Group creating value for shareholders by bringing its expertise and financial firepower to an underperforming business is the acquisition, turn around and subsequent sale of the assets of the HWE Mining iron ore business. The Group will continue to pursue opportunities to recycle capital that create value for shareholders.  *Risk Management*  The recognition and management of risk is embedded in all activities of the Group and is a core part of the Group’s culture and strategy. The Group’s exposure to risk stems from its broad and evolving business risk profile, which covers areas including operations, safety, reputation, regulation, contract, human resources, finance, information and strategy.  It is essential that the Group’s risk management and control framework evolves to address anticipated changes to the Group’s risk profile, as well as to respond to any issues which may emerge. As part of this ongoing process, steps are continuously undertaken to strengthen the Group’s approach to risk management. The Group is also implementing changes to the way it tenders and delivers major projects from a risk management perspective including the recent formation of the Board’s Tender Review and Risk Committee.  *Strategic issues facing Leighton.*  Leighton reported half-year results to 30 June 2013 in August. From a strategic perspective the Company delivered on certain key matrix, including improved balance sheet, stronger profit, capital recycling through sales of assets and improved margin which expanded to 2.2% on revenue for the six-month period of $11.5 billion.  However, there was an increase in debt level to $3.1 billion ($2.76 billion six months earlier), and gearing was 36%, still above the Board approved target of 25%-35%.  Of particular concern was a significant increase in debtor levels, as clients across both different industry sectors and geographies struggled or delayed payments. Trade receivables increased by $600 million in the six months period and stood at $4.4 billion on 30 June. Half of this amount was owed by oil and gas companies, a sector which is widely considered one of the remaining growth sectors in resources at the moment.  From a strategic perspective the company needs to address the trade receivables issue quickly, as it is a risk to the strategic aim of strengthening the balance sheet and working capital position as key stepping stones towards growth from 2014.  From a strategic perspective the company also noted that it was not looking to expand its book of new work from current levels in order to deliver growth in the immediate future. Project margins are around 105 and the company stated it will focus on operational efficiencies to deliver better returns rather than increase size of risk at this stage.  *Future ownership.*  When considering the strategic direction of Leighton Holdings the current and future ownership structure must also be discussed. It became clear in March 2013 that there is not agreement at Board level regarding the strategic direction of the company. This disagreement resulted in long-time executive, Marcelino Verdes, who heads Hochtief and sits on the Leighton board, asking then Chairman Stephen Johns to resign. He did so, together with two other directors.  ACS owns 50.16% of Hochtief, which in turn now owns 55% of Leighton Holdings.  In April a restructure was announced, in which CFO Peter Gregg was appointed deputy and importantly also was put in charge of the Australian business. This restructure was  presented externally as allowing the CEO Hamish Tyrwhitt time to focus on the group’s global strategy.  Analysts interpreted the moves as natural steps towards a future merger of Hochtief and Leighton to create a global construction group where Hamish Tyrwhitt would gain responsibility for the Asian and European parts of the new entity and Peter Gregg would be responsible for the Australian businesses.  In July 2013 Hochtief announced that it had increased its ownership of Leighton above 55%, a level which has long been seen as an unspoken ownership limit. Furthermore, Hochtief also announced that it intended to continue to increase its ownership share. Australian rules allow a company, which does not want to launch a takeover bid, to increase its holdings by 3 percentage points each six months. When it reaches 60% ownership it is being speculated by analysts that Hochtief will be in a strong position to integrate Leighton into a larger global structure. |

| **MARKET INTELLIGENCE** |
| --- |
| 23 September 2013  The Australian Financial Review  Roy Hill contracts reach $2.37bn  NRW Holdings last week won a $620 million earthworks contract relating to the development of a rail line between Roy Hill and Port Hedland. Earlier this month, the Forge Group and Spanish contractor Duro Felguera signed a $1.47 billion engineering, procurement and construction contract for the development of a processing facility at Newman, Western Australia.  Meanwhile, Leighton Holdings subsidiary John Holland has been awarded a $257 million contract to build nearly 350 kilometres of heavy haulage rail track for the iron ore mine.  Separately, the Calibre Group has signed a $23 million deal to design part of the rail network.  More contracts are expected to be awarded this week.  Article: <http://www.afr.com/Page/Uuid/1a2bb894-231a-11e3-9240-1db44f74ad57>  19 September 2013  The Australian  Iron ore rally makes mockery of the post boom theme with output to hit $100bn  The boom in iron ore is just working up a full head of steam that could possibly see the industry export an unprecedented $100 billion-plus of the key steelmaking raw material next year.  Ongoing strength in iron ore prices has given rise to fresh confidence that the industry will continue to record strong production growth, with forecasts for a near 50 per cent rise in current annual output to more than 900 million tonnes in the next five years increasingly accepted as likely.  Article: <http://www.theaustralian.com.au/business/mining-energy/iron-ore-rally-makes-mockery-of-the-post-boom-theme-with-output-to-hit-100bn/story-e6frg9df-1226722356103>    21 August 2013  Services duo predict cost cuts, tough year  Mining services groups Monadelphous Group and Macmahon Holdings have warned of challenging conditions in the year ahead, with increased competition and deep cost-cutting by mining companies likely to see earnings at the duo squeezed.  Article: [http://www.theaustralian.com.au/business/companies/services-duo-predict-cost-cuts-tough-year/story-fn91v9q3-1226700930833#](http://www.theaustralian.com.au/business/companies/services-duo-predict-cost-cuts-tough-year/story-fn91v9q3-1226700930833)  10 July 2013  Australian Mining  Mining services down $12bn, shake up to continue  As the list of [shelved and postponed mining projects grows](http://www.miningaustralia.com.au/news/commodities-supercycle-ends) and miners shift focus from construction to production phases a total of $12 billion has been wiped off the value of Australian listed mining service companies in six months.  According to research conducted by financial firm Ernst and Young it expects the shake out in the mining services sector to continue over the next 6-12 months as companies adjust to the mining investment slowdown, and miners attempt to improve productivity.  Article: <http://www.miningaustralia.com.au/news/mining-services-down-$12bn-shake-up-to-continue>  11 April 2013  Leighton loses out as BMA finds cheaper alternative  THE Leighton group yesterday felt the impact of moves by miners to slash cost bases amid falling commodity prices when BHP Billiton Mitsubishi Alliance (BMA) prematurely terminated a contract worth up to $260 million for a cheaper alternative. BHP decided to move the pre-strip contract with Leighton Contractors at the Peak Downs coalmine in Queensland to the smaller Perth-based HSE Mining, prompting the cancellation of the contract for the Leighton Holdings subsidiary that was scheduled to run until 2015.  Article: <http://www.theaustralian.com.au/business/mining-energy/leighton-loses-out-as-bma-finds-cheaper-alternative/story-e6frg9df-1226617748889>  28 February 2013  **UGL slashes over 1000 jobs**  The company blamed the first half net profit slump of about 30 per cent on project delays and cancellations. “All the major miners are coming out and saying the same thing: they're suspending capital programs and they are focused on costs.” "We had a major contract with Fortescue deferred indefinitely -- it was a big part of our earnings -- it was (nearly) 25 per cent of it," Leupen said.  Article: <http://www.miningaustralia.com.au/news/ugl-slashes-over-1000-jobs> |

| MOVEMENTS |
| --- |
| There have been a number of movements in the Mining Services sector this year, some include:   * **David Todd** – Appointed General Manager, Market Development, MacMahon Holdings Ltd, Jan 2013 * **Giles Everist** – Appointed Non-Executive Director, MacMahon Holdings Ltd, Jun 2013 * **Jeff Dowling** – Appointed Non-Executive Director, NRW, Aug 2013 * **Michael Hutchinson** – Appointed Non-Executive Director, Leighton Holdings Ltd, Jun 2013 * **Nick Cernotta**  - Appointed Chief Operating Officer, Underground Mining, International & Engineering, MacMahon Holdings, Feb 2013 * **Peter Gregg** – Appointed Deputy Chief Executive Officer, Leighton Holdings Ltd, Apr 2013 * **Rob Barker** – Appointed General Manager, Market Development, MacMahon Holdings Ltd, May 2013 * **Robert Humphris** – Appointed Chairman, Leighton Holdings Ltd, Mar 2013 * **Ross Spicer** – Appointed Chief Executive officer, Rail, Downer Rail, Apr 2013 * **Russell Higgins** – Appointed Non-Executive Director, Leighton Holdings Ltd, Jun 2013 * **Vanessa Rees** – Appointed Company Secretary, Leighton Holdings Ltd, Aug 2013 * **Vicki McFadden** – Appointed Non-Executive Director, Jun 2013 |

| CONCLUSION: THEMES |
| --- |
| *“The business has been tightening its belt. We have had a good run for some time, but now it is about stepping up and demonstrating more value. There is still an amount of uncertainty and we need to improve every process.”*  Human Resources, Executive Mining Services Company  *“We have been hit like everyone else. We are being flexible in our pricing strategy; negotiations are on and are serious. We have had challenging circumstances. We are very lucky that some of our clients stuck by us, we could have been in trouble. Relationships have been very important, more so the strength of the relationships have saved us.”*  Chief Financial Officer, Mining Services Company  *“The uncertainty has been quite amazing; a Government has presided and used the industry as an ATM. There has been little consultation; there has been poor engagement and no thought of the impact of changes in direction. We need to address the IR issues. We are not competitive; we are not having appropriate dialogue and as an industry have a lot to answer for. We have created inefficient processes; we have taken minerals out of the ground with no thought about the short and longer term cost.”*  Chief Financial Officer, Mining Services Company  *“We have had a ‘changing of the guard’ in terms of leadership of the major miners and since commodity prices have dropped they have finally recognised their inefficient and bureaucratic systems - the wastage of opportunity needs to be examined. When prices were up we had a disregard for efficiency across the board. Productivity is incredibly low. Boards for some reason have not picked up the low productivity. We were in an industry making money ‘hand over fist’.”*  Chief Executive Officer, Mining Services Company  *“Everyone is saying it’s tight, or it’s tough. We all know that. However China is growing, the Federal Government has been changed – we have opportunity. Under the last Government, the international funds managers were uncomfortable and unimpressed. With stability and ongoing development in China, efficient and productive processes will achieve great outcomes.”*  Chairman, Mining Services Company  *“It is an interesting time. There are calls for cost cutting and there are discussions about productivity. What perplexes me is that leaders are supposed to determine the culture and set the direction. Surely the leaders have failed, not necessarily the business. Leaders drive the business and they are the one who are accountable and yet I read about the failure of companies achieving expected results. It would seem the failure lies with the leaders, they did not achieve”.*  Chief Executive Officer, Mining Services Company  *“An examination of the Board composition is warranted, one only has to ask the question what does each of the directors bring to the table? What is their expertise and what is there value? Why is it the majority of chief executives struggle with the value provided by the Chair, why is it that hard questions are not being asked, why is it that corporate governments is regularly a matter of consternation. For many it would appear there is more rubber stamping then questioning*”.  Non-Executive Director, Mining Services Company  *“As a senior executive having to have difficult conversations with fellow colleagues and in some cases letting them go I am concerned about how they have been dealt with by other organisations who have engaged with them. I have been surprised by the feedback. Many organisations in the broader mining sector and notably my profession in HR have forgotten about treating people with respect and care. When times are booming we go to extraordinary lengths to attract people, but when it’s slow they can become one of many. I am surprised that my colleagues have in some cases forgotten that they are in HR and their interaction with senior people is representative of their company brand. Without naming organisations I have had feedback where introductions have been made even meetings had and there has been no follow up. In some cases senior executives are forced to meet with non-strategic HR executives.*  *Whilst I am aware that the numbers of senior executives in between roles has grown dramatically I am very conscious of how cyclical our industry is, and how treating people will impact over time. Reputation is everything and some are forgetting how long it took to build it. I am a little startled by well-known organisations failure to bear this in mind. I acknowledge savings s are to be found however people make a company, management determines if it succeeds or fails, not systems, not processes, not capital. I have been taken aback by the dumbing down in some cases of HR. In times like this is when capable strategic HR functions bring value, understand the productivity issues, and seek to play a role where they add commercial focus and work with the CEO to make the positive changes. Most people with experience can drive a process, those who have the strategic mindset can have a tremendous impact and surely realise that senior people unemployed will ultimately be employed, as a competitor, customer or who knows consultant. I treat this time as an opportunity to stretch myself and my colleagues”*  Senior HR Executive, Mining Services |



**The Blenheim Report**

**CONFIDENTIAL INTELLIGENCE REPORT**

**ENERGY, OIL AND GAS PRODUCERS**

**SEPTEMBER 2013**

**CONTENTS**

**Introduction** 4

**Arrow Energy Pty Ltd** 5

**BHP Billiton Ltd** 11

**Chevron Australia** 27

**ExxonMobil Australia**  37

**Oil Search Ltd** 42

**Origin Energy Ltd** 50

**Santos Ltd** 60

**Shell Australia Pty Ltd**… 72

**Woodside Petroleum Ltd**… 78

**Market Intelligence**  86

**Movements**... 89

**Strategy**……………………………………………………………………………………………………………………………………………………………………………………………..………….…90

**Conclusion: Themes**  91

|  |
| --- |
| INTRODUCTION |

**Energy, Oil and Gas overview**

The Energy sector — petroleum and mining — has been one of the main drivers of Australia’s prosperity throughout the nation’s history and in the last decade in particular. Its role must be recognised and embraced as a creator of national wealth.

The industry’s current economic contribution is enormous and growing, and Australia is on track to become the world’s largest liquefied natural gas (LNG) exporter by the end of this decade.

Seven LNG projects (more than $190 billion in capital expenditure) are being built, representing more than half the LNG projects underway globally. About 35% of all committed business investment in Australia currently are in oil and gas and as a consequence of the significant projects currently underway, the petroleum sector’s contribution to gross domestic product is expected to rise from 2.1 per cent to 3.5 per cent by 2020. These investments will also require a construction workforce peaking at over 100,000 full-time equivalent jobs. By 2025, it is estimated that the construction and operation of these projects will add more than $260 billion (net present value) to Australia’s GDP and contribute around $7 billion a year in taxation revenue.

Exploration expenditure hit a new peak in 2012 of $4 billion, reflecting both increased exploration costs and increased activity onshore. Without the wealth generated by the sector, the global financial crisis would have struck Australia more harshly and the country would probably not be enjoying its current prosperity and low levels of unemployment. The industry has paid annual tax revenue between $6 billion and $8.5 billion each year since 2005. However, Australia’s production of oil, condensate and LPG has steadily declined over the last decade and liquids production is forecast to trend downwards over the next two decades, increasing the need for imports to meet rising demand. On the other hand, gas production has almost doubled since 2000, meeting growth in domestic and export demand.

Australia has a tremendous opportunity to gain from strongly growing LNG demand in Asia. We have world-scale gas resources, technically and commercially sophisticated project proponents and equity participants, and a strong track record of reliable supply to customers in Japan, China and Korea. Recognising this, several more Australian LNG expansions and additional projects are currently being considered.

In recent years, cost competitiveness has become a major barrier to future success. Australia has become a high-cost investment destination, and it is now recognised that maintaining the country’s competitiveness will require action by both industry and government.

