

Golden years still in front of Norseman

Invest, reposition, grow – they are three tenets that have guided Norseman Gold CEO Barry Cahill as he strives to recapture some of the former glory days on the rich Norseman gold field in Western Australia. Tony Miguel, like Cahill a former miner who now runs Atlas Copco's Kalgoorlie branch, had the same three directives on his office white board.



Both have succeeded to a degree, but are seeking to fulfil loftier ambitions. Cahill has a record US\$ gold price to cheer him as he plots a course to significantly higher production from Norseman. Miguel also likes the look of the gold price, of course, but it is the response of customers such as Norseman Gold to the rejuvenation of Atlas Copco's regional operations that really gives him confidence in the future.

He now sees increasing activity on the gold fields as mine owners and project developers release the brakes on expenditure applied during the recent industry downturn.

Cahill and Miguel's paths, and common goals, have clearly intersected at Norseman, where the former has re-equipped the high-grade Harlequin and Bullen underground mines and started building a fleet for the new OK Decline mine. Atlas Copco equipment supplied and ordered to date includes three MT5010 and a 5020 50-tonne payload mine trucks, four ST1520 loaders, two M2D two-boom jumbos, a 104 single-boom jumbo, and two Diamec underground diamond drills.

Norseman gold production is forecast to grow from the current 75,000-80,000oz per annum to 80,000-85,000oz in fiscal year 2010, and to at least 110,000ozpa thereafter, while development of the North Royal and several other underground projects is on its corporate drawing board. Filling the 700,000 tonnes-per-annum mill with high-grade ore, up from the current 400,000tpa utilisation level, is expected to drive down unit costs and increase net cash flow significantly.

The field has an historical endowment of more than six million ounces.

But while Cahill expects the new equipment to aid Norseman Gold's push to increase production, safety and efficiency, it is the training and support arrangements struck between the Norseman boss and his Atlas Copco regional counterpart that underline the depth of their convictions about the future.

Those arrangements include the provision of extensive operator and maintenance training by Atlas Copco for each piece of equipment supplied to Norseman Gold. The supplier also has large component stocks on site, and at its Kalgoorlie depot, to underpin its equipment availability commitments.

"The training's been key," Cahill said. "We just train, train, train people with every package [of equipment]. Atlas Copco have met our need in that area. I actually think locally, around the goldfields area, Atlas and Norseman have both got a heap out of it because while we're pushing to train, they're meeting that need and getting training out of it as well, and it forces everyone to keep getting better."

"Then with our parts supply and their parts supply in Kalgoorlie, we've managed to set the whole area up better."

"The competitors to Atlas Copco in the area – we've found because we had some other gear as an overhang from the previous mine owner – have really offered no support [and] no parts coverage. In one instance I couldn't even get an alternative supplier to bid [on an equipment package]. They just haven't got the people to bid and they keep laying people off. When things were booming and you couldn't get gear a couple of the suppliers developed a degree of arrogance and now it's turned around they've just lost people [customers]."

"We're a bit old fashioned. We sit down and spec up the bit of gear that we want and we ask the supplier to bid us on that bit of gear. Just simple stuff like where you locate emergency stop buttons, or fire suppression activations, and stuff like that. A lot of the stuff is to do with making it perform better for the operator, or making it perform better for the fitter."



And there's nothing really big – it's just little stuff. If you don't give me what I need to make money as a business, then I'm not going to use your gear and some of the suppliers won't come that far, whereas Atlas Copco have."

"I think Atlas Copco are a bit more responsive. They've got guys who understand our part of the industry. Their maintenance guys have all been fitters around machines, so they know what we're talking about. But they're certainly much more responsive – they've actually got people you can get hold of where the others haven't."

"When we get a problem, as invariably with any operation you do, we get a better response from them. And we have a better relationship. That relationship has been built over the last two years because they were successful in the first tender. And in the first tender they were the people who met our requirements, and that's what it comes back to. We had particular requirements for what we wanted and they met them."

Miguel said Atlas Copco had expanded its presence in Kalgoorlie in the lead up to the GFC but, despite the severe impact of the financial and investment market downturn that ensued in the latter part of 2008 and first half of this year, the company decided not to retract in the major gold and nickel hub.

"The strength of our Kalgoorlie business is the quality of people capable of supporting customers at short notice," he said.

"The branch over the last three years has increased in size and support capacity from being a three-bay workshop to taking over the prime rentals side of the workshop when Atlas Copco divested this part of the business approximately two years ago, [which] added another two bays and doubled the yard space, and increased by a third the work we can carry out in our facility."



"We increased the workforce accordingly until the GFC hit at which point rather than downsize we put effort into training and have prepared for what I see now as an upward trend in all parts of our business."

"We currently run 42 people from the offices including sales, service and supply, of which 28 tradesmen are either out in the field or on workshop projects."

"At Norseman we've supplied product specialists and we've also assisted with providing external training providers, at their request, which has assisted a lot in the development of their people on site, and their familiarity with the equipment."

"As much as anything I think, whereas a lot of people have downsized we've remained consistent with our numbers and working towards longer term objectives. During the times that were a little bit quieter we put a fair bit of training into our people as well, in preparation for the upturn. I believe we're starting to see things trend upwards now."

Again, Miguel is not the only one focused on meeting others' expectations.

"For our investors the key has always been achieving what we've said we're going to achieve on time and according to the plan we've laid down," Cahill said.

"That's for everything from getting approvals, to reporting drill results and resources, and extracting first ore from OK."

"Norseman is ... a bloody good orebody, but it's still hard work. It's underground, narrow-vein gold mining, so it's hard work. If you talk to people in the industry about Norseman, because it's well known – it's been around for 100 years and is Australia's longest continuously producing gold operation – I reckon 50% of people love it and 50% of people hate it. It may never be a super-mine, and so there's a perception you might not overcome."

"But there's also a very good strong chance it will still be producing gold well into the future."

"That's what I say to people – we're still here. We poured gold last week, we're pouring this week, and we'll pour next week."

"We're going to be a long-term gold producer, that's our aim."

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