

# ILLAWARRA COAL BUSINESS UPDATE

A quarterly briefing



Above: Illawarra Coal provides employment in the form of 5900 direct and indirect jobs.

## Inside this Business Update

### PAGE CONTENT

- 1 COAL MINING - AN ESSENTIAL INDUSTRY
- 3 THE ECONOMIC IMPACT OF COAL MINING (WITH CASE STUDY)
- 4 MADE WITH ILLAWARRA COAL
- 5 MINERALS COUNCIL LAUNCHES LIFE CAMPAIGN
- 6 GETTING TO KNOW DENDROBIUM'S TOP MAN

## COAL MINING – AN INDUSTRY INTEGRAL TO THE ECONOMIC AND SOCIAL HEALTH OF OUR REGION

Coalmining has often, in its long history, come under fire but perhaps never more so than since the topic of water and climate change became a political hotcake – heightened last year by the likes of former US vice president Al Gore with his film *An Inconvenient Truth* and associated debate.

Compounded by a spate of natural disasters and water shortages, the coal industry by its very nature has found itself at the centre of the controversy over global warming, with calls for an end to mining as a potential “solution”.

These eruptions from community-based environmental groups and political parties have extended to the Illawarra – a region whose very historical and economic foundations are based on coal mining and the production of steel using the raw coal produced by Illawarra coal.

Illawarra Coal, a subsidiary of BHP Billiton which has been proudly mining – and providing employment - in the Illawarra and Wollondilly regions for close to 80 years, naturally objects to the anti-mining calls and with good reason.

Not only is the company a leading economic contributor to the Illawarra region – a point confirmed by a recent independent economic impact assessment prepared by respected economic researchers, IRIS (Illawarra Regional Information Service) – but we also are responsible for supplying the raw material which allows for the production of steel, used everyday by everyday people.

### THE QUESTION IS, THEREFORE – WHAT WOULD WE DO WITHOUT COAL?

While the economic impacts of the loss of the coal mining industry are obvious - 5900 direct and indirect jobs, \$520 million in Gross Regional Product and \$278 million in household income from Illawarra Coal alone, according to the IRIS report – the social impacts would strike even harder. See the full story over the page.

Wollongong already has one of the highest rates of unemployment in the country. An end to the mining industry would see the further loss of 5900 direct and indirect jobs.

Where would such unemployment leave the Illawarra? And what would we do without steel?

Steel is used to build a myriad of items used in everyday life. From motor cars to water tanks, fencing panels to roofs, building products to cutlery, electrical appliances to medical equipment, steel is integral to our everyday existence.

More on what coal is used for and where it goes, on the next page.

### COMMITMENT TO THE ENVIRONMENT

As environmental awareness has increased and modern mining techniques have become more environmentally savvy, Illawarra Coal has embraced the opportunities to subscribe to sustainable mining practices and remains committed to the rigorous process of mining approval including consultation with

[continues page 2](#)

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07

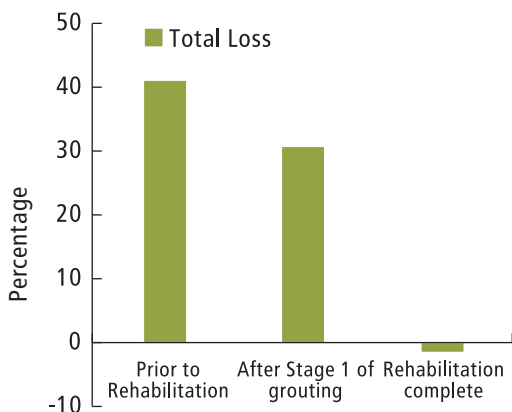


Top: Rehabilitation of Marhnyes Waterhole on the Georges River is now complete.



Above: Methane gas from the Appin Mine is converted to electricity at this Energy Developments Limited (EDL) plant.

**TOTAL FLOW LOST THROUGH POOLS ABOVE JUTTS CROSSING**



**COAL MINING – AN INDUSTRY INTEGRAL TO THE ECONOMIC AND SOCIAL HEALTH OF OUR REGION**

continued from page 1

stakeholders. The Company has no current plans to mine beneath rivers, and is confident of the approvals, assessment and processes in place.

Illawarra Coal decided not to mine beneath the Nepean River in its recently approved Appin Mine-Douglas Project. This decision to position longwalls away from the Nepean River represents a significant economic compromise for the company (the sterilisation of some 12 million tonnes of raw coal) and demonstrates the Company’s commitment to operating a sustainable business.