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| CHEVRON AUSTRALIA PTY LTD | | | | | | | | | | |
| **Employees:** around 3,000 | **Operations:** Australia | **Head office:** Perth  Chevron has had operations in Australia since 1952 and is today is the largest holder of untapped natural gas resources in Australia. Approximately 70% of the natural gas produced by Chevron Australia is sold as liquefied natural gas (LNG), primarily under long-term contract to major utilities in Japan, South Korea, China and Taiwan. Natural gas also is sold into the Western Australian domestic gas market.  For almost three decades Chevron has been a joint venture participant producing natural gas for domestic use with partners in the nation’s biggest operational LNG project to date, the [North West Shelf Venture (NWSV)](http://www.chevronaustralia.com/ourbusinesses/northwestshelfproject.aspx). For almost 25 years, the NWSV has been exporting LNG to international customers in the Asia-Pacific region and approximately 70% of the natural gas produced by Chevron Australia is sold as LNG, primarily under long-term contract to major utilities in Japan, South Korea, China and Taiwan. Natural gas also is sold into the Western Australian domestic gas market.  Chevron is now developing the [Gorgon Project](http://www.chevronaustralia.com/ourbusinesses/gorgon.aspx), an LNG and domestic gas joint venture based in the Greater Gorgon gas fields off Western Australia’s Pilbara Coast, which contain more than 40 trillion cubic feet of gas, or 25% of Australia’s total known gas resources.  The company is also developing its majority-owned and operated [Wheatstone Project](http://www.chevronaustralia.com/ourbusinesses/wheatstone.aspx) as an LNG and domestic gas operation near Onslow on the mainland of Western Australia.  Chevron also runs a program to explore offshore opportunities and operates Australia’s largest onshore oil operation at Barrow Island and Thevenard Island in Australia’s north-west region.  The Perth Global Technology Centre which was established in 2007 to align with Chevron's long-term energy growth strategy. It is one of only two such facilities in the company, with the other located in Aberdeen, Scotland. Chevron also has a 50% ownership in ASX listed Caltex. | | | | | | | | | | |
| **OIL AND GAS OPERATIONS** | | | | | | | | | | |
| **Project** | **Ownership interest / joint venture share** | | | **Operator** | **Production**  **FY13** | **Opening year** | | | **Location** | **State** |
| North West Shelf | Each of the six consortium partners holds an equal one-sixth share of the project.  The six parties are:  BHP Billiton Petroleum  (North West Shelf) Pty Ltd BP Developments Australia Pty Ltd  Chevron Australia Pty Ltd  Japan Australia LNG (Mitsubishi/Mitsui) Pty Ltd  Shell Development (Australia) Pty Ltd  Woodside Energy (Ltd) Operator | | | Woodside Petroleum | The Karratha Gas  Plant has the capacity to produce;  Domestic gas: 12,000 tonnes/day.  LNG: 52,000 tonnes/day.  LPG: 3,000 tonnes/day.  Condensate: 130,000 barrels/day.  Crude oil:  6.87 mmbbl  NGL:  1.37 mmbbl  Natural gas:  131 bnCf | 1984 | | | Northern Carnarvon Basin | WA |
| Wheatstone LNG\* | Chevron 64% / Apache 13% / Kuwait Foreign Petroleum Exploration Company 7% / Shell 6% / Kyushu Electric Power 1% / Tepco 8%. | | | Chevron. Ownership in project facilities: Chevron 72% / Apache 13% / Kuwait Foreign Petroleum Exploration Company 7% / Shell 6% / Kyushu Electric Power 1%. | n/a | 2016 | | | Western Carnarvon Basin, Ashburton | WA |
| Gorgon\*\* | Chevron 47% / Shell 25% / ExxonMobil 25% / Osaka Gas, Tokyo Gas, Chubu Electric Power 3%. | | | Chevron | n/a | 2014 | | | Northern Carnarvon Basin, Barrow Island | WA |
| Barrow Island and Thevenard Island\*\*\* | Chevron | | | Chevron |  | 1969/Barrow Island  1989/ Thevenard Island | | | Off-shore from Onslow | WA |
| \*8.9 million tonnes of LNG per year and 200 terajoules per day domestic gas plant.  \*\* 15 million tonnes of LNG per year and 300 terajoules per day domestic gas plant.  \*\*\* Crude oil production and facilities. LNG facility being built on Barrow Island as part of Gorgon project. | | | | | | | | | | |
| **EXECUTIVE LEADERSHIP TEAM** | | | | | | | | | | |
| **Name** | | **Title** | **Background** | | | | **Location** | **Comments** | | |
| **Roy Krzywosinski**  Roy Krzywosinski | | Managing Director  (Jan 2008-Present) | Roy is the Managing Director of Chevron Australia and head of the Australasia Strategic Business Unit, located in Perth, Western Australia.  Roy is responsible for Chevron's upstream interests and activities in Australia. This includes leading the development of the [Gorgon](http://www.chevronaustralia.com/ourbusinesses/gorgon.aspx) and [Wheatstone](http://www.chevronaustralia.com/ourbusinesses/wheatstone.aspx) natural gas projects; participating interests in the [North West Shelf Venture](http://www.chevronaustralia.com/ourbusinesses/northwestshelfventure.aspx); oil production operation on [Barrow and Thevenard Island](http://www.chevronaustralia.com/ourbusinesses/barrowandthevenardislands.aspx); and exploration and appraisal activities.  Roy joined Chevron Corporation in 1981 as a design and construction engineer. He has held numerous positions in various capacities around the world including: technical and operations advisor for the Indonesia Strategic Business Unit; operations manager for Chevron Downstream Products Company in Honolulu; major capital projects manager for the Papua New Guinea Strategic Business Unit and then the broader Australasia Strategic Business Unit; major capital project manager in Angola; and general manager - Facilities Engineering, for Chevron's Energy Technology Company in Houston.    Prior to Roy's current appointment in January 2008, he held the position of president and general manager, Chevron Project Resources Company, in Houston, Texas. In this position, Roy was responsible for Chevron's project development, providing oversight for the execution of the corporation's worldwide major capital project portfolio.  **Education** – B Electrical Engineering, Michigan Technological University,  MBA, University of Colorado | | | | Perth |  | | |
| **Colin** **Beckett**  Colin Beckett | | General Manager Greater Gorgon Area  (Sep 2002-Present) | Colin is general manager Greater Gorgon Area with responsibilities including the [Gorgon](http://www.chevronaustralia.com/ourbusinesses/gorgon.aspx) Project.  He has more than 30 years’ experience in the upstream oil and gas industry. Initially based in the United Kingdom, he was involved with the design, construction and project management of major field developments in the United Kingdom before relocating to Perth, Australia in 1988. Since then he has been involved with technical, commercial and strategic aspects of major projects in Australia and Papua New Guinea. In 1992, he relocated to Melbourne and took on responsibility for oil developments in Papua New Guinea and Australia before taking over as BP's North West Shelf General Manager.  From 1997 to 2000, Colin was employed with Mobil Australia and held roles as strategic planning manager and Gorgon asset manager before joining Chevron Australia in 2000 as strategic planning manager, a position he held until the merger with Texaco in 2001, at which time he became general manager, Technical Services. In September 2002, he assumed the position of general manager, Venture Gas. In this role he was accountable for the Malampaya gas project in the Philippines, the North West Shelf gas development in Australia, new ventures and business development.  Colin has a master's degree in engineering from the University of Cambridge, United Kingdom and also is chairman of the Australian Petroleum Production & Exploration Association.  **Education –** MEng, University of Cambridge | | | | Perth |  | | |
| **Richard Biddle**  Rick Biddle | | Manager Operational Excellence & HES  (Feb 2009-Present) | Richard is the manager of [Operational Excellence (OE) and Health, Environment and Safety (HES)](http://www.chevronaustralia.com/environment.aspx) for Chevron Australia.  Chevron Australia is responsible for upstream oil and gas interests and activities in Australia and the Philippines. This includes the oil production operation on Barrow and Thevenard islands, interests in the North West Shelf Venture and Browse LNG Project, managing the development of the Gorgon Project and wholly owned Wheatstone gas field in Australia. And an interest in the Malampaya-Gas-to Power project in the Philippines.  Prior to Rick's appointment in February 2009, he held the position of general manager, Business Development for Chevron's Environmental Management Company in San Ramon, California. In this position, Rick was responsible for the business management of Chevron's environmental site assessment, site remediation and facility decommissioning activities worldwide.  Rick joined Chevron in 1977 and has held various positions in asset management, production operations, business planning and HES around the world including: production supervisor for Chevron U.K.; asset management supervisor for Chevron Nigeria Limited; operations superintendent for Chevron Nigeria Limited; joint venture technical manager for Chevron Asiatic Limited; HES manager for Tengizchevroil and manager, Business Planning, for Chevron International Exploration and Production.  **Education** – B.Geol, Texas A&M Unviversity, M.Che.E, University of Houston | | | | Perth |  | | |
| **Kaye Butler**  Management Team - Kaye Butler | | Human Resource General Manager  (2007-Present) | Kaye is the [Human Resource](http://careers.chevron.com/global_operations/country_operations/australia/default.aspx) general manager for Chevron Australia. She is responsible for people services including: recruitment; on boarding; benefits administration; and organisational, leadership and personnel development.  Prior to Kaye's appointment in 2007, she worked in a number of roles in the resources industry – most of which were for global alumina producer, Alcoa. Kaye's previous roles include Health and Safety manager in a large alumina refinery and senior Human Resource manager responsible for multisite integrated mining and refining operations with a workforce of approximately 5,000 people. Kaye holds positions on the board of the Palmeston Association; The Governing Council Challenger TAFE and the Advisory Council of the Australian Institute of Management in Western Australia.  **Education** - B.A.S, PGDip OrgPsyc | | | | Perth |  | | |
| **Uriel "Ose" Oseguera**  Uriel Oseguera | | Finance & Compliance Manager  (2012-Present) | Uriel is the finance manager of Chevron Australia. He heads the department which has overall accountability for all finance, taxation, and compliance matters for the company.  Ose was born in Martinez, California, USA and has been with the company for more than 20 years. He graduated with a Bachelor's degree in Business Administration from California Polytechnic State University - San Luis Obispo in 1991 and joined Chevron's Finance Development Program.  Over the course of his career, Ose has held numerous positions of increasing responsibility in Finance, Treasury, and Planning in Venezuela, Thailand, Indonesia, and various locations within the US. Most recently, Ose was Assistant Treasurer, Corporate Strategy & Financing for Chevron Corporation.  **Education** - B.B.A, California Polytechnic State University, M.B.A. | | | | Perth |  | | |
| **Marcia Decter**  Marcia Decter | | Managing Counsel  (2003-Present) | Marcia is the Managing Counsel of Chevron Australia Pty Ltd. She heads the Negotiations and Legal department. Chevron Australia is responsible for upstream oil and gas interests and activities in Australia and the Philippines.  After a brief time in private practice Marcia joined Chevron Canada for three years before moving to Unocal. She became General Counsel and Corporate Secretary of Unocal Canada in 1993. In 1998, Marcia joined Marathon Canada as General Counsel. Marcia re-joined Chevron in 2003 as the Managing Counsel for the Canada Business Unit in Calgary.  **Education** – LL.B, University of Manitoba | | | | Perth |  | | |
| **Eric Dunning**  Eric Dunning | | General Manager Wheatstone Development  (Apr 2012-Present) | Eric is the General Manager of the [Wheatstone](http://www.chevronaustralia.com/ourbusinesses/wheatstone.aspx) Project for Chevron Australia. He has overall accountability for the Chevron-operated Wheatstone LNG and domestic gas project. Before taking on this role, Eric was the General Manager Strategy and Planning, for our Africa and Latin America headquarters. Eric joined Chevron in 1981 as a Field Engineer and has held a variety of engineering, operations and planning positions of increasing responsibility in Lagos, Escravos, Papua New Guinea, Malongo, Tengiz, Atyrau and various locations within the U.S.  Eric was previously General Manager, Strategy and Planning for Africa Latin America Exploration and Production Company.  **Education** – B.S, Petroleum Engineering, University of Oklahoma | | | | Perth |  | | |
| **Peter Fairclough**  Peter Fairclough | | Policy, Government & Public Affairs General Manager  (May 2011-Present) | Peter is the policy, government and public affairs general manager for Chevron Australia. He is responsible for, among others, legislative and regulatory advocacy, external and internal communications, community and stakeholder engagement and reputation. He has extensive experience in government relations, policy development and advocacy, reputation management and community engagement.  Peter joined Chevron in May 2011 from the telecommunications industry where he held the position of Executive Director Telstra Country Wide. Peter was responsible for the commercial performance of the business in Western Australia. He also held accountability for customer service, policy development and advocacy, stakeholder relations and community engagement. In addition he led the development and implementation of the business unit brand and reputation strategy and worked with regional communities throughout Western Australia to deliver identified community outcomes. Peter's previous roles include: the group manager corporate affairs for Telstra Corporate; Manager Government and Public Affairs, WMC Resources and Executive Officer, Chamber of Minerals and Energy.  He is a member of the Chamber of Commerce and Industry's (WA) Business Policy Forum, the Governing Council of the Perth Technology College, the Executive Council of the Chamber of Minerals and Energy (WA), the APPEA Public Affairs Committee and a Governor of the Australian American Chamber of Commerce. | | | | Perth |  | | |
| **Gerry Flaherty**  Gerry Flaherty | | General Manager of Asset Development  (May 2011-Present) | Gerry is the general manager of Asset Development. He is responsible for Chevron Australia's [exploration](http://www.chevronaustralia.com/ourbusinesses/exploration.aspx), appraisal and major capital project (Gorgon and Wheatstone) subsurface portfolios and drilling.    Prior to joining Chevron Australia in May 2011, Gerry was based in Bangkok, where he held the position of general manager, new ventures and non-operated joint ventures in Chevron's Asia South Business unit, encompassing work in Bangladesh, China, Vietnam, Cambodia, Thailand and Myanmar.  Joining Chevron in California in 1981 as an exploration geologist, he has worked on a variety of Chevron's development and exploratory projects. He has held a number of positions in various capacities around the world including Asset Manager - Tengiz Chevroil in Kazahkstan, Exploration Supervisor - Chevron Angola-Southern Africa, Asset Manager - Chevron Nigeria Ltd and General Manager Asset Development - Chevron North America-Mid Continent & Alaska.  His 30 years of industry experience also includes managing a number of unconventional projects, incorporating coal bed methane in USA and shale gas exploration in China.  He is a member of the Society of Petroleum Engineers (SPE), the American Association of Petroleum Geologists (AAPG) and an Australian Petroleum Exploration Association (APPEA) Board Member.  **Education** – M.S.Geo, University of Oregon | | | | Perth |  | | |
| **Laurie Sasko**  Laurie Sasko | | Business Planning Manager  (Feb 2012-Present) | Laurie is the Business Planning Manager for Chevron Australia. He is responsible for leading the overall efforts related to business planning, decision analysis and capital stewardship for the company.  Laurie became Chevron Australia's Business Planning Manager in February 2012.  Laurie joined Chevron in 1989 in the Canadian Business Unit in Calgary, Canada.  While in the Canadian Business Unit Laurie worked in a number of commercial roles including Area Manager for Crude Oil Sales.  In 1999, Laurie moved to the Eurasia Business Unit in Atyrau, Kazakhstan and undertook roles as a Commercial Coordinator and a Business Development Consultant. In 2002, Laurie joined Chevron Australia as the Commercial Manager for the Malampaya Project before being appointed to the role of Commercial Manager for the Wheatstone Project in 2006.    **Education –** BCom, University of Saskatchewan | | | | Perth |  | | |
| **Brian Smith**  Brian Smith | | General Manager Operations  (1981 – Present) | Brian is General Manager, Operations, for Chevron Australia. He is responsible for overseeing all activities relating to marine, drilling, supply chain management, Barrow and Thevenard islands, major capital project operations and information systems. Before taking on this role, Brian was the General Manager Wheatstone Project for Chevron Australia. He joined Chevron in 1981 and has worked in a variety of assignments in the United Kingdom, Gulf of Mexico, West Africa, Kazakhstan and Chevron's Global Upstream Offices located in San Ramon, California.  Brian was General Manager of Major Capital Projects for Chevron's Deepwater Projects in the Gulf of Mexico, Production Manager for Tengizchevroil in Kazakhstan and General Manager, Asset Development for Europe SBU (United Kingdom/Norway/Netherlands/Denmark).  **Education -** B.S.Che.E. , University of Strathclyde | | | | Perth |  | | |
| **Neil Theobald**  Neil Theobald | | Senior General Manager, Gas Marketing and Commercialisation  (Nov 2007-Present) | Neil is the Senior General Manager, [Gas Marketing and Commercialization](http://www.chevronaustralia.com/ourbusinesses/gasmarketingandcommercialization.aspx), for Chevron Australia. The Gas Marketing and Commercialization group manages all gas marketing activities for the company's projects and also provides commercial gas expertise on a range of issues such as transportation, gas-to-liquids, business development and overall gas strategy. Chevron Australia's projects include the North West Shelf, Greater Gorgon, Wheatstone and Browse.  Neil commenced with Chevron Australia in 2004 as president of Marketing for the Gorgon Project and headed the marketing team responsible for international and domestic gas marketing efforts. In November 2007 he moved into his current position as the scope of activities the department was responsible for expanded.  Prior to joining Chevron Australia Pty Ltd, Neil held the position of vice president LNG with ExxonMobil, responsible for all gas activities in Western Australia. Before the ExxonMobil merger he held the role of Planning and Business Development manager at Mobil Exploration and Producing Australia in Perth, and prior to this, a range of operational and commercial positions in the United Kingdom and Australia. These included drilling engineer and supervisor, production engineer, planning advisor, asset manager, planning manager and business development manager.  **Education** - B.S.Che.E. , Birmingham University | | | | Perth |  | | |

