

AN Johnson loves working in a volatile environment, which is lucky because the former CRA executive always seems to have been called in to deal with a crisis.

Johnson's 25 years with CRA were punctuated by corporate emergencies: he was working in Darwin when Cyclone Tracy struck; his experience working in Papua New Guinea meant he became embroiled in CRA's efforts to cope with Bougainville's tragic decline from paradise to civil chaos; and his final job with CRA was to close down CRA's loss-making subsidiary Kembla Coal & Coke.

In May, the former CRA "corporate doctor" emerged from apparent retirement to tend to the sick and sorry: Johnson is working to arrest the decline of one of Australia's biggest gold houses, Newcrest Mining.

Newcrest has just raised sufficient debt to develop all the projects on its books. To choose that course will be to run the gauntlet between insolvency if a development falls over and a spectacular return on funds if all projects proceed without a hitch.

The alternative would result in Newcrest farming out, or selling, a number of its developments, accepting a new life as a low-risk, medium-sized local producer.

Johnson, while stressing that in the end he will not make the vital decision, favours the tougher choice, the high-risk, high-reward option.

But as Johnson says: "There are no rights or wrongs. The board has to decide what is most appropriate and make sure the market knows that."

Johnson has a reputation as a "fixer" and his task before the new managing director takes over is to convince the market that Newcrest has not been dealt irretrievable damage by a flurry of knockout punches delivered in the past 18 months.

Johnson was raised in the NSW industrial coastal town of Newcastle but turned down a scholarship and career with the area's dominant employer, BHP, after spending an uncomfortable summer at the local steelworks.

Instead, Johnson studied geology at the University of New England in Armidale, NSW, where he met his wife, Jeanette.

His first real job was a three-year stint with the NSW Mines Department in Sydney, followed by a similar period at the prolific Emperor gold mine in Fiji.

Johnson said it was there that he learnt how to keep an operation running on a small budget.

That was invaluable training and certainly unavoidable, considering that gold throughout Johnson's four-year stint in Fiji was selling at about \$US65 an ounce while the mine — the second biggest industry in Fiji at the time — employed 2000 people to recover 120,000 ounces of gold a year.

But it also attracted attention to Johnson and in 1970 he joined CRA as chief geologist at the Broken Hill operations. His mentor at that time was the just-retired head of CRA's exploration division and CRA director Haddon King.

King had presided over the exploration team when it discovered the mines that would go on to make CRA a mining house of world significance — Bougainville, Hamersley and Weipa.

King died in 1990 but remains the only geologist who has served on the board at CRA (which is now part of London-based Rio Tinto).

Johnson worked on several projects with CRA, including the Kelian gold mine in Indonesia and in 1989 was asked to go to Papua New Guinea to resolve the Bougainville dispute.

Johnson said at the time he had no special negotiating skills but of the executives available, he had the advantage of no prior involvement

Thanks to the efforts of troubleshooter and stand-in chief Ian Johnson, Newcrest Mining is at a crossroads. Resources writer Damon Frith reports.

with the operation. He shared CRA's view that Bougainville would be resolved sooner rather than later but it has remained an intractable problem. But Johnson said he achieved the other task CRA had set: to restore the PNG Government and people's faith in the company.

In 1992, CRA finally managed to get Johnson, who had made a career of avoiding head office, to go to Melbourne as group general manager with responsibility for human resources.

At the time, Johnson was already planning his retirement — he had decided many years earlier to get off the "treadmill" when the family financial position and corporate responsibilities allowed.

The prompt to step back from full time immersion in the corporate scene had come in the mid-1980s when Johnson was diagnosed with a life-threatening disease and given six months to live.

Ian Johnson CV

- Born 11.10.1940.
- 1961. BSc (Hons) University of New England.
- 1965-69. Geologist then chief geologist and exploration manager at the Emperor gold mine in Fiji.
- 1970-1973. Joins CRA as chief geologist at Broken Hill Mines.
- 1974-1989. Chief geologist then group geologist and director CRA Exploration. Focused on Asia, Australia and western Pacific. A highlight was the Kelian gold project in Indonesia.
- 1990-92. Managing director CRA Minerals (PNG). Resident in Port Moresby to retrieve CRA's position in Papua New Guinea after closure of mine on Bougainville.
- 1993-96. Group executive CRA. Responsible for human resources, internal audit, CRA Japan, gold development and Kembla Coal & Coke.
- April 1997. Appointed to board of Newcrest Mining.
- May 1997. Chief executive Newcrest Mining.