As well as taking care before it mines, Illawarra Coal has a demonstrated success in rehabilitation. Less than six months after the completion of our three-year progressive rehabilitation program in the Georges River at Marhnyes Waterhole, Illawarra Coal is proud that ongoing monitoring has revealed a significant and measurable reduction in the effects of subsidence from underground mining in the area.

Illawarra Coal made a commitment that all sections of the Georges River affected by mine subsidence would be rehabilitated to a standard satisfactory to the approval for mining in this area. This standard is based on achieving river health as close to pre-mining conditions as possible.

The rehabilitation completed in this area demonstrates that this goal can be achieved. Importantly, the rehabilitation ensures that the pools do not dry out in times of low flow in the Georges River. This is clearly demonstrated by the water flow monitoring data collected since the rehabilitation has been completed.

**ILLAWARRA COAL – DOING ITS BIT FOR GREENHOUSE GAS REDUCTION**

Long before greenhouse gases and global warming became the political hot potatoes that they are today, Illawarra Coal introduced an initiative for dealing with methane gas drained from its mining operations.

The Company’s Appin and West Cliff mines extract coal from the Bulli coal seam, which contains high levels of methane. To ensure

safe working conditions, the gas is drained through bores drilled ahead of mining and is drawn to the surface by vacuum where it is captured and converted to electricity using a series of gas engines rather than vented to atmosphere.

This initiative was introduced more than 10 years ago when Illawarra Coal, in partnership with Energy Developments Limited (EDL), developed a system to collect the drained methane and use it to produce electricity. Following trials, 54 x 1 megawatt gas engines were installed at Appin and 40 x 1 megawatt gas engines were installed at the Appin Mine (Douglas) site (previously known as Tower Mine) near Douglas Park.

These power plants reduce the Company’s annual greenhouse gas emissions by 2.5 million tonnes, and produce enough energy to power around 60,000 homes each year.

By achieving this reduction in greenhouse gas emissions over the past five years, Illawarra Coal has provided the largest single contribution in New South Wales to greenhouse gas emission reduction.

However, not all methane can be captured in the current gas drainage systems, and very low levels of methane exist in the mine’s ventilation air vented to atmosphere. Illawarra Coal has addressed this issue with the installation of world-first technology in its WestVAMP project.

Assisted by Federal Government grants from the Greenhouse Gas Abatement Program, Illawarra Coal has developed the project which utilises VOCSIDER™ technology, developed by Swedish emission control specialist MEGTEC System AB.

The facility will generate power from the methane in the mine ventilation air and achieve a further reduction in greenhouse gas emissions of 250,000 tonnes of carbon dioxide equivalent every year – the same as eliminating emissions from 45,000 cars each year or producing enough electricity for 20,000 homes.

Construction of this facility at West Cliff Mine is now complete and commissioning has commenced.

# THE ECONOMIC IMPACT OF COAL MINING

Close to 6000 jobs, more than \$520 million in Gross Regional Product and \$278 million in household income: that's the contribution Illawarra Coal makes to the Illawarra and Wollondilly regions as confirmed by a recent independent economic impact assessment.

Prepared by respected economic researchers, IRIS, the assessment confirms something that Illawarra Coal, which has been proudly mining in the region for close to 80 years, has known for a while – that is, the significance of Illawarra Coal's contribution to the region.

However, it also sets out the facts. Facts like the Illawarra Coal business alone accounts of about 4.4 per cent of the Gross Regional Product in the Illawarra/Wollondilly regions.

The Report also proves how important Illawarra Coal is in terms of flow-on effect to the overall economic wellbeing of the regions in which it operates.

For every one person employed by Illawarra Coal, almost another five jobs are created. This is the highest employment flow-on effect of any industry in the region; even greater than the metals industry, retail, construction and education.

With a sales turnover of \$1,392 million (4.4 per cent of the region), Illawarra Coal also makes substantial contributions to the community in which we work - \$500,000 on community programs during the period specified alone.

IRIS states that any downsizing of Illawarra Coal's operations in the region would force our largest customer, Blue Scope Steel, to source coal from Queensland at a higher price due to additional transportation costs. This outcome would impact negatively on the costs inputs for Blue Scope Steel and reduce Gross Regional Product and household income over and above the upstream impacts estimated by the analysis.

## CASE STUDY: A QUARTER OF OUR BUSINESS IS WITH ILLAWARRA COAL: NEPEAN CONVEYORS

Illawarra Coal has a significant commitment to sourcing its goods, materials and services from the Illawarra and Wollondilly regions. In 2005-06 we spent \$324 million on regional suppliers and, overall, New South Wales suppliers accounted for \$552 million (93 per cent) of our total goods, materials and services spend in Australia. Conveyor system manufacturer, the Nepean Conveyors Group of Companies, is one of a number of local companies relying strongly on Illawarra Coal.