| STRATEGY |
| --- |
| Chevron Corporation has stated: "The Asia Pacific region is key to Chevron's growth strategy and our strong Australian natural gas portfolio continues to be bolstered by our strategic approach to finding and developing resources that will help meet the growing energy needs in the region."  George Kirkland, Vice Chairman, Chevron Corporation (Press Release from California on 7 February 2013 announcing Chevron’s 20th discovery off the coast of Western Australia since mid-2009)  Melody Meyer, President, Chevron Asia Pacific Exploration and Production Company, said in the same press release: "Kentish Knock South-1 is an important addition to our queue of high-quality offshore natural gas opportunities in Australia and further supports our long-term plans to expand our Australian LNG position."  In May 2013 Managing Director Roy Krzywosinski announced Australian businesses supporting the development of the Chevron-operated Gorgon and Wheatstone Projects have now received commitments of a massive $30 billion in local content spending. The Gorgon Project has now committed $20 billion to local businesses while the Wheatstone Project has committed close to $10 billion.  The two natural gas projects have also created 14,000 direct and indirect jobs across Australia – 10,000 on the Gorgon Project and 4,000 on Wheatstone and both projects are key elements of Chevron's global gas commercialisation strategy.  Chevron is making a significant strategic investment in the LNG sector in Australia at the moment. It is generally estimated that there is around $190 billion in LNG projects underway in Australia at present, and with a commitment of $30 billion this is equivalent to around 16% of the total.  Simultaneously, Chevron is also investing heavily in exploration for both oil and gas as part of its strategic plan. It is the largest holder of discovered gas resources in Australia. It is estimated to have a market share of the oil and gas extraction business in Australia of 14.5%, just behind BHP Billiton with 15% and Woodside Petroleum with 18% and well ahead of Shell with an estimated market share of 8% and Santos with 7%. |

| MARKET INTELLIGENCE |
| --- |
| **30 August 2013**  The Australian Financial Review  **Fuming: 17 years of NSW gas supply lost**  It’s almost a year since the NSW government gave the supposed green light for coal seam gas explorers and the industry is still at a standstill.  In many ways, it has gone backwards, with the effective exit of smaller players, such as Metgasco, Planet Gas and Dart Energy, who have given up on ventures that looked to have a solid commercial footing, given NSW’s low level of gas self-sufficiency.  The CSG industry has struggled with the many twists and turns to planning and environmental rules over recent years as the government picks an uneasy line between strident community opposition and providing a framework for investment to develop much-needed energy supplies.  The two projects proposed by Santos and AGL would go some way to filling the hole. The NSW government says Santos’ Pilliga venture would contribute 25 per cent of NSW gas market needs, and AGL’s Gloucester project another 18 per cent. Santos’s Pilliga venture is much less affected by the new rules, but chief executive David Knox is still not prepared to invest.  Article: <http://www.afr.com/p/business/companies/fuming_years_of_nsw_gas_supply_lost_W6Q6Q4NMHcGejyQtojt7bM>  **30 August 2013**  The Australian  **'Turn gas tap on or crisis looms'**  The NSW gas industry has warned of higher gas prices, job cuts and a significant risk to the state's energy security if the coal-seam gas sector is not developed. James Baulderstone, vice-president of eastern Australia at Santos, said without indigenous gas of its own, NSW had no ability to control its energy supply security.  Industry leaders, including Santos, Origin, AGL and industry body the Australian Petroleum Production and Exploration Association have used submissions to the government's inquiry into downstream gas supply to add weight to their CSG campaign. The development of NSW's CSG reserves has been strongly opposed by green groups and farmers, leading the government to announce several policies over the past 18 months that the industry argued negatively impacted investor sentiment.  Article: <http://www.theaustralian.com.au/news/nation/turn-gas-tap-on-or-crisis-looms/story-e6frg6nf-1226706991616>  **27 August 2013**  The Australian  **Japan ups ante on gas push**  JAPAN has ratcheted up its attack on high Australian LNG prices -- hailing US shale gas exports as a game changer that could slash prices by up to 30 per cent -- and is inviting industry players to Tokyo next month as it looks to break the traditional LNG pricing model and encourage new supply. An official from the industry ministry said yesterday buying US shale gas was like purchasing from a "supermarket" at true market prices. He said shale gas exports coupled with a coming "boom" in supply had the potential to turn LNG pricing in Asia on its head. The official, Shinichi Kihara, added that suppliers would gather in Tokyo in a little over two weeks as Japan searched for new sources of supply and ways to push for cheaper prices.  Article: <http://www.theaustralian.com.au/business/mining-energy/japan-ups-ante-on-gas-push/story-e6frg9df-1226704586215>  **12 June 2013**  The Sydney Morning Herald  **Windfall seen in shale oil and gas**  Australia could reap a significant windfall from its shale oil and gas reserves, which could be as much as 10 times the existing known reserves, according to a US government report. The report, by the US Department of Energy, found there were sufficient shale oil and shale gas reserves globally to fuel demand for several years, at least, on present estimates. As much as one-third of all potential gas reserves globally could be recoverable from shale and around 10 per cent of oil, the report argued. For Australia, the prospect of significant oil to be tapped from shale reserves holds significant promise, amid dwindling domestic oil reserves, which has resulted in a surge in imports.  Article: <http://www.smh.com.au/business/windfall-seen-in-shale-oil-and-gas-20130611-2o24a.html#ixzz2dQLn1Qrl>  **1 June 2013**  The Australian  **LNG projects face more delays, blowouts: IEA**  THE International Energy Agency has warned of further delays and cost blowouts at Australia's $190 billion pipeline of LNG projects, many of which it says may be too exposed to any changes in LNG pricing. The Paris-based energy watchdog also does not see expansions of plants such as Gorgon, let alone any new developments, going ahead in the nation's current uncompetitive environment, which is becoming more exposed as US LNG prospects grow. In its latest medium-term gas market report, the IEA takes aim not only at the nation's high-cost environment but at the complex nature of the plants being built here. Delays, even those based on technological issues, will not only postpone export revenue but will drive development prices higher.  Article: <http://www.theaustralian.com.au/business/mining-energy/lng-projects-face-more-delays-blowouts-iea/story-e6frg9df-1226667134309>  **29 May 2013**  The Australian  **LNG costs in focus as $60bn gas deals shelved**  Australia's high-cost liquefied natural gas projects - the investment backbone of the nation's economy - are under increasing pressure from Asian buyers demanding steeper discounts amid evidence at least $60 billion worth of gas supply deals have fallen over. As burgeoning supply centres emerge in the US and east Africa, operators of Australia's $200bn project pipeline of LNG plants on the northwest coast of Western Australia and in Gladstone in Queensland will find keener pricing on supply deals, industry leaders warn. Already two big gas export deals with South Korea, worth $60bn, have been shelved as LNG buyers seek out deals elsewhere.  Chevron, the builder of the $53bn Gorgon LNG plant on Western Australia's Barrow Island, said a 2009 agreement to sell $30bn of gas from the project to Korea Gas across 20 years did not get approval from the South Korean government and that the country would not be taking the gas.  Article: <http://www.theaustralian.com.au/business/mining-energy/lng-costs-in-focus-as-60bn-gas-deals-shelved/story-e6frg9df-122>  **27 May 2013**  ABC Net  **Red tape limits oil and gas industry productivity**  A report released today reveals productivity in Australia's oil and gas industry is being limited by red tape, lengthy approvals processes and the high Australian dollar. Ernst and Young produced the report with the University of Queensland to identify how productive the industry is and what is holding it back. It found that, if conditions for the industry's climate do not improve, Australian projects will no longer be competitive and money will be invested in other countries.  Article: <http://www.abc.net.au/news/2013-05-27/red-tape-limiting-oil-and-gas-industry-productivity/4714308> |

|  |
| --- |
| MOVEMENTS |
| There have been a number of movements in the Energy sector this year, some include:   * **Andrew MacKenzie** – Appointed Chief Executive Officer, BHP Billiton Ltd, May 2013 * **Andrew Smith**  – Appointed Chairman, Australia, Royal Dutch Shell, Jul 2013 * **Andy Holmes**  – Appointed President, Australasia, BP Plc, Jun 2013 * **Bruce Morgan** – Appointed to the Board and Chairman of the Audit Committee, Origin Energy Ltd, Nov 2012 * **Debra Valentine** – Appointed Group Executive Legal External & Regulatory Affairs, Rio Tinto Plc, Feb 2013 * **Fiona Harris**  - Appointed to the Board, Oil Search Ltd, Mar 2013 * **Ian Munro** – Appointed Executive General Manager, Gas Business Development, Oil Search Ltd, Aug 2013 * **Kenneth Borda** – Appointed Chairman, Santos Ltd, May 2013 * **Marc England** – Appointed Group Head of Strategy, AGL Energy Ltd, Jul 2013 * **Matt Kay** – Appointed Executive General Manager, Commercial, Oil Search Ltd, commencing Jan 2014 * **Mike Fraser** – Appointed President, Human Resources, BHP Billiton Ltd, Aug 2013 * **Mike Harding** – Appointed Chairman, Oil Search Ltd, Feb 2013 * **Richard Owen** – Appointed Managing Director and Chairman, Exxon Mobil Ltd, Jun 2013 * **Rick Lee** – Appointed Chairman, Oil Search Ltd, Feb 2013 * **Rod Duke** – Appointed Vice President, GLNG, Santos Ltd, Feb 2013 * **Tim Cutt** – Appointed Preseident of Petroleum & Potash, BHP Billiton Ltd, Jul 2013 * **Todd Lee** – Appointed Head of Australian Petroleum, BHP Billiton Ltd, Feb 2013 |

| **CONCLUSION: THEMES** |
| --- |
| *“The market is going through tremendous change and we are seeing positive and negative responses. There has been adverse press in regards to CSG and in many cases, without the full facts being argued clearly. It also highlights how badly the industry has presented their case to the public and to the media. There is undoubtable opportunity to be further had. In regards to LNG, the projects are on a grand scale, however costs have blown out, industrial relations and the price of labour are a challenge. The government or rather governments have to provide stability and engage more constructively with business.”*  Director, Investment Bank  *“There is some debate in the industry with regards to the supply and demand situation, and LNG could be expensive compared to the new emerging suppliers from the Middle East and the United States”*  Senior Executive, Gas Company *“Australia has uncompetitive work place structuring, it needs to address its industrial relations platform if it is to maximise its opportunity. The Fair Work Australia process is far from being in touch with reality. The mining sector is undergoing a major transitional period, we are watching it closely, we recognise our opportunities, but also recognise the opportunity to squander. There are* lessons *being learned.”* Chief Executive, Energy Company  *“The world market is competitive and whilst Australia has an abundance of natural resources, it has major infrastructure challenges across mining exploration and production. Efficiency and productivity are a concern. The other concern is how it will be addressed, particularly the over complexity and red tape, it makes Australia a more challenging market. Work practices are questionable, as well as the large head office counts.”*  Non-Executive Director, Gas Company  *“Despite the ups and downs of the Coal and Iron Ore industry, gas brings totally different dimensions. Firstly the projects are enormously large in their capital outlay. Customers are involved in every project and as such cash should roll in very quickly. Unlike the vagaries of the spot prices for coal and iron ore, gas pricing is tied to a formula which mirrors the oil price with caps and cuffs, however oil has been approximately $70 to $100 over the last few years which means gas will be profitable. People seem to have lost sight of the scale of the LNG projects. They are long term and deliver cash to the owners which include Australian companies who share in the ownership. Currently Australia is the 5th largest LNG producer shortly we could be number one against Qatar. Rarely has Australia had such major upside, the LNG business will replace coal in value in export earnings second only to iron ore.”*  Gas consultant  *“CSG has not been well understood. It wasn’t managed well in NSW in relations with the government and farmers, particularly in regards to share of wealth. If we look at the Queensland model which has operated for approximately 15 years, farmers have benefitted and have shared the wealth. The locations of the farms have been out west where land has not been profitable. The Queensland government have been involved from the beginning. In NSW we had the industry trying to introduce drilling in St Peters Sydney and in areas of the Hunter Valley where vineyards have produced for many years. This was poorly orchestrated and thought through. If we examine the global market and take the USA as a case study, Farmers have the rights under their land, whereas in Australia, the Crown has the rights. There needs to be a far more equitable distribution of wealth. Not one bore in*  *Queensland has gone to legal proceedings, because the land has been chosen appropriately and the wealth has been managed and better shared. In the USA 80-90% of drinking water is bore water, In Australia, Newcastle and Perth have a percentage of their drinking water being bore. Fracking is only 1-2% of all drilling.  Secondly the Great Artesian basin is enormously deep and is not being drilled, so this argument needs greater examination. In 10 years Queensland has gone from importing gas from other states to now producing 70% themselves. NSW needs to think through their strategy”*  Senior Operations Executive, CSG Company  *“It is really an interesting time in Australia’s energy history. It is reaching a turning point. Whilst the economy has slowed globally, we have had enormous opportunities to provide affordable in fact low price energy. However with poor government we have placed doubt in senior decisions makers minds. We have North America coming back, providing low cost and low priced energy. Australia has been the lucky country, but it is bordering on becoming the too difficult county. I hope we wake up.”*  Senior Executive, LNG Company |



**The Blenheim Report**

**CONFIDENTIAL INTELLIGENCE REPORT**

**IRON ORE PRODUCERS**

**JUNE 2013**

**CONTENTS**

**Introduction** 3

**Arrium Ltd** 4

**Atlas Iron Ltd** 12

**BC Iron Ltd** 23

**BHP Billiton Ltd** 29

**Cliffs Asia Pacific Iron Ore Pty Ltd** 48

**Crosslands Resources Ltd** 50

**Fortescue Metals Ltd** 54

**Grange Resources Ltd** 64

**Mount Gibson Iron Ltd** 69

**Rio Tinto Ltd** 76

**Sinosteel Midwest Corporation Pty Ltd** 94

**Market Intelligence** 98

**Movements**……………………………………………………………………………………………………………………………………………………………………………………………………..102

**Conclusion**……………………………………………………………………………………………………………………………………………………………………………………………..………104

|  |
| --- |
| INTRODUCTION |

**Iron ore production overview**

Australia is one of the world’s major iron ore producers. During 2011, China was the world's largest producer of iron ore with 43%, or 1200 million tonnes (Mt) followed by Australia with 17% or 488Mt and Brazil with around 14% or 390Mt of world production1. The Hamersley Range in the Pilbara region of northwest Australia is host to 98% of Australia's iron ore mines, with minor production from Tasmania, New South Wales, Queensland and South Australia. Hematite ores dominate the world production of iron ores and are sourced mainly in Australia and Brazil. Magnetite is increasing its presence in world production and this trend is likely to increase when large Australian magnetite projects such as the Karara Iron, Southdown magnetite and more than $6 billion Sino Iron projects are operational.

