

relationships with and their loyalty to us is repaid by our loyalty to their business. In turn we work with them on research and development opportunities to grow their business.”

Newmont has specifically developed these strong working strategic partnerships with its suppliers by categorising supplier arrangements on a corporate level in a five tier approach.

“Where there is a significant amount of expenditure and risk, we have looked to put in a number of alliance agreements, which is obviously right at the top, tier one,” says Steve. “We then move down to tier number four or five, where the relationships are still important but the level is not as detailed. Typically this is because the expenditure and risk is quite low and there may be more of a choice of suppliers available. Long-term agreements with suppliers are more likely to be those strategic partnerships where there is a significant amount of spend and risk, usually because there is limited choice in that particular market or the

product or service they are offering.”

Over the years, Newmont’s suppliers have played a critical role in the company’s success; an example of this is the company’s alliance with mining equipment suppliers. “As we have grown as a company, there has been a need to expand current operations, develop new projects and re-open and expand old ones,” says Steve. “We have needed and relied on those suppliers to accommodate our extra equipment or extra products associated with that equipment – possibly even shorten lead times for example. From our perspective, they play a significant role in the way we run our business.”

One of the ways which stands Newmont apart from its industry counterparts is the ability to regionalise supply chain management practices across Indonesia, Australia and New Zealand.

Newmont has adopted an ERP System which allows us to standardise and conform quicker than would

otherwise be possible. “We have also managed to successfully sustain our centralised supply chain management activities which allows us to react quickly to changes in circumstances and minimise purchasing and contract administration at the site level,” says Steve. “This enforces our view that supply chain must maintain a broader view of the business across a number of mine sites. I think the decision to move to one system, across all our mine sites globally has assisted us in achieving this goal”.

With their focus on safety, environment and social responsibility, their financial strength, their project development and operational expertise, as well as their portfolio management and investment skills, Newmont truly strives to be valued and respected by employees, shareholders, host communities, governments and supply partners. ☺

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THE FUTURE OF ELECTRICAL MERCHANDISING

Australia's Best talks to Matthew O'Brien, Mining and Industrial Manager for MMEM, about the importance of supply chain management from a supplier's perspective.

MM Electrical Merchandising (MMEM) is a major operator in the electrical wholesaling industry in Australia. The company has 205 Service Centres throughout Australia and supplies over 200,000 products to electrical contractors, data and communications installers, MRO and industrial maintenance as well as commercial and major projects.

Since the establishment of MMEM's parent company, Metal Manufactures Ltd in 1916, MMEM has become a large and diverse Australian company, and proud supplier to Newmont.

The Electrical industry that MMEM supply to is generally a low-value, highly-transactional industry, which means that efficient supply chain management is essential in ensuring that all goods are despatched and received by clients, such as Newmont, in a timely and cost-effective manner.

"Even though the industry is low-value, the goods we supply are generally

of a high importance and are integral in the continued operations of our clients, therefore the timely supply is of the upmost importance," says Matthew. "In addition to this we are also a very low-margin industry so a smooth supply chain is required to avoid any hiccups that could possibly eat into the already low-margin dollar value."



As companies look to save money at every possible turn, one of the first things they tend to look at is the cost of the goods they are purchasing and how they can lower it. MMEM believe that efficient supply chain management has given them an edge in an extremely-competitive market.

"We have set up e-commerce capabilities to drastically improve the procurement-to-pay process," explains Matthew. "We only employ competent, experienced account managers who are aware of the need for optimal supply chain management and generally have an electrical background for technical backup.

MMEM BELIEVE THAT EFFICIENT SUPPLY CHAIN MANAGEMENT HAS GIVEN THEM AN EDGE IN AN EXTREMELY-COMPETITIVE MARKET.

We also reward our staff who adhere to this, keeping that supply flowing through to the client. We have also put procedures in place so we can respond to any breaks in the supply chain in a timely and efficient manner.

"We feel our attention to service is one of our biggest assets. Combine this with our e-commerce capabilities and a comprehensive online catalogue, we have a lot to offer".





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EXPLORING SUPPLY CHAIN

Kagara has firmly established itself as one of Australia's lowest cost base metal operations and a major producer of both zinc and copper concentrate.



Mt Garnet Tailings Dam

THE COMPANY HAS MAINTAINED A COMPETITIVE ADVANTAGE OVER THE YEARS DUE TO THEIR COMMITMENT IN DEVELOPING AND MAINTAINING LONG-TERM ASSOCIATIONS.

Kagara was founded in July 1981 as an unlisted public company with the objective to explore and mine gemstones and tantalite in the Forrestania – the Southern Cross Greenstone Belt in Western Australia. Over the following two years the exploration focus turned to gold, with Kagara locating numerous gold occurrences within its tenement holdings.

In 1984, Aztec Mining Company Ltd farmed into the tenements owned by Kagara, ultimately earning a 62% interest. Kagara's 30% interest in the tenements (which later increased to 38%) was transferred to Forrestania Gold NL, which subsequently floated on the ASX in June 1987 at an issue price of \$0.25 per share. During its history as a listed company, Forrestania paid a total of \$0.70 per share in dividends.

In 1986, the Forrestania/Aztec joint venture discovered the Bounty ore body which subsequently produced over one million ounces of gold.

Forrestania went on to develop another one million ounce gold resource at

Mt McClure and discovered the Maggie Hays and Emily Ann nickel sulphide deposits at Lake Johnston in Western Australia. Kagara maintained a substantial shareholding in Forrestania, whose founding directors included Kim Robinson and Max Cozijn.

In 1994, Mark Ashley joined the Forrestania group and became Finance Director. In 1997, Forrestania was acquired via a Part A takeover bid by LionOre Mining International Ltd ('LionOre'), a company listed on the Toronto Stock Exchange. Kagara accepted LionOre's combined cash and scrip offer of \$3.35 per share for its Forrestania shares, and distributed the majority of the proceeds to its shareholders.

Kagara subsequently decided to focus on opportunities in the zinc industry on the basis of the metal's excellent long-term demand and price fundamentals. The company initially became interested in the zinc mining potential of North Queensland in 1997, largely as a result of the Sun Metals zinc refinery being constructed



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PROFILE

at that time, together with the abundance of small high-grade undeveloped deposits in the region.

Kagara focused its attention on two deposits that were believed to have the best potential for early development, namely Surveyor (part of the larger Balcooma