The company – which manufactures, installs and services conveyor systems and components predominantly for the domestic and international underground coal mining and mineral resources sectors – undertook 25 per cent of its NSW business in the past financial year with Illawarra Coal and has a strong relationship with the mining sector.

Established in 1985, the Nepean Conveyors Group of Companies employs 210 people across its operations in Smeaton Grange (NSW), Mackay (Queensland), Johannesburg (South Africa) and Beijing (China), including 50 at its Picton plant, which services the Illawarra region.

Managing Director, Peter Gilbert, said the company was very proud of its client-supplier partnership, which ensured Illawarra Coal was provided with conveyor components and systems which were technologically and dependably first-class by world standards, thereby providing value-add to both companies.

He said Nepean Conveyors, which was located within 20 minutes of most of Illawarra Coal's sites, held in stock all critical components needed for the mines' conveyor systems and provided 24/7 support services.

"We have a wonderful relationship with Illawarra Coal," he said. "The company has provided a substantial source of business and a reference base for us.

"We are very happy with the working relationship we have built over the years and are working to see it continues well into the future. We wouldn't miss it for the world."

# MADE WITH ILLAWARRA COAL

Take a look around your office or home. Take note of all the steel items in your view. Your clothes dryer may have a steel casing. Your office furniture might be made of steel or have steel components. Your stapler, letter opener, paper clips, filing cabinet, office fridge, desk chair may all be made using steel products.

Venture into the kitchen. The toaster, water heater or coffee maker, cutlery are all likely to be made of steel. Out into the carpark all those cars lined up will no doubt be made of steel.

Look at the roof. The guttering and even the roofing may be steel. Look to the property boundary. The fence may be steel.

Going home at the end of the day? You may be commuting in a bus or a train made of steel. Or if you are driving in your steel car, you will no doubt be travelling on steel-strengthened roads, passing steel road signs, have your way lit by steel street lights and have your route controlled by steel traffic lights.

Starting to get the picture? Australian steel – which is made using premium quality coking coal from Illawarra Coal – is an integral material used in the manufacture of many of the items we all use every day.

We NEED steel. And for steel, we NEED coal.

Illawarra Coal is a proud contributor to the Australian coking coal industry. Operating three mines at Mt Kembla (Dendrobium) and Appin (Appin and Westcliff); we sold 6.38 million tonnes of coal in 2005-06.

Of that, 3.93 million tonnes (62 per cent) was sold to six domestic customers and 2.46 million tonnes was exported to 18 customers in eight countries.



**Above:** Illawarra Coal's premium quality coking coal is used to make steel for structures such as this at the Sydney Airport Domestic terminal.

# ILLAWARRA COAL SUPPORTS \* LIFE. BROUGHT TO YOU BY MINING

05



Illawarra Coal has welcomed the launch by the NSW Minerals Council (NSWMC) of a comprehensive public awareness campaign about the industry's contribution to modern life, from employment and the economy to electricity and consumer items.

The campaign, titled \*Life. Brought to you by mining, was unveiled in February by a united mining front including NSWMC Chief Executive Dr Nikki Williams, NSWMC Chairman and Illawarra Coal President Colin Bloomfield and Construction, Forestry, Mining and Energy Union (CFMEU) National President Tony Maher.

The campaign is designed to provide much needed balance to the intense debate around mining and the environment.

Dr Williams said at the launch that the community was interested and engaged on the issue of the environment, which was a positive trend.

Phase one of the campaign is focused on the major mining regions of the Hunter and Illawarra and includes billboards, TV commercials, press advertising and a website to provide the community with the facts on the mining industry.

The campaign employs the symbol of an asterisk to highlight the countless things which are created with a contribution from mining.

Mr Bloomfield said the campaign allowed the industry to provide a positive contribution to the debate.

"The mining industry is constantly held to account for its impacts and quite often is isolated as being almost the sole cause of issues such as global warming," he said.

"The truth is that the industry has been on the back foot for too long and has traditionally been quite conservative in telling the story about the many benefits it provides. Amid the current flood of media coverage and community debate around mining, very few people consider the social and economic cost of knee-jerk reactions like putting an end to coal exports.

"This campaign gives us a chance to highlight some of the things we take for granted and we think it will add a dose of reality to the discussion about the future of mining."