The Bureau of Resources and Energy Economics (BREE) has forecast an increase in iron ore exports of at least 12% or 493Mt in 2012 and around 6% or 525Mt in 2013, however, current business conditions are causing many significant projects to be postponed. Continuing strong demand for iron ore saw the quantity sold in 2012 increase by 12%; however this was not enough to offset lower prices and a high Australian dollar which saw total sales fall by 19%.

Rio Tinto is Australia’s biggest iron ore producer followed by BHP Billiton and Fortescue Metals Group.

1 Source: <http://www.australianminesatlas.gov.au/aimr/commodity/iron_ore.html>

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **FORTESCUE METALS GROUP LTD** | | | | | | | | | | | |
| **Market cap:** $10.7b (6/6/13)| **Revenue**: $6.62b (FY12) | **Employees:** around 7,000 | **Operations:** Western Australia | **Head office:** Perth  Fortescue Metals Group Limited (Fortescue) is an iron ore producer and explorer. Fortescue mines iron ore from its Cloudbreak, Christmas Creek and Solomon mine sites. In addition the Company is involved in operating an integrated mine, rail and port supply chain and the expansion of iron ore operations. Fortescue is also engaged in an exploration and metallurgical program which is progressively developing tenement areas outside of the current mine sites.  During the fiscal year ended June 30, 2012, Fortescue produced 64.6 millions of tons of iron ore. Ore processed was 56.9 millions of tons and ore shipped including third party was 57.5 millions of tons. The company’s subsidiaries include FMG Pilbara Pty Limited, Chichester Metals Pty Limited, FMG Resources (August 2006) Pty Limited, FMG Resources Pty Limited, International Bulk Ports Pty Limited, The Pilbara Infrastructure Pty Limited and FMG Solomon Pty Limited, among others. The 2013 production capacity is estimated to be approximately 115Mtpa. | | | | | | | | | | | |
| **MINING OPERATIONS** | | | | | | | | | | | |
| **Mine** | | **Owner** | | **Operator** | **Capacity**  **FY10** | **Production**  **(Mtpa) FY12** | **Opening year** | | **Location** | | **State** |
| Christmas Creek\* | | Fortescue | | Macmahon | 16.0 | 60.0 | 2009 | | Nullagine, Pilbara | | WA |
| Cloudbreak\*\* | | Fortescue | | NRW and other contractors | 28.0 | 40.0 | 2008 | | Nullagine, Pilbara | | WA |
| Firetail / Solomon | | Fortescue | | Leighton Contractors | 20.0  (Fy13 estimate) | n/a | 2012 | | Solomon, Pilbara | | WA |
| \* Christmas Creek mine is now the largest material movement mine in Australia, with more than 3,500 employees, 350 mobile assets, moving 320Mtpa total material.  \*\* The mine employs approximately 3,500 people | | | | | | | | | | | |
| **EXECUTIVE LEADERSHIP TEAM** | | | | | | | | | | | |
| **Name** | **Title** | | **Background** | | | | | **Location** | | **Comments** | |
| **Nev Power**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Nev%20Power%20-%20web.jpg | Chief Executive Officer  (2011-Present) | | Nev joined Fortescue from Thiess Pty Ltd where he was Chief Executive Australian Operations, responsible for the construction business with a turnover of $4 billion per annum and 3,500 staff. In this role, Nev was responsible for some of Australia's most significant projects including the Brisbane Airport Link, Sydney's Royal North Shore Hospital redevelopment and the Victorian Desalination project.  Nev spent more than 10 years in senior executive positions with Smorgon Steel Group Ltd where he was progressively promoted as the Group grew through acquisitions and expansion and, in February 2001, was appointed Chief Executive (Reinforcing and Steel Products Division).  **Education** – BEng, University of Southern Queensland; MBA, University of Queensland. | | | | | Perth | |  | |
| **Stephen Pearce**  http://t0.gstatic.com/images?q=tbn:ANd9GcQhj6ie7FW_HGPx41x4ugvrXzm-eA_kz_dtMcAHN5bh_icEc0KL | Chief Financial Officer  (Mar 2010-Present) | | Stephen has more than 20 years’ experience in senior management roles in the mining, oil and gas and utilities industries. He previously held the position of Managing Director and CEO of Southern Cross Electrical Engineering Limited and before that was Chief Financial Officer with Alinta Limited, an A$8bn energy and utility company based in Western Australia. He is currently a member of the Western Australian Business and Industry Committee for the Salvation Army.  **Education** – BBus, RMIT; Grad Dip in Company Secretarial Practice; Chartered Accountant; Chartered Secretary; Member of the Australian Institute of Company Directors. | | | | | Perth | |  | |
| **David Woodall**  http://www.ausimm.com.au/ironore2013/images/dave_woodall.jpg | Director Operations  (Jan 2013-Present) | | David has over 28 years' experience in senior leadership roles in the mining and resources industry.  Previously he was the Chief Executive Officer and President of Altynalmas Gold Ltd and President - Gold Division for Ivanhoe Mines Ltd. He has held senior management positions with internationally publically listed resources companies in Canada, Australia, Fiji and China. David's career also included stints at the Kanowna Belle gold mine and with Sino Gold and Glencore International.  Although most of his most recent experience was in gold, David served as operations manager of Rio Tinto's West Angelas mine in 2006 and 2007, when the Pilbara asset was ramping up production.  **Education** – BAppSc (Mining Engineering), Western Australian School of Mines; Grad Dip (Business and a Master Science - Mineral Economics), Curtin University; Member of the Australian Institute of Mining and Metallurgy. | | | | | Perth | |  | |
| **Peter Meurs**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Peter%20Meurs%20-%20web.jpg | Director Developments  (May 2010-Present) | | Peter is in charge of Expansion and Development Projects. His responsibilities range from exploration to studies and project development through to delivery of major capital expansion. As part of this he has direct responsibility for the delivery of Fortescue's current 100 million tonne per annum expansion and future development plans.  Prior to joining Fortescue, he held the position of Managing Director at WorleyParsons. Peter was a key contributor to the growth and development of WorleyParsons after joining the company in 1988. During his time at WorleyParsons, he held project management and company development roles including establishment of the foundations of the process business, the establishment and growth of alliance and integrated services contracts in Hydrocarbons and Minerals & Metals and the development of the New Zealand business.  **Education** – BEng (Mechanical); Fellow of the Institution of Engineers Australia; Member of the Australian Institute of Company Directors. | | | | | Perth | |  | |
| **Isak Buitendag** | **Director External Affairs**  **(Jan 2013-Present)** | | Isak has worked at Fortescue since March 2009, initially as General Manager at Cloudbreak and Christmas Creek and then as Director of Health, Safety, Environment and Security (HSES) from October 2010. Prior to joining Fortescue, he held several key operations and business development senior leadership roles with BHP Billiton in Western Australia, South Africa and the Netherlands.  **Education** – BSc (Engineering); Master of Science in Engineering, the University of Natal, South Africa; Master of Business Leadership, University of South Africa. | | | | | Perth | |  | |
| **Peter Thomas** | **Director Shared Services**  **(Jan 2013-Present)** | | Peter has worked at Fortescue since January 2005, initially as Chief Financial Officer for The Pilbara Infrastructure Pty Ltd then moving into the following roles - General Manager Rail, General Manager 55mtpa Expansion and Project Director T155: Port/Rail Expansion.  Prior to joining Fortescue, Peter held a number of senior management positions across the globe in a range of industries. These included mining, heavy haul rail operations, investment banking, management consulting, risk management and healthcare. Peter has also held several non-executive director positions including Moly Mines Limited and Central Desert Native Title Services.  **Education** – BEcon & BSc, Macquarie University; MBA, Harvard Business School; Member, Australian Institute of Company Directors; Associate, Institute of Actuaries of Australia. | | | | | Perth | |  | |
| **Mark Thomas** | **Company Secretary**  **(June 2010-Present)** | | Mark joined Fortescue in April 2004 in the role of Group Financial Controller and went on to become Head of Finance and IT and then Group Manager Finance. With more than 15 years’ experience in the mining and professional services industries he has also held senior finance positions with the Goldfields Australia Group and with a number of professional service providers. Mark has extensive experience in accounting and finance, IT and business administration in the mining and professional services industries.  **Education** – BCom, University of Western Australia; MBA; Certified Practising Accountant. | | | | | Perth | |  | |
| **OTHER KEY EXECUTIVES** | | | | | | | | | | | |
| **Name** | **Title** | | **Background** | | | | | **Location** | | **Comments** | |
| Gerhard Veldsman | General Manage Ports  (2012-Present) | | Previous roles: Group Manager Engineering and Reliability at Fortescue; Manager Nelson Point Operations at BHP Billiton; Port Maintenance Manager at BHP Billiton. | | | | | Perth | |  | |
| **Stephen Fewster** | General Manager Infrastructure Services  (2011-Present) | | Previously CFO at Southern Cross Electrical Engineers and CFO at iiNet. | | | | | Perth | |  | |
| **Kevin McLean** | General Manager Cloudbreak Mine  (2011-Present) | | The mine employs approximately 3,300 people. Previously General Manager Port & Rail at Fortescue (2009-10). Chair of the Aboriginal Employment Committee for Fortescue. | | | | | Pilbara | |  | |
| **Tony Swiericzuk** | General Manager - Christmas Creek Mine  (2012-Present) | | The mine employs approximately 3,500 people Previous roles: General Manager - Port at Fortescue (2009-11), Operations Manager at BIS, Mining Manager at IMC Resources for Bell Nickel. | | | | | Pilbara | |  | |
| **BOARD MEMBERS** | | | | | | | | | | | |
| **Name** | **Title** | | **Background** | | | | | **Location** | | **Comments** | |
| **Andrew Forrest**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Andrew%20Forrest%20-%20web.jpg | Chairman | | Andrew started Fortescue in April 2003 and was the driving force behind the creation of the Pilbara Iron Ore and Infrastructure Project. He was the founding non-executive Chairman of the Company in 2003, then appointed Chief Executive Officer in 2005 and was appointed Chairman-elect in July 2011. He has resumed the role of non-executive Chairman as of 18 August 2011. He is also currently Non-Executive Chairman of Poseidon Nickel Limited and is also Chairman of the West Australian charity, The Australian Children's Trust.  Previous roles include Chief Executive Officer and Deputy Chairman of Anaconda Nickel Ltd (now Minara Resources Ltd) and Chairman of the Murrin Murrin Joint Venture, Director of the West Australian Chamber of Minerals and Energy, Chairman of Athletics Australia, Chairman of Moly Mines Ltd and Chairman of Siberia Mining Corporation Ltd. Andrew has extensive experience in the mining sector with specialist expertise in large scale project finance and implementation. Mr Forrest is also a long-standing Fellow of the Australian Institute of Mining and Metallurgy. | | | | | Perth | |  | |
| **Herb Elliott**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Herb%20Elliott%20-%20Web.jpg | Deputy Chairman | | Herb was appointed as a Non-Executive Director of Fortescue in October 2003, Deputy Chairman in May 2005 and Chairman in March 2007. He stepped down as Chairman in August 2011 and will remain on the Board as Deputy Chairman and lead independent Director.  He is Chairman of the Remuneration Committee. He is also the Chairman of Telstra Foundation Limited and has been a Director of Pacific Dunlop and Ansell Limited. Herb is also Chair of a private corporate health company called Global Corporate Challenge which this year has 23,000 participants. A local of Perth, Western Australia, Herb, at the age of 22, won the gold medal at the 1960 Olympic Games in Rome for the 1500m track event, setting a new world record in the process. Herb was also a dual gold medallist from the Commonwealth Games in Cardiff two years earlier for the 880 yards and mile track events.  Previous executive roles include President of PUMA North America. Herb is the former inaugural Chairman of National Australia Day Committee and was a Commissioner to the Australian Broadcasting Commission. | | | | | Perth | |  | |
| **Graeme Rowley**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Graeme%20Rowley%20-%20Head%20and%20Shoulders.jpg | Non-Executive Director | | Graeme joined Fortescue at Andrew Forrest's invitation in May 2003. In October 2003, he was appointed Executive Director Operations and in January 2009, he became responsible for Fortescue's public policy and corporate affairs. He retired from his executive role with Fortescue in March 2010 and remains a Non-Executive Director on the Fortescue Board.  Previously he was an executive with Rio Tinto Plc holding senior positions in Hamersley Iron and Argyle Diamonds. Graeme’s previous directorships have included Dampier Port Authority, the Pilbara Development Commission, the Council for the West Pilbara College of Tafe and the Western Australian State Government's Technical Advisory Council.  He has extensive experience in operational management of both iron ore ship loading facilities and heavy haul railway within the unique Pilbara environment. | | | | | Perth | |  | |
| **Geoff Brayshaw** | Non-Executive Director | | Geoff joined the Board in July 2007. He was previously an Audit Partner with BDO Accountants and retired in June 2005. He has held a number of positions in commerce and professional bodies including National President of the Institute of Chartered Accountants in 2002, Independent Director and Audit Committee Chairman of Fortron Insurance Group, Board member of the Small Business Development Corporation and was formerly the Chairman of a Trustee Company related to an Aboriginal Corporation. He is also a Non-Executive Director and Chairman of the Audit Committee of Poseidon Nickel Limited.  Geoff is Chairman of Fortescue's Audit and Risk Management Committee. | | | | | Perth | | Will retire in Nov 2013. | |
| **Owen L Hegarty** | Non-Executive Director | | Owen has some 40 years’ experience in the global mining industry. He had 25 years with the Rio Tinto group where he was Managing Director of Rio Tinto Asia and Managing Director of the Group’s Australian copper and gold business. He was the founder and CEO of the Oxiana Ltd Group which grew from a small exploration company to a multi-billion dollar Australia, Asia and Pacific focused base and precious metals producer, developer and explorer. Oxiana became OZ Minerals Ltd.  For his achievements and leadership in the mining industry Owen was awarded the AusIMM Institute Medal in 2006 and the G.J. Stokes Memorial Award in 2008. He is presently Executive Vice Chairman of Hong Kong listed G-Resources Group Ltd, a gold mining company; and an Advisor to CST Mining Group Ltd, a Hong Kong listed copper mining company. He is a Non-Executive Director of Australian Fortescue Metals Group Ltd, a Director of the AusIMM, a member of a number of Government and industry advisory groups. He is Founding Patron of CEEC (Coalition for Eco-Efficient Comminution) – a not-for-profit organisation aimed at increasing energy efficiencies in mining and minerals processing.  Owen is Chairman of Tigers Realm Minerals; a private Melbourne based mining company growing a diversified mining group. He is a Non-Executive Director of ASX listed Tigers Realm Coal Limited. He is also Chairman of EMR Capital, a private equity investment manager focused on resources.  **Education** - BEc (Hons), FAusIMM | | | | | Perth | |  | |
| **Mark Barnaba**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Mark%20Barnaba%20-%20Web.jpg | Non-Executive Director | | Appointed in February 2010, Mark joined the Audit and Risk Management Committee in June 2011 and was appointed Chairman of the Remuneration and Nomination Committee in August 2011.  He currently holds the position of Chairman with Macquarie Bank Western Australia, Western Power, Edge Employment Solutions (a disability employment organization), and the University of Western Australia Business School. He also serves as an Adjunct Professor in Investment Banking and Finance and as a member of the In The Zone Editorial Committee with the University of Western Australia. Until recently, Mark held the position of co-founder and Executive Chairman of Azure Capital and was a Non-Executive Chairman of the West Coast Eagles Football Club and a member of the Rhodes Scholarship Selection Committee.  **Education** - Mark received his Bachelor of Commerce with first class honours from the University of Western Australia in 1985 and was awarded the JA Wood University Medal for top graduate, university wide. He then went onto Harvard Business School and received an MBA in 1988, graduating with a high distinction as a Baker Scholar. In 2009, he was the recipient of the Western Australian Citizen of the Year Award in Industry and Commerce. | | | | | Perth | |  | |
| **Dr Geoff Raby** | Non-Executive Director | | Geoff joined the Fortescue Board in August 2011. He was Australia's Ambassador to the People's Republic of China from 2007 to 2011. Prior to that, he was a Deputy Secretary in the Department of Foreign Affairs and Trade (DFAT).  He has extensive experience in international affairs and trade, having been Australia's Ambassador to the World Trade Organisation (1998-2001), Australia's APEC Ambassador (2003-05), Head of DFAT's Office of Trade Negotiations and Head of the Trade Policy Issues Division at the OECD, Paris. Between 1986 and 1991 he was Head of the Economic Section at the Australian Embassy, Beijing. He has been the Chair of DFAT's Audit Committee and served as an ex officio member of the Boards of Austrade and EFIC (Export Finance and Insurance Corporation).  Geoff is also a non-executive director of ASX listed companies Oceana Gold and SmarTrans. | | | | | Perth | |  | |
| **Herbert 'Bud' Scruggs**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Bud%20Scruggs%20-%20web.jpg | Non-Executive Director | | Herbert joined the Fortescue Board in August 2011. He is an expert in business leadership, corporate recoveries and step change business improvement. A lawyer by training (BYU 1984), he has held a number of corporate, government, political and civic positions including Chief of Staff to the Governor of Utah and Chairman of the University of Utah Board of Trustees.  He served on a number of boards of public as well as privately held companies including American Investment Bank, Barbados Light & Power, Deseret Morning News, Empire Insurance, MK Gold and Sangart - including service on multiple audit and executive committees.  He recently served as CEO of Huntsman Financial Corporation as well as the Huntsman Cancer Foundation and previously worked for Leucadia Asset Management Group. He was instrumental in Leucadia's original decision to invest alongside Andrew Forrest in Fortescue. He now provides, among other activities, consulting services to The Metal Group and the Australian Children's Trust. | | | | | USA | |  | |
| **Cao Huiquan** | Non-Executive Director | | Cao has joined the Board as a Non-Executive Director in February 2012 as the nominated director on Fortescue’s Board from Hunan Valin Iron and Steel Group Company Ltd following Fortescue's Subscription Agreement with Hunan Valin Iron and Steel Group Co Ltd of 25 February 2009. He is Chairman of Valin Iron. | | | | | China | |  | |
| **Elizabeth Gaines**  http://www.fmgl.com.au/UserDir/Images/About%20Fortescue/Board%20of%20Directors/Elizabeth%20Gaines%20-%20web.jpg | Non-Executive Director | | Elizabeth was appointed to the Fortescue Board of Directors in February 2013. She is an Executive Director and the Chief Operating Officer & CFO of Jetset Travelworld Limited. Prior to this, she was the Chief Financial Officer of the Stella Group, Chief Finance and Operations Director of UK-based Entertainment Rights Plc and was previously Chief Executive Officer of Heytesbury Pty Limited.  Elizabeth has held senior treasury and finance roles at BankWest in Australia and Kleinwort Benson in the UK and qualified as a Chartered Accountant with Ernst & Young. She is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors and holds a Bachelor of Commerce degree and Master of Applied Finance degree.    She is a Director of STS UK Holdco I Pty Limited (and its subsidiaries) and Mantra Group Holdings I Pty Limited. | | | | | Sydney | |  | |
| **Sharon Warburton** | Non-Executive Director | | Sharon is currently Executive Director Engineering & Infrastructure at Brookfield Multiplex, a Canadian-owned construction company. Prior to this she was Chief Planning & Strategy Officer of United Arab Emirates based ALDAR Properties and previously held a variety of senior roles with Brookfield Multiplex including Group General Manager M&A, and Operational Support and Group General Manager Strategy & Operations. She is Chartered Accountant and has held senior finance roles with Citigroup and Rio Tinto. | | | | | Perth | | Will join the Board in November 2013. | |
| **Nev Power** | Chief Executive Officer | | See background above | | | | | Perth | |  | |
| **Peter Meurs** | Director Developments | | See background above | | | | | Perth | |  | |