But through a combination of clean living — no drinking or smoking — and meditation three times a day, including the lunch hour, Johnson is still around, more than 10 years later, to leave a deep impression on corporate Australia.

Johnson spent four years with CRA in its head office but in 1996, with the RTZ-CRA merger finally completed to form Rio Tinto, he initiated a long-held dream to breed racehorses full-time on the family property outside Sydney.

To keep in touch with corporate Australia, Johnson also planned to take a couple of non-executive directorships: Newcrest was the first.

He joined the board in early May. A week later, managing director John Quinn lost the majority support of the Newcrest board and Newcrest chairman Sir Roderick Carnegie accepted his resignation.

Johnson was asked to step into the role and accepted on condition that the search for a replacement managing director start immediately.

That process has identified three candidates, two from Australia and one offshore, with the skills Newcrest requires.

Johnson says a company in Newcrest's position has three choices to find a managing director: "Stealing someone from a larger organisation, getting someone running a smaller organisation but with good credentials, or taking someone out of the gold industry with outstanding skills."

Johnson says Newcrest has found one of each but the company's requirements mean an expert with a financial or legal background is not the required mandate.

Newcrest is a rapidly changing company that in the past decade has "been a comfortable gold producer" based on Telfer.

"Things went awry last year with the Normandy play and the problems manifested themselves in two ways," Johnson says.

"Management with a good record became preoccupied with Normandy, giving a lack of focus in businesses.

"When cracks appeared they were not recognised and developed into serious problems. I don't think it's more complicated than that."

The first half of 1997 has been spent coming to grips with the problems facing the company, which came perilously close to bringing the gold producer to its knees.

The most urgent concern was to return the Telfer gold operations in Western Australia to profitability.

to be resolved by Normandy buying back the 11.9 per cent stake in itself held by the ANZ Bank but which Newcrest maintains a call option over. It is too tasty a morsel to leave lying around for a predator to pick up and with Normandy's share price heading north again, Newcrest may be able to win back some of the \$140 million it has already been forced to write off on the deal.

Newcrest picked up the stake when it tried to break into Normandy's plan to merge the major listed arms of the group early last year.

But the chairman of Normandy, Robert Champion de Crespigny, was not impressed with the idea and eventually Newcrest had to walk away nursing a serious blow to its prestige. To add to its woes, the market became convinced that Newcrest could not fund the raft of projects it needed in order to expand.

But the \$600 million facility provides Newcrest with the funds to develop all its projects, although there is a catch.

The new projects include the 300,000oz a year greenfields Cadia and Ridgeway gold-copper projects in NSW, the 200,000oz a year Goswong development in Indonesia and the brownfield Wandoo expansion of the Boddington mine in Western Australia.

These developments give Newcrest its dilemma of where to place itself in the market.

Johnson says: "The \$600 million gives Newcrest the financial capacity to proceed with all projects if it wishes.

"The crucial decision for the board is what risk profile the company should have.

"It's a high-risk, high-reward opportunity, or we could farm out or joint-venture one, two or three of the projects and become a lower risk, lower reward company.

"There are no rights or wrongs. The board has to decide what is most appropriate and make sure the market knows that.

"It's a rare thing for companies like Newcrest to have such a range of options — it brings about lively discussions in the boardroom."

There are real risks should Newcrest decide to go it alone. Cadia is a large but low-grade system that is always going to have to be run as a tight operation with no margin for error if it is not to rebound on Newcrest as a dud development.

Goswong will be a star performer over its life but its reserves are limited and will only last about five years.

Boddington is a well-established asset but its expansion still depends on the outcome of an ongoing feasibility study.

But Newcrest does have another ace up its sleeve: it has an exploration success track record that is the equal of any of its rival gold explorer-producers.

As is inevitable with a company riding a wave of change, the decisions facing Newcrest have brought some lively activity to the company's share register.

During the past few months, there has been a major change in Newcrest shareholders, with risk-adverse institutions bailing out while others are attracted to the potential reward and have bought shares.

Offshore institutions have been the biggest buyers and more than half Newcrest's shareholders are foreign.

Johnson says the risk profile is a high priority but he also wants the future managing director to have a say in the decision.

One decision the new managing director and his board of directors will not have to face is what Johnson will do once the new strategy emerges.

Johnson says he has seen situations in the past where managing directors have stayed on, working elsewhere in the business. It does not work. He plans to quit, maybe to find another crisis to stimulate his interest.