Mr Maher said he believed the campaign was a critical step in providing confidence for mineworkers and their communities.

"People at the moment are being demonised in their communities. If you listen to some sections of the media you would believe that all the mine workers working at these coal mines are to blame for global warming," he said.

"The truth is that these people make a massive contribution to our quality of life. Their future job security depends on the wider community being part of an informed debate, not listening to extremists looking for a quick fix at the expense of thousands of Aussie jobs."

"Public debate about energy policy and mining is now very much part of the mainstream community interest," she said.

"Unfortunately the public discussion on global warming has been railroaded by agenda driven scaremongering, when what we desperately need is logic, innovation and collaboration. Closing down mines in the Illawarra, capping or phasing out coal exports, won't have the slightest impact on global warming, but it will inflict major economic pain on the region, where thousands would be consigned to the dole queue."

Dr Williams said the NSWMC would add balance to the debate by illustrating not only the obvious employment and economic benefits of mining, but also its enormous contribution to our quality of life through products like PCs, cars, fridges and mobile phones – all brought to the public by mining.



# LEADERSHIP TEAM PROFILE

## DAVID OLIVER

# 07

ILLAWARRA COAL BUSINESS UPDATE

06

**Name:** David Oliver

**Position at Illawarra Coal:** Operations Manager, Dendrobium Mine.

**Brief Job Description:** My role is to lead the Dendrobium team to provide a safe and productive workplace and an environmentally and financially sustainable business. This requires a key focus on continuous improvement.

**Suburb/Town where you live:** Austinmer, NSW

**How many years have you worked for the company?** I have worked for Illawarra Coal since March 2006.

**What is your biggest work challenge?** Communicating to all Dendrobium employees and other stakeholders a vision for a safe and successful business into the future.

**When and where did you start work and what has been your career path since?** I started my career at Munmorah Mine in 1988 as an Elcom Mining Engineering Trainee with a combination of full time work (underground extracting coal pillars) and part time study. After completing my degree from the UNSW I have performed a variety of roles at a number of mines in the Northern and Western Districts of NSW for Powercoal and Centennial Coal. Dendrobium is the seventh mine I have worked at but my first appointment in the Southern Districts of NSW.

**When and where were you born?** I was born in Cessnock, NSW in 1970 (Mines and Vines!).

**Was your family a mining family? If not, what did your father do?** My family on both sides were all coal miners that emigrated from the UK. My maternal grandfather was a Royal Marine who became a coal miner after the war. My father made the change from mining to become a lawyer but his practice is still in the coalfields in Cessnock.

**Did you always want to work in the mining industry? If not, what did you want to be when you "grew up"?** I was aware of mining and had some interest in it but also had considered law or economics as other options. Eventually the offer of a traineeship to be paid to work and study clinched my involvement in mining and it's an industry and career I have always relished. I think the "earthy" nature of mining people sets them apart and you can always share fun stories amongst mining people.

**What's special about working with Illawarra Coal? What sets it apart from the rest?** As a new kid on the block I think the combination of operating a newly established longwall mine overlooking the city and ocean with a quality team of people is hard to beat. Combine this with the involvement that Illawarra Coal offers in the world's leading mining company, BHP Billiton and it's a great balance for anyone's personal and professional life.

**Where would you like to see the company in 10 years' time?** World class player in the sustainable future for coal in the modern world.



**What do you do when you're not at work?** I enjoy sailing and golf and most outdoor activities as well as an avid fan of most sports. (Go the Knights!)

**What about your family?** My wife Kerrie and I celebrate our 10th Wedding Anniversary this year and what better way to celebrate than by having our first child!

**Do you have a personal mantra/adage? Want to share it?** Attitude is not about what happens to you in life but how you deal with it.

**Where would you like to be in 10 years time?** A happy father and husband who still enjoys being a successful contributor to the mining industry and broader community.

## ILLAWARRACOAL

Pride, passion, performance

For further information or to provide feedback on this Update, contact:

Colin Bloomfield – President Illawarra Coal  
Illawarra Coal BHP Billiton PO Box 514, Unanderra NSW 2526  
Email: colin.j.bloomfield@bhpbilliton.com  
Phone: +61 2 4255 3320 Fax: +61 2 4255 3201

Wendy Tyrrell – General Manager  
Sustainable Development and External Affairs  
BHP Billiton Illawarra Coal PO Box 514, Unanderra NSW 2526  
Email: wendy.r.tyrrell@bhpbilliton.com  
Phone: +61 2 4255 3340 Fax: +61 2 4255 3201

<http://illawarracoal.bhpbilliton.com>



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