| STRATEGY |
| --- |
| In November 2010, Fortescue announced a major expansion program to increase its production capacity from 55 million tonnes per annum (mtpa) to 155mtpa. As Fortescue is now nearing completion of the expansion program, it is beginning to realise the benefits of its significant investment in the integrated mine and infrastructure projects through increased production output, operating efficiencies, enhanced processing capacity and the integration of low cost Solomon mines.  Fortescue is currently operating three mine sites and is continuing the development of the Kings mine at Solomon. With the Christmas Creek operation fully ramped up during 2013, Fortescue’s Chichester Hub is now operating at full capacity.  This, together with the Firetail commissioning in May 2013, allowed Fortescue to achieve an annualised run rate of 120mtpa in the month of June 2013, 5mtpa ahead of target.  Fortescue’s integrated rail and port infrastructure is considered the real strategic value in the company by many analysts. Amongst other things the analysts highlight that there is plenty of magnetite iron ore for sale in Western Australia, but this is the only one getting the deal because of the available infrastructure. Fortescue’s deal with Taiwan’s conglomerate Formosa Plastics in August 2013 worth USD 1.15 billion to develop the Iron Bridge magnetite joint venture underscore the strategic importance of infrastructure. Fortescue was looking to sell part of its infrastructure earlier in 2013 in order to start paying off its substantial debt of over $ 12 billion, but with rising iron ore prices, operational efficiencies, increased shipping capacity and now the Formosa deal, this infrastructure sale is no longer on the table.  The integrated rail and port operations continued to exceed expectations with 81.6mt of ore delivered to the port during the year, an increase of 42 per cent compared to the prior year. Loading capacity at the port increased during June 2013 to 120mtpa from three berths and two ship loaders and increased to 155mtpa when the fourth berth (AP4) and third ship loader were completed in August 2013.  During 2013 there has been a range of different statements regarding the company’s strategic direction. These have included potential diversification into the energy sector, shale gas in particular, evaluation of low capital intensive growth opportunities in iron ore and ongoing adjustments of the tenement portfolio through both sales and acquisitions of tenements for ongoing exploration.  Reading through the latest annual report 2013 from September 2013 there are several areas of strategic focus for Fortescue. One is the diversification of its customer base into other regions other than China. The first step was taken with the deal with Formosa Plastics. Operational efficiencies remain a high priority and holding on to 100% of the rail and port infrastructure is also strategically important.  Reduction of the company’s significant debt of over $12 billion is the highest strategic priority for the company going forward, and associated with this is the focus on increasing the free cash flow for the company through operational efficiencies and other cash generating initiatives such as customer prepayments and asset sales. |

| MARKET INTELLIGENCE |
| --- |
| **21 June 2013**  The Sydney Morning Herald  **BHP sells iron ore mine stake to Japanese**  Mining giant BHP Billiton has sold a 15 per cent stake in a West Australian iron ore mine to two Japanese conglomerates for $US1.5 billion ($A1.64 billion). ITOCHU Corporation is investing $US800 million ($A872.51 million) while Mitsui is stumping up $US700 million ($A763.44 million) in shares and loans in BHP's Jimblebar mine in the Pilbara region. ITOCHU will hold an eight per cent stake in the project while Mitsui will have a 7% interest.  BHP Billiton's iron ore president Jimmy Wilson said the deal would improve simplicity and flexibility. "We are pleased to extend our successful, long-standing joint venture relationship with ITOCHU and Mitsui," he said in a statement. The Foreign Investment Review Board has to approve to the transaction for the mine, rail and port infrastructure project, which is expected to be signed off during the September quarter. The Jimblebar mine will have initial production capacity of 35 million tonnes per annum, which will take BHP's West Australian iron ore supply chain capacity to 220 million tonnes per annum once it becomes fully operational.  Article: <http://news.smh.com.au/breaking-news-business/bhp-sells-iron-ore-mine-stake-to-japanese-20130621-2omll.html>  **15 June 2013**  The Australian  **$6bn iron-ore project collapses**  The end of the nation's decade-long mining investment boom was underlined yesterday by the collapse of the $6 billion Oakajee mine, port and rail network, a project aimed at opening up a huge new iron ore export province in Western Australia. Japanese giant Mitsubishi blamed weaker commodity prices for the collapse, which came after repeated attempts to entice China to invest billions of dollars to save the development. WA Premier Colin Barnett, who has described Oakajee as the most important project in his state's economic development for the next 50 years, last night insisted Oakajee might eventually proceed. "I will persist and I'm still confident Oakajee will proceed, I can't put a date on it but I won't give up on it," he said. The collapse comes as a bitter blow to Mr Barnett who has also had to contend with Woodside Petroleum's decision to walk away from plans to build a $45bn gas plant at James Price Point on the Kimberley coast. Oakajee and Browse were Mr Barnett's pet projects, but both are now effectively dead. Mr Barnett said last night he knew the project had been shelved before he visited Beijing and Tokyo last week. He returned from the trip at the weekend claiming the project could still proceed. He also hailed what he described as a new plan for China and Japan to work together on the project after he acted as a "middle man" in easing tensions between the two nations. The end of the mining investment boom in WA has been marked by companies sacking workers and deferrals or axing of projects amid a weaker commodity price outlook. This week, Mr Barnett announced the state government would axe up to 1200 public servants in a bid to keep the state budget in surplus.  Opposition Leader Mark McGowan said the loss of Oakajee and Browse reflected badly on Mr Barnett's ability to deliver projects. Oakajee Port & Rail, which is owned by Mitsubishi, said the Japanese company had suspended all work on the infrastructure project in WA's Mid-West region and put its Jack Hills mine on ice. OPR chief executive John Langoulant, who will leave the company at the end of the month, told The Weekend Australian a key reason for the decision was the failure to find an equity partner.  The problems had been exacerbated by the slowdown in the Chinese economy and weaker iron ore demand, and complicated by a diplomatic dispute between Japan and China over islands in the South China Sea. "The biggest issue is the fact the project is too big for one entity like Mitsubishi to do alone," he said.  The project was dealt a blow in 2011 when Chinese steel giant Sinosteel said it was shelving its $2bn Weld Range mine in response to cost blowouts and long delays in developing Oakajee. OPR then slowed spending on the rail and port network but denied the project had been shelved. A spokesman for Gindalbie Metals, one of the Mid-West iron ore miners, said the company could continue to use the port at Geraldton. It is understood some miners will work on a plan B for a scaled-down Oakajee.  Article: <http://www.theaustralian.com.au/national-affairs/bn-iron-ore-project-collapses/story-fn59niix-1226664137596>  **22 May 2013**  Perth Now  **Rio Tinto cuts iron ore senior managers**  Rio Tinto's cost cutting measures have continued with its iron ore business getting a major restructure with president Greg Lilleyman taking on a new role. An internal memo, issued to WA staff, said Mr Lilleyman was off to Wharton Business School at the University of Pennsylvania with news of his new role to come later. Rio Tinto iron ore chief executive Andrew Harding, who replaced Sam Walsh earlier this year, said the new structure minimised the “layers” within the organisation. “The senior management layer of chief operating and chief development officers has been removed, which reinstates the managing director/general manager interfaces through the business,” he said. Though unclear on where the executives would go, Mr Harding thanked former executives Denis Goldsworthy, Dale Harris, Andrew Kite and Tom Palmer for their contribution. “I will provide further advice when it is appropriate to do so,” he said. Mr Harding added Michael Gollschewski, Managing Director Pilbara Mines, and Clayton Walker, Pilbara Supply Chain managing director, to his executive team.  Article: <http://www.perthnow.com.au/business/rio-tinto-cuts-iron-ore-senior-managers/story-fnhocr4x-1226648580432>  **May 6 2013**  ABC News  **Fortescue Metals Group has officially opened its third mine in Western Australia's Pilbara.**  The Firetail deposit, which is part of the company's $3.2 billion Solomon project, started operations late last year. Firetail will ramp up to become a 20 million tonne a year operation and increase to 60 million tonnes a year once the Kings deposit in the Solomon hub comes online. The two projects are a key part of the company's plan to meet an export target of 155 million tonnes a year by the end of 2013. Fortescue Metals Group chairman Andrew Forrest says Firetail is a low cost mine which is critical to the company's competitive edge. "It now makes us more competitive delivered to Asia in terms of costs than the world's biggest producer in Brazil, that's a great win for Australia," he said.  Mr Forrest says it marks the opening of the company's third mine in five years. "This achievement consolidates our position as one of the world's leading producers of iron ore and a vital supplier for our Asian customers," he said. He is confident Asia's hunger for iron ore is still strong. "I kind of liken Asia as watching this large horse getting up back onto its  feet, shaking itself off and starting to move forward," he said. "When you spend time in China you can see their capital investment plans, the aspirations the government has for  their people." Ore from the mine will be blended with other ores from its Chichester hub to produce an enhanced product called the Fortescue blend.  The Solomon deposit was discovered in 2005.  Article: <http://www.abc.net.au/news/2013-05-06/fmg-officially-opens-its-third-pilbara-mine/4672206>  **April 17 2013**  ABC News  **BHP maintains production despite falling prices**  BHP Billiton has maintained its full-year production forecasts, despite volatility and falls in the prices of some of its key commodities. The world's biggest miner says it achieved record iron ore output from its Western Australian iron ore operations for the first nine months of the financial year, with March quarter production up 6 per cent on the same period last year. BHP says it expects to produce 183 million tonnes of iron ore this financial year, despite some seasonal cyclone-related shut downs over summer. By March next year, BHP expects to have an iron ore production and shipping capacity of 220 million tonnes per annum in WA.  Article: <http://www.abc.net.au/news/2013-04-17/bhp-maintains-production-despite-falling-prices/4634240>  **6 April 2013**  [Perth](http://www.perthnow.com.au) Now Iron ore miners face glut, warns Morgan Stanley Australia’s major iron ore producers will soon come under intense pressure as supply overtakes demand, driving prices down, experts warn. A supply surplus looms for the first time in at least a decade, weighing on the value of the nation's biggest export, according to investment banking giant Morgan Stanley. Producers, including Fortescue Metals and Rio Tinto, are among a string of miners ramping up production, fuelling the likely surplus, while demand from China is slowing. The price of iron ore has tumbled 14 per cent to less than $136 a tonne since February. Concerns about the outlook have weighed heavily on mining stocks. Shares in Rio, which generates about 75 per cent of its earnings from the key steel-making ingredient, and iron ore pure-play Fortescue slumped to a six-month low this week. BHP Billiton's share price hit a seven-month low. Rio and BHP have both launched cost-cutting drives. Rio has put gold, copper and coal mines up for sale, as well as its Canadian iron ore operations. It also continues to review its diamonds division and Pacific Aluminium unit.  Morgan Stanley is tipping global iron ore exports to hit 1.17 billion tonnes this year - still short of forecast global demand of 1.26 billion tonnes.  But a surplus will emerge in 2014 as supply outstrips global demand by 3.3 million tonnes, the bank says. It estimates the surplus will blow out to 291 million tonnes by 2018. The surplus is being underpinned by a substantial rise in production, mostly from Australian mines. Fortescue will increase its annual iron ore output from about 100 million tonnes to 155 million tonnes by the end of the year. Rio Tinto this week finished installing a new ship loader at its Cape Lambert wharf in the Pilbara, boosting its annual loading capacity by 55 million tonnes.  Article: <http://www.perthnow.com.au/business/iron-ore-miners-face-glut-warns-morgan-stanley/story-fnhocr4x-1226614054253> |

| MOVEMENTS |
| --- |
| There have been a number of movements in the Iron Ore sector this year, some include:   * **Andrew MacKenzie** – Appointed Chief Executive Officer, BHP Billiton Ltd, May 2013 * **Andrew Harding** – Appointed Chief Executive Iron Ore, Rio Tinto Plc, Feb 2013 * **Christopher Lynch** – Appointed Chief Financial Officer, Rio Tinto Plc, Apr 2013 * **Clayton Walker**  – Appointed Managing Director, Pilbara Supply Chain, Rio Tinto, Plc, May 2013 * **David Joyce** – Appointed Managing Director, Projects and Development, Rio Tinto Plc, May 2013 * **David Woodall** – Appointed Director, Operations, Fortescue Metals Group Ltd, Jan 2013 * **Debra Valentine** – Appointed Group Executive, Legal External and Regulatory Affairs, Rio Tinto Plc, Feb 2013 * **Elizabeth Gaines**  - Appointed Non-Executive Director, Fortescue Metals Group Ltd, Feb 2013 * **Isak Buitenday** – Appointed Director, External Affairs, Fortescue Metals Group Ltd, Jan 2013 * **Johnny Velloza** – Appointed General Manager, Area C, BHP Billiton Ltd, Jan 2013 * **Michael Gollschewski** – Appointed Managing Director, Pilbara Mines, Rio Tinto Plc, May 2013 * **Mike Fraser** – Appointed President, Human Resources, Group, BHP Billiton Ltd, Aug 2013 * **Morgan Ball** – Appointed Chief Executive Officer, BC Iron Ltd, May 2013 * **Peter Thomas** – Appointed Director, Shared Services, Fortescue Metals Group Ltd, Jan 2013 * **Sam Walsh** – Appointed Chief Executive Officer, Rio Tinto Plc, Jan 2013 * **Sharon Warbuton** – Appointed Non-Executive Director, Fortescue Metals Group Ltd, commencing Nov 2013 * **Wayne Bould** – Appointed Chief Executive Officer, Grange Resources Ltd, Jun 2013 |

| CONCLUSION: THEMES |
| --- |
| *“The industry needs to think, it needs to sharpen its focus. We have had a very good run and now the time is dawning to step up our efficiency. China will not continue in double digit growth. China has internal issues and yet we will have an oversupply produced next year. We will have a drop in price as a result, and the need for restructure. It is time to be more efficient to avoid the restructure, or at least dampen its effects.”* Senior Operations Executive, Iron Ore Division  *“The major miners have been lazy in their approach to delivering efficiency from the mine to the Chief Executive. The ego’s of the major miners had an extraordinary effect on the price of labour with no regard for productivity. We hear about taxes, but we are severely missing the point. Labour is our out of control cost. The lack of internal control and understanding of optimisation are hard facts which get lost in bureaucracy.”* Senior Executive, Iron Ore Division  *“Growth in China is no longer double digit. Seven percent looks about right. Caution prevails with the mega projects and it is expected that price will drop to $115-120 per tonne. The effect is global; the major minors have had a change in leadership and obvious change in strategy. We have seen restructure in the mining and associated industries, we feel there is some way to go, it has become obvious that we had it easy.”* Senior Executive, Operations, Iron Ore Company  *“Mining is going through a cycle, and a rethink. There are lessons to be learned. The dynamics are changing, governments are not necessarily supporting the infrastructure program. They want a faster and more competitive playing field. Our approach is to examine our process and drive efficiency from the asset through the total production. We need to tackle industrial relations collectively and this may require more involvement by mineral councils and necessary organisations. Government stability and decisiveness has been lacking.”* Senior Executive, Iron Ore Company |



**The Blenheim Report**

**CONFIDENTIAL INTELLIGENCE REPORT**

**COAL PRODUCERS**

**MAY 2013**

**CONTENTS**

**Introduction** 3

**Anglo American Metallurgical Coal** 4

**BHP Billiton Ltd** 10

**Bloomfield Collieries Pty Ltd** 24

**Caledon Coal Pty Ltd** 25

**Centennial Coal Company Ltd** 27

**Coalpac Pty Ltd** 35

**Ensham Resources Pty Ltd** 36

**Griffin Coal Mining Company Pty**  39

**Idemitsu Australia Resources Pty Ltd** 40

**Jellinbah Group** 41

**New Hope Corporation Ltd** 43

**Peabody Energy Australia** 47

**QCoal Sonoma Pty Ltd** 54

**Rio Tinto Coal Australia** 55

**Stanwell Corporation Ltd** 69

**Vale Australia Pty Ltd** 71

**Wesfarmers Resources Pty Ltd** 73

**Whitehaven Coal Ltd** 83

**Xstrata Coal Australia** 88

**Yancoal Australia Ltd** 93

**Market Intelligence** .101

**Movements**… .107

**Conclusion: Themes** ………………………………………………………………………………………………………………………………………………………………………………………109

|  |
| --- |
| INTRODUCTION |
| **Coal production overview**  Australia is the 4th largest coal producer in the world producing 414 million tonnes per annum in 2011. The top five hard coal producers are China, the USA, India, Australia and South Africa. 97% of coal is sourced from New South Wales and Queensland – these two states have 42% and 53% respectively of Australia’s black coal resources. There are brown coal deposits in all Australian states, although Victoria accounts for 96% of identified brown coal resources. Western Australia also has a few producing mines. Overall there are more than 100 coal mines in Australia.  Australia is the world’s largest net exporter of metallurgical (coking) coal and steaming coal. The majority of Australia’s metallurgical coal is produced in Queensland, while production in New South Wales is largely classed as thermal (steaming) coal. Around three-quarters of this output is sourced from open cut mines.  Australia has $26.5 billion in advanced coal mining projects and associated infrastructure, involving more than 74 million additional tonnes of coal production by 2014. ‘Less advanced’ coal mine and coal infrastructure projects have a potential capital expenditure of $46.6 billion, if all projects were to proceed (Source: Australian Coal Association). |

|  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **PEABODY ENERGY AUSTRALIA (PEA)** | | | | | | | | | | | |
| **Revenue**: unknown | **Employees:** unknown | **Operations:** Australia | **Head office:** Brisbane **| Parent company**: Peabody Energy Corporation (NYSE: BTU)  Peabody Energy Australia is a subsidiary of Peabody Energy, the world’s largest private-sector coal company and a Fortune 500 company. Peabody’s operations in Australia service export and domestic markets with a diverse product range of coal through multiple coal ports. In 2012, Peabody’s Australian operations achieved total sales of 33 million tonnes primarily to steel producers in Japan, Europe, Taiwan, India and South America, as well as to electricity generators in Australia and Asia.  Peabody ships over 25 million tonnes of coal annually with major expansion projects underway to increase production to over 36 million tonnes by 2014-15. Peabody also has the second largest interest in the Newcastle Coal Infrastructure Group (NCIG) export terminal in NSW and is participating in the second stage expansion to add another 36 million tonnes of capacity at a time when Australia is setting export records. The Company is also active in coal trading in all major Australian coal regions through Peabody Coaltrade.  Peabody’s Australian platform is expanding to meet rising Asia market demand. The company is targeting Australian volumes of 33 to 36 million tonnes in 2013, including 15 to 16 million tonnes of met, 11 to 12 million tonnes of seaborne thermal, and 7 to 8 million tonnes of domestic thermal production. Peabody has a 65.7% stake in Macarthur Coal which was acquired in October 2011. With the inclusion of Macarthur, Peabody projects pro forma production of 45 to 50 million tonnes by 2014 to 2015. If these pro forma volumes were in place today, Peabody said it would be the second-largest metallurgical coal producer in Australia. | | | | | | | | | | | |
| **MINING OPERATIONS** | | | | | | | | | | | |
| **Mine** | | **Owner** | | **Operator** | **Type**  **(OC/UG)** | **Production**  **(Mtpa) FY12** | **Coal type** | | **Location** | | **State** |
| **Metropolitan** | | PEA (100%) | | PEA | UG | 2.1 | Met coal | | Helensburgh | | NSW |
| **Wambo** | | PEA (75%) | | PEA | OC & UG | 6.5 | Met coal/Thermal | | Hunter Valley | | NSW |
| **Wilpinjong** | | PEA (100%) | | PEA | OC | 12.5 | Thermal | | Near Mudgee | | NSW |
| **Burton** | | PEA (95%) | | Thiess Pty Ltd | OC | 1.0 | Met coal/Thermal | | Bowen Basin | | QLD |
| **Coppabella** | | PEA (73%) | | PEA | OC | 2.6 | PCI | | Bowen Basin | | QLD |
| **Eaglefield** | | PEA (100%) | | Macmahon | OC | 1.0 | Met coal | | Bowen Basin | | QLD |
| **Middlemount\*** | | PEA (50%) | | NRW Holdings Ltd | OC | 1.0 | Met coal/PCI | | Bowen Basin | | QLD |
| **Millenium** | | PEA (100%) | | PEA | OC | 3.0 | Met coal/PCI | | Bowen Basin | | QLD |
| **Moorvale** | | PEA (73%) | | Leighton Contractors | OC | 1.9 | Met coal/Thermal | | Bowen Basin | | QLD |
| **North Goonyella** | | PEA (100%) | | PEA | UG | 2.6 | Met coal | | Bowen Basin | | QLD |
| **Wilkie Creek** | | PEA (100%) | | PEA | OC | 1.3 | Thermal | | West of Brisbane | | QLD |
| \*PEA (50%) / Gloucester Coal (50%) | | | | | | | | | | | |
| **EXECUTIVE LEADERSHIP TEAM** | | | | | | | | | | | |
| **Name** | **Title** | | **Background** | | | | | **Location** | | **Comments** | |
| **Charles Meintjes** | President Australia  (Oct 2012-Present) | | Charles leads business unit teams that manage all aspects of the Australia operating platform with responsibility for health and safety, operations, sales and marketing, product delivery and support functions. He has extensive operational, strategy, continuous improvement and information technology experience with mining companies on three continents. He joined Peabody in 2007, and most recently served as Acting President Americas and Group Executive of Operations for the Midwest and Colorado. | | | | | Brisbane | |  | |
| **Michael Crews** | Executive Vice President & Chief Financial Officer, Peabody Energy  (Jun 2008-Present) | | Michael has executive responsibility for the company’s financial and accounting functions, including treasury, insurance, risk management, accounting, financial reporting, tax, strategic and financial planning, forecasting, capital management and budgeting, as well as corporate business development, investor relations, corporate communications and community relations. He has nearly 20 years of financial experience and an extensive background with Peabody. He joined Peabody in 1998 as Senior Manager of Financial Reporting. He has served as Assistant Corporate Controller, Director of Planning, Assistant Treasurer, and, most recently, Vice President of Operations Planning. Prior to joining Peabody he served for three years in financial positions with MEMC Electronic Materials, Inc. and six years at KPMG Peat Marwick in St. Louis.  **Education** – BSc (Acc), University of Missouri at Columbia; MBA, Washington University in St. Louis | | | | | USA | |  | |
| **Rob Hammond** | Group Executive  Operational Support, Australia | | Rob was previously Senior Vice President – Operations Open Cut, Australia for Peabody. He has more than 27 years experience in mining engineering and operations in the Western United States, Australia and Chile. His career includes operations and management positions with Rio Tinto and engineering management positions with BHP Billiton. Most recently, he served as Leader of Core Technologies for Rio Tinto Procurement in Salt Lake City. His energy experience includes previous roles as Chief Operating Officer for Coal & Allied in New South Wales, and General Manager at the Jacobs Ranch Mine in the Powder River Basin. He has extensive experience in large-scale surface operations, coupled with a proven track record in negotiating complex commercial agreements.  **Education** – BSc (Mining Engineering), Montana School of Mines | | | | | Brisbane | |  | |
| **Neville McAlary** | Senior Vice President Underground Operations | | Neville was previously General Manager, Metropolitan Mine. | | | | | Brisbane | |  | |
| **Gerry Brophy** | Chief Project Officer, Australia  (Aug 2011-Present) | | Gerry manages Peabody’s Australian project management teams with responsibility for the engineering and construction of new mining operations. Peabody is advancing multiple organic growth projects across Queensland and New South Wales, and continues to target 35 to 40 million tonnes per year of sales by 2014 to 2015. He reports to Group Executive Project Development, Kemal Williamson. He brings more than 35 years experience across project, operations and engineering management in mining and heavy industry. Most recently, Gerry served as General Manager Project Development for the Wiggins Island Coal Export Terminal project at the Port of Gladstone in Queensland, a $2bn project to expand long-term export capacity. Prior to this, he held roles of Group Head of Projects and Engineering, and Head of Growth and Strategy for global miner Anglo Coal Australia, as well as Engineering Manager for the BHP Billiton Mitsubishi Alliance. His previous experience includes project management and engineering roles with Hatch Associates, Fluor Daniel and Swan Wooster Fawbert.  **Education** – Dip Bus Mgmt, University of Pretoria; BSc (Hons) (MechEng), Queens University in Belfast | | | | | Brisbane | |  | |
| **Bradley Phillips** | Senior Vice President Transition Services, Australia  (Feb 2012-Present) | | Bradley leads the organisational integration of Macarthur Coal and Peabody Energy Australia. Most recently, Bradley was General Manager of Finance for Peabody’s Australia Operations. He oversaw financial and capital planning, treasury, risk and assurance as well as financial reporting, shared services and financial systems and continuous improvement activities. In addition, he was actively involved in the successful acquisition of Macarthur Coal in 2011. He has more than 15 years of financial and accounting experience with the company. He began his career at Peabody in 1996 and has held various accounting and finance positions of increasing responsibility, including Manager of Accounting, Director of Financial Reporting, Assistant Corporate Controller and Vice President of Financial and Capital Planning. Prior to joining the company, he was employed by KPMG Peat Marwick and A.G. Edwards in St. Louis.  **Education** – BSc (Acc), Western Illinois University; CPA; Certified Management Accountant | | | | | Brisbane | |  | |
| **George Schuller** | Group Executive Operations (Oct 2012-Present) | | Most recently, George served as Group Executive Operations for the Powder River Basin and Southwest in the Peabody’s Americas business unit. He has more than 25 years operational experience with Peabody subsidiaries in both the United States and Australia. | | | | | Brisbane | | Replaced Kemal Williamson who is now the President Americas for Peabody | |
| **Alex Hathorn** | Vice President Technical Services & Continuous Improvement | |  | | | | | Brisbane | |  | |
| **OTHER KEY EXECUTIVES** | | | | | | | | | | | |
| **Name** | **Title** | | **Background** | | | | | **Location** | | **Comments** | |
| **Dr Julian Thornton**  http://media.aspermont.com.au/images/thumbnails/125px_tn2Julian.jpg | Chief Executive Officer, Macarthur Coal  (Oct 2011-Present) | | Previously , Julian was Managing Director of Peabody Energy  Australia. He has more than 25 years international engineering and operations management experience. A graduate of the University of Wales in Cardiff, he has extensive experience in managing underground mines in central Europe. | | | | | Brisbane | |  | |
| **Steve Hedges** | Chief Operating Officer, Macarthur Coal | | Steve is responsible for managing the production and development of Macarthur’s assets. Prior to joining Macarthur, he served as the Senior Vice President Operations for Peabody Energy Australia. He brings extensive operational expertise and mine management experience from his three decade mining career at Peabody Energy, Anglo American Coal and Coal & Allied. | | | | | Brisbane | |  | |
| **Grant Adams** | General Manager Technical Services, Macarthur Coal | |  | | | | | Brisbane | |  | |
| **Ian Livingstone-Blevins** | General Manager Wilpinjong Mine  (Aug 2011-Present) | | Ian has more than 30 years of mining and operations experience. He was most recently General Manager of Yancoal’s Moolarben Coal Operations, a complex of underground and open-cut mines under development in New South Wales near Wilpinjong. He also served as Head of Operations Services for Anglo Coal Australia and oversaw underground and open-cut technical services, asset planning, business improvement and geology.  Prior to this, he held management roles of increasing responsibility at a number of Anglo operations.  **Education** – Higher National Diploma in Coal Mining (Mining Engineering), University of Johannesburg | | | | | Brisbane | |  | |
| **E. Jason Davis** | **General Manager Metropolitan Mine**  **(Dec 2011-Present)** | | Jason is responsible for the underground operation and surface facilities. Davis most recently was General Manager Colorado Operations in the United States. He has also served as Superintendent Operations at the underground Twentymile Mine near Steamboat Springs, Colorado. His previous experience also includes mine engineering and supervisory roles for Peabody in the Midwest, Western Kentucky and West Virginia. Davis joined Peabody in 2001.  **Education** – BSc (Mining Engineering), Virginia Polytechnic Institute and State University | | | | | NSW | |  | |
| **Peter Brisbane** | Chief Engineer, Peabody Energy Australia | |  | | | | | Brisbane | |  | |
| **Janette Hewson** | **General Manager Sustainable Development** | |  | | | | | Brisbane | |  | |
| **Frederick Palmer** | Senior Vice President Government Relations | |  | | | | | Brisbane | |  | |
| **Jennifer Morgan** | General Manager External Affairs | |  | | | | | Brisbane | |  | |
| **BOARD MEMBERS** | | | | | | | | | | | |
| **Name** | **Title** | | **Background** | | | | | **Location** | | **Comments** | |
| **Eric Ford**  [Peabody is moving key executives to Australia, including COO Eric Ford.](http://www.bizjournals.com/stlouis/news/2011/11/07/peabody-energy-moves-coo-to-australia.html?s=image_gallery) | Chairman, Peabody Energy Australia  (Oct 2012-Present)  Chairman, Macarthur Coal  Chief Operating Officer, Peabody Energy | | Eric has more than 40 years of extensive international management, operating and engineering experience in the industry. He previously served as President Australia, and Executive Vice President and Chief Operating Officer for Peabody Energy. Prior to joining Peabody in 2007, Eric served as Chief Executive Officer of Anglo Coal Australia Pty Ltd. He held a series of increasingly complex operating assignments at Anglo, including Chief Executive Officer of Anglo American’s joint venture coal mining operation in Colombia and Executive Director of Operations of Anglo Platinum Corporation Ltd. He is a non-executive member of the Board of Directors of Compass Minerals based in Kansas City, Mo, and served as Deputy Chairman and member of the Executive Committee of the Coal Industry Advisory Board of the International Energy Agency. He is also a Director of the Minerals Council of Australia.  **Education** – MSc (Management Sciences), Imperial College in London; BSc (Mining Engineering) (cum laude), University of the Witwatersrand in Johannesburg | | | | | Brisbane | |  | |
| **Paul Dowd** | Non-Executive Director | | Paul is a 40-year mining veteran who developed businesses and managed mining operations in Australia, the United States, Africa, Europe and Asia. | | | | | Sydney | |  | |
| **John Spark** | Non-Executive Director | | John is a former Managing Partner of Ferrier Hodgson, a Melbourne, based turnaround, reconstruction and forensics services firm, and a former Global Partner of Arthur Andersen. | | | | | Melbourne | |  | |
| **Julian Thornton** | Chief Executive Officer, Macarthur Coal | | See profile above. | | | | | Brisbane | |  | |

| STRATEGY |
| --- |
| Peabody Energy considers Australia to be a premier location for coal mine development and investment. Peabody Australia in its current structure was formed in December 2011 when Peabody acquired Macarthur Coal. All mines are fully operational.  Peabody has mining operations across Queensland and New South Wales, as well as active coal trading in all major Australian coal regions through Peabody COALTRADE. It is currently operating three mines in NSW and seven in Queensland.  Peabody's operations in Australia service export and domestic markets with a diverse product range of coal through multiple coal ports. In 2012, Peabody's Australian operations achieved total sales of 33 million tons primarily to steel producers in Japan, Europe, Taiwan, India and South America, as well as to electricity generators in Australia and Asia.  Peabody's Australia platform is expanding to meet rising Asia market demand. The company is targeting Australian volumes of 33 million to 36 million tons in 2013, including 15 to 16 million tons of met, 11 million to 12 million tons of seaborne thermal and 7 million to 8 million tons of domestic thermal production.  Peabody Australia has been negatively impacted by the downturn in the commodity cycle in the past 18 months, and the strategic focus for the company is on enhancing operational efficiencies, reducing costs and ensuring ongoing improvements in overall productivity. The company has cut 620 jobs across its operations since 2013 and has returned two of its mines, Millenium in Queensland and Wilpinjong in NSW, to an owner-operated status in April 2013,  Peabody also said in a statement in July 2013 that it had scrapped the hiring of 230 people in Australia, and explained these decisions as a response to ongoing cost management reviews in order to secure the long-term competitiveness of its operations. The Company now has around 2700 employees in Australia. |

| **MARKET INTELLIGENCE** |
| --- |
| **11 September 2013**  The Financial Review  **Glencore shelves $7bn Wandoan coal project**  Anglo-Swiss mining giant Glencore Xstrata has officially shelved the $7 billion Wandoan thermal coal project in Queensland, in keeping with an industry-wide trend towards reducing capital spending and seeking to improve shareholder returns. Wandoan, in Queensland’s Surat Basin, was included on a list of “projects on hold” in a presentation given by Glencore Xstrata coal president Peter Freyberg at the newly merged company’s first investor day in London on Tuesday.In light of declining coal prices and comments by Glencore Xstrata chief executive Ivan Glasenberg that he was averse to developing greenfields projects, the writing had been on the wall for Wandoan for some time.  Article: <http://www.afr.com/p/business/companies/glencore_shelves_bn_wandoan_coal_t4S7mBuaAtCXZYONsYX66M>  **18 April 2013**  Sydney Morning Herald  **BHP Billiton announces new management team**  In February, when Andrew Mackenzie was anointed to take over from Marius Kloppers as chief executive of the world’s largest mining company, he promised a “laser-like focus” on boosting BHP Billiton’s profitability as commodity prices settled and the windfall profits the resources boom delivered at its peak disappeared. Mackenzie has flattened and simplified BHP’s management at the top. The top management committee has been expanded from eight members to 11 but the heads of BHP’s big operating divisions including iron ore boss Jimmy Wilson, coal boss Dean Dalla Vale and copper division boss Peter Beaven are now included, and will report directly to him, as will the leaders of key corporate functions including finance, legal and human resources. They are all potential successors to Mackenzie and, as part of the change, two executives who were considered to be in the race to replace Kloppers before Mackenzie got the nod fall out the equation.  Article: <http://www.smh.com.au/business/sweeping-changes-at-bhp-20130418-2i232.html#ixzz2S5RhnJx4>  **11 April 2013**  The Australian  **Leighton loses out as BMA finds cheaper alternative**  THE Leighton group yesterday felt the impact of moves by miners to slash cost bases amid falling commodity prices when BHP Billiton Mitsubishi Alliance (BMA) prematurely terminated a contract worth up to $260 million for a cheaper alternative. BHP decided to move the pre-strip contract with Leighton Contractors at the Peak Downs coalmine in Queensland to the smaller Perth-based HSE Mining, prompting the cancellation of the contract for the Leighton Holdings subsidiary that was scheduled to run until 2015.  Article: <http://www.theaustralian.com.au/business/mining-energy/leighton-loses-out-as-bma-finds-cheaper-alternative/story-e6frg9df-1226617748889>  **4 April 2013**  Sydney Morning Herald  **Rio Tinto hires Deutsche Bank to sell coal assets**  Rio Tinto has hired Deutsche Bank to help sell Australian coal assets worth billions of dollars, the Wall Street Journal said on Wednesday, as the company seeks to slash costs and exit non-core and under-performing businesses. The move comes less than three months after the Anglo-Australian mining goliath’s new chief executive, Sam Walsh, vowed to pursue an “unrelenting focus on pursuing greater value for shareholders” via aggressive cost reductions and divestment of non-core businesses. Slower industrial growth in China that has put pressure on commodities prices and cut profits for mining companies has led to a major re-think by Rio Tinto’s board over how the company’s money is spent.  Article: <http://www.smh.com.au/business/rio-tinto-hires-deutsche-bank-to-sell-coal-assets-20130404-2h81m.html#ixzz2S65XTjGM>  **1 May 2013**  Sydney Morning Herald  **Mine rejection will cost jobs, Rio Tinto warns**  Rio Tinto has applied to the NSW Supreme Court to speed up its bid to reverse a court decision blocking the extension of its Warkworth coal project in the Hunter Valley, claiming failure to do so would lead to ‘‘many hundreds of job losses’’. Rio has already cut 40 jobs after its permission to expand the Mount Thorley mine was overturned in the NSW Land and Environment Court in April after residents from the tiny town of Bulga succeeded in a battle against the project. Rio appealed the decision last week, and on Monday applied to expedite the appeals process. In an affidavit filed with the original appeal, it said the immediate effect of not being able to proceed with the extension was that an area known as Saddleback Ridge could not be mined, and that coal production would drop from 12 million tonnes a year to 10 million tonnes. ‘Significant job losses are expected if economic conditions remain the same unless the mine can maintain its volume of product coal produced,’’ it said. ‘‘Not being able to maintain the production level at 12 million tonnes for 2014 is likely to result in many hundreds of job losses.’’ Rio said the mine had an existing workforce of 1300, and the extension would create an additional 150 jobs over its life.  Article: <http://www.smh.com.au/business/mine-rejection-will-cost-jobs-rio-tinto-warns-20130430-2ir1q.html#ixzz2S6K2jo00>  **28 Feb 2013**  Sydney Morning Herald  **Vale sees red over Australian coal**  Brazilian mining giant Vale has written down its Australian coal assets by $US1.03 billion ($1 billion), part of $US5.7 billion in impairments which dragged the company’s net earnings down by 76 per cent in 2012 and led it to report a bottom-line loss in the December quarter. After reporting record profitability in 2011, Vale’s revenues fell 23 per cent and underlying earnings more than halved due to lower commodity prices in 2012. Net earnings including impairments slumped 76 per cent to $US5.5 billion. Vale described 2012 as a ‘‘challenging year for the world economy’’ which led to a ‘‘generalised decline in minerals and metals prices, with the exception of gold’’. Vale’s coal division is headquartered in Brisbane and it has interests in three coal mines in Australia: in Queensland it operates the Carborough Downs Mine and part-owns the Isaac Plains Mine in the northern Bowen Basin; in New South Wales, it operates the Integra mine in the Hunter Valley.  Article: <http://www.smh.com.au/business/mining-and-resources/vale-sees-red-over-australian-coal-20130228-2f7b7.html#ixzz2S5soB78v>  **3 April 2013**  The Australian  **WHITEHAVEN Coal continues to suffer from speculation over the financial stability of its largest shareholder, Nathan Tinkler, with the latest share price hit coming after he announced the sale of his horse-racing empire.**  The slump in the coalminer’s shares yesterday was also on the back of the continued negative market sentiment on resources stocks, which saw a list of strong-performing companies take a dive on the Australian market. Whitehaven’s shares fell 4.25 per cent to $2.03, reaching a four-year low, after Mr Tinkler announced he would sell Patinack Farm, which includes more than 1000 racehorses, broodmares and stallions and his Sandy Hollow training facility in NSW’s Hunter Valley. Speculation over Mr Tinkler’s significant debts, which are said to be leveraged to his 19.4 per cent stake, has compounded the market issues weighing on the miner, including low coal prices and the high Australian dollar. “Nathan Tinkler is another excuse why a manager might not need to go near the stock,” one experienced coal analyst said. “We are getting towards June 30 and people are trying to lock in performance elsewhere and why would a manager make a call on such a volatile situation as Nathan Tinkler and want to ruin their reputation on something that could blow up in their face.”  He added that the “root cause” of Whitehaven’s problems was its failure to make money, adding that the firm was not alone. “Even companies that are making money are as weak, if not weaker in some cases. We’re struggling to get traction with large investors, even in the high-quality names above Whitehaven.” The industry observer said the firm needed to develop its prized asset, Maules Creek, as soon as possible, warning that if real cashflow did not start in about a year, the miner’s lenders could get nervous and trigger the divestment of some assets.  Article: <http://www.theaustralian.com.au/business/mining-energy/tinklers-financial-situation-take-toll-on-whitehaven-coal/story-e6frg9df-1226611210262>  **30 April 2013**  Australian Financial Review  **Whitehaven flags further cost-cutting**  Whitehaven Coal has committed to ­further cost-cutting amid weaker coal prices and unused port and rail capacity, which are adding to its operating expenses. The NSW-based coal miner confirmed it had shed costs at its Tarrawonga and Rocglen mines as part of stage one of its operational review. Mine plans have been changed to deliver lower stripping ratios, which has decreased the number of necessary haul trucks. Approximately 30 permanent positions and 10 contractor roles were made redundant due to the changes. Stage two of the review will involve an ongoing focus on reducing operating costs at other mines. These initiatives come amid downward pressure on coal prices, a strong Australian dollar and higher costs elsewhere in the business.  Article: <http://www.afr.com/p/business/companies/whitehaven_flags_further_cost_cutting_stRuINo2IY9QHfsJx49alM>  **19 Mar 2013**  Australian Financial Review  **Structural and management changes at Xstrata Coal**  As part of continuing reviews being undertaken across its business, Xstrata Coal will consolidate its two operating units in Australia. This will see its New South Wales and Queensland divisions combined under a single Xstrata Coal Australia operating division and management structure. The new Australia-wide operations will leverage off the structure and systems in place in NSW, and will be headed up Chief Operating Officer, Ian Cribb, effective 19 March. As a result of this decision, Xstrata Coal’s divisional head office in Brisbane will close. In parallel to this, Xstrata Coal is taking the opportunity to review corporate services delivered to the divisions out of its Sydney office. These initiatives will lead to a reduction of Xstrata Coal’s office-based roles in Australia. As a result Xstrata will cut about 600 jobs.  **13 February 2013**  Australian Mining  **Coal remains number one export: NSW Minerals Council**  New figures released by NSW Minerals Council show coal is NSW’s number one export commodity at 35% of total merchandise exports. The council’s latest industry report “NSW Mining 2012: A Snapshot” revealed telling statistics about NSW’s coal industry and the countries it exports to. Japan remained the largest overall market for NSW coal, receiving 46.5% of coal exports in 2011-12. China received 17.5% of NSW coal exports, Korea 15.3% and Taiwan 10.4%. The report values the export of NSW coal in 2011-12 at $16.8 billion.  NSW Minerals Council CEO, Stephen Galilee said the figures were encouraging despite the tough conditions faced by many coal miners in recent months. “Many of our members in NSW have experienced difficult trading conditions due to global economic conditions, rising costs, and a fall in coal prices over the second half of last year,” Galilee said. “It’s important to note that China’s is the world’s largest coal producer and its domestic coal production vastly eclipses imports of coal from NSW, producing 3,471 million tonnes per annum. However, the ongoing strong demand for NSW coal in China is good news for our national and state economies and also for the economic strength of NSW coal mining communities.” “NSW is well placed to meet many of the minerals needs of major economies around the world. We have a strong history of supply to developed economies like Japan and the Republic of Korea, while at the same time we are developing excellent trading relationships with major emerging markets like China and India,” he said.  Galilee also noted the importance of the industry on jobs in the state. “Coal mining alone provides a direct income for over 22,000 employees and their families in NSW; workers in communities like Singleton, Muswellbrook, Wollongong, Gunnedah, Tamworth, and Boggabri. It’s estimated that coal mining also generates around 77,000 additional jobs across the state.”  Article: <http://www.miningaustralia.com.au/news/coal-remains-number-one-export-nsw-minerals-counci> |

|  |
| --- |
| MOVEMENTS |
| There have been a number of movements in the Coal sector this year, some include:   * **Andrew MacKenzie** – Appointed Chief Executive Officer, BHP Billiton Ltd, May 2013 * **Christopher Lynch** – Appointed Chief Financial Officer, Rio Tinto Plc, Apr 2013 * **Dean Dalla Valle** – Appointed President, Coal, BHP Billiton (Coal), May 2013 * **Debra Valentine** – Appointed Group Executive, Legal External and Regulatory Affairs, Rio Tinto Plc, Feb 2013 * **Graham Cleggett** – Appointed General Manager, Operations, Griffin Coal Mining Company Pty Ltd, Mar 2013 * **Jamie Frankcombe** – Appointed Executive General Manager, Operations, Whitehaven Coal Ltd, Feb 2013 * **Jason Economidis** – Appointed Director, Australian Operations, Vale Australia Pty Ltd, Feb 2013 * **Lloyd Hain** – Appointed Mine Manager, Tarrawonga/Rocglen, Whitehaven Coal Ltd, Jan 2013 * **Mike Fraser** – Appointed President, Human Resources, Group, BHP Billiton Ltd, Jul 2013 * **Paul Flynn** – Appointed Chief Executive Officer, Whitehaven Coal Ltd, Mar 2013 * **Reinhold Schmidt** – Appointed Chief Executive Officer, Yancoal Australia Ltd, Aug 2013 * **Sam Walsh** – Appointed Chief Executive Officer, Rio Tinto Plc, Jan 2013 * **Vince Bicoletti** – Appointed Vice President Strategy, Business Development (Energy Coal CSG) and Colombia Coal, BHP Billiton Ltd, Feb 2013 |

| CONCLUSION: THEMES |
| --- |
| *“The industry is challenged; the costs are for higher than many other places in the world. The landscape of the governments and their certainty has not helped. We anticipate things remaining tough and for many mining operations under water for 12-18 months.”*  Chief Executive Officer, Coal Mining Company  *“Coal prices are cyclical, and are currently depressed. They are also seasonal. China has high stockpiles, steel production has slowed, and the price has fallen. The coal assets or rather the mines, need to increase efficiency, whilst I realise many are worried I believe we needed a shake-up. For some time the industry has had poor and easy practices for too long.”*  Chief Executive Officer , Coal Mining Company  *“The mining companies have not examined with rigour their internal structuring for some time. It is now with deflated prices and expectations of deflated prices that they now have undertaken restructure. For too long they have been lazy and are not aware of their optimal work force structure and measurement of productivity. There needs to be greater application of effort to productivity.”*  Senior Executive, Coal Mining Company  *“The internal structures are overly complex and drastically need to be simplified. The industry has made money in spite of their poor internal structures, productivity has declined enormously in Australian mining”*  Senior Human Resources Executive, Coal Mining Company  *“We are examining our model and need to consider our diversification. Relationships have been crucial but we have entered a different market. Our market, and margins have tightened.”*  Senior Executive, Mining Services Company  *“We acknowledge good people are being moved on, and they are difficult discussions. If there was a mining company setting up now they could certainly appoint some good talent. There is, however, opportunity, assets are being recalculated and acquisition in the industry is being considered. No doubt, some are doing it very tough with operations having being placed in care and maintenance, driving greater efficiency programs. There is opportunity, we have to work smarter.”*  Senior Human Resources Executive, Coal Mining Company  “To put it simply, our industry has been fat, dumb and lazy. It has completely blown out its cost; it has been swallowed in red tape and has not been on top of its game. There are other industries to examine our inefficient practices would surprise them immensely”.  Chief Executive, Coal Mining Division |



|  |
| --- |
| ABOUT BLENHEIM PARTNERS |
| Blenheim Partners is a premier international Executive Search and Board Advisory firm. We are a partnership, focused entirely on our clients, deliberately engaged at the most senior levels. Clients call us when they have difficult, top level, people-related decisions to make.  We have “no limitations” in the pursuit of excellence. Our culture is built on Pride, Professionalism and Esprit de Corps. We consult. We do not conform.  Focusing on collaboration, founded on a commitment from both the client and ourselves to build a genuine relationship over time, we pursue open and honest dialogue, where accountability is placed above all else. Therefore, we engage with organisations who believe in a partnership model; where there is sincerity, focus and commitment.  We apply the following principles:   * We partner with a select few in a genuine, enduring and transparent partnership. * We pursue a mutually beneficial relationship, not a transactional one. * We look for parallels between our values and those of our clients. * We partner leaders through their journey, which includes our unique On Boarding Programme. * We allow our clients to determine our fees by having key and transparent metrics aligned to the outcome and satisfaction. * We maintain regular contact and invest the time to provide ongoing market intelligence and collaboration.   Blenheim Partners consult for a broad range of organisations including publicly listed companies, global multinationals, medium-sized domestic companies as well as not-for-profit organisations and government. Typical roles for which we are engaged include Chairman, Non-Executive Director, Chief Executive Officer, Chief Financial Officer and difficult to fill positions where search or consultation is required. |

|  |
| --- |
| OUR SERVICES |
| **Executive Search**   * Top level, strategically important roles * CEOs, Executive Committee Members and direct reports to the top team * Our clients come from all sectors   **Non-Executive Search**   * Chair * Non-Executive Director * Diversity for Boards   **On Boarding**   * A 90 day On Boarding Programme with all searches for the successful candidate at commencement of employment   **Competitor Intelligence & Tactical Planning**   * In depth intelligence gathering and Talent Mapping of your competitors, and the external candidates having the head start capability to launch a search for a particular role at the opportune time   **Consulting**   * Board Effectiveness – We advise clients on issues of Board Capability through formal annual Board Evaluation help * Management Assessment – We help build on existing management development programmes by providing internal and external benchmarking and succession pipeline. Assessment is valuable in a range of contexts including:   + Succession planning   + Mergers & acquisitions   + Corporate restructuring   + Management/ team development   **Market Reputation Analysis**   * We advise clients on their reputation from a broad perspective including internal candidates, external candidates, venture partners, investment banks, clients   **Customer Intelligence**   * Particularly useful for the Business Development function in understanding the customer landscape, structure and executive movements   **Compensation and Remuneration Analysis** |

|  |
| --- |
| SELECTED TRACK RECORD |
| The team at Blenheim Partners is highly experienced, with a track record at the most senior level of Executive and Non-Executive Director search and appraisal. Searches have included Chairmen, Chief Executives and other C-level executives for the major ASX (top 20) companies.  Some of our clients in Natural Resources have included:   * Anaconda Nickel * Arch Coal * Asciano * Anglo Coal * BHP Billiton * Blue Scope Steel * Emeco * Evans & Peck * Extract Resources * Hedweld * Henry Walker Eltin * Leighton Contractors, Holdings, Contractors, Asia * Medusa Mining, Philippines * Micromine * Midwest Coal * Minara Resources * Newmont * Oil Search * Petronas * Red 5, Philippines * Rio Tinto – Coal, Alcan * Shell * Whitehaven Coal * Woodside |

|  |
| --- |
| KEY PROFILES |
| **Gregory W. Robinson**  Gregory has been specialising in senior executive appointments for over 16 years in Australasia, Asia and the United Kingdom. Sector experience is broad including natural resources, infrastructure, industrial, telecommunications, technology, financial services, consumer, manufacturing and sport. Gregory was previously based in Hong Kong as Head of an Investment Banking Practice for a global boutique, and prior to that was at Whitehead Mann where he established and led the Asia Pacific CFO Practice. He also established and led the Australasia CFO Practice for Korn/Ferry International, working across all industry sectors with a focus on ASX 100 listed companies. Earlier in his career Gregory spent a decade in the United Kingdom consulting on the finance and operational functions of the FTSE 100-250 and AIM listed groups as Partner for Norman Broadbent International. Gregory has been involved in Board advisory and C-level appointments in Australia and the United Kingdom.  **Joanna Sochan**  Joanna has worked in the executive search field since 1994. Previously she was in the Global Industrial Markets Practice at the Sydney office of Korn/Ferry International. She has significant experience in executive search recruiting for senior roles across a number of industry sectors, with the most recent emphasis on mining and resources as well as industrial. In addition, Joanna has been involved in a significant number of board level searches for chairman and non-executive directors for leading Australian companies. Her experience also includes consulting on strategic succession planning and talent management.  **Karsten M. Hansen**  Karsten has 13 years’ experience in the Executive Search industry with an established track record in managing all aspects of the search process through to placement. He strives towards delivering outcomes of the highest possible quality, and also ensures that both clients and candidates feel they have been treated with a high level of respect during all stages of the process. Karsten has substantial hands-on experience in structuring Search assignments. Karsten has undertaken a broad range of assignments, including a significant number in the mining sector, across several functional areas. These assignments were focused both on mining operations in Australia and overseas in PNG, Mongolia, the Philippines and Indonesia. Prior to his time in Search, Karsten built a career in the financial markets for 10 years in Tokyo, London and Copenhagen.  **Thomas Weiss**  **Consultant**  Thomas has broad experience in designing and implementing succession planning, talent assessment, development solutions and building leadership effectiveness. An LDN International Associate, Thomas takes a lead role in building client relationships and delivering projects across the Natural Resource sector including OnBoarding. Working across diverse industries including telecommunications, energy, financial services and pharmaceuticals, Thomas adapts a collaborative approach with all stakeholders to facilitate leadership outcomes aligned with the strategic priorities of the business. Prior to joining LDN, Thomas was a Principal Consultant with Korn/Ferry International, where he played a key role in the growth of the consulting practice. He joined Korn/Ferry in 1999 as a consultant in the Industrial, Energy and Resources practice, focusing on executive search. Thomas is certified in the full suite of Lominger solutions including viaEDGE™, Choices®, Voices® 360, Interview Architect® as well as Leadership Architect® 101. He also leverages other resources including the Hogan Leadership Forecast Series to build individual and organisational insights. Thomas holds a Bachelor of Arts and a Master of Arts (Honours) degree from Victoria University of Wellington (New Zealand) and a Master of Business Administration from Monash University (Australia).  **Kerry Larkin**  Kerry has been involved in the executive search industry since 2006. During this time she has worked with Heidrick & Struggles and Russell Reynolds Associates, and a number of boutiques, in both project management and research capacities. She possesses experience in multiple sectors, including natural resources, construction/ industrial, telecommunications, financial services, consumer, healthcare, professional services and not-for-profit. In addition Kerry has undertaken a number of board searches. Her experience also includes succession planning, diversity, and executive assessment projects.  **Brandon Needham**  Brandon is responsible for knowledge management, including intelligence gathering, the tracking of business activities, key management moves and intensive preparatory research.  **Pip Hoskins**  Pip has been in the executive search industry since 2007, having previously worked at Korn/Ferry International. Most recently she held the role of Marketing and Communications Specialist where she had a particular focus on thought leadership within the corporate space. During her time at Korn/Ferry she co-authored a qualitative research study, called 'Cultivating Greatness in the Boardroom: What makes an exceptional Non-Executive Director in Australasia'.  **Clare McKenna**  Clare has five years’ experience in professional services, including mining consultancy and accountancy. Clare coordinates the search engagement and liaises with clients and candidates. |



ABN 21 160 009 236

Level 5, 17-19 Bridge Street, Sydney NSW Australia

p +61 2 9253 0950

w [blenheimpartners.com](http://www.blenheimpartners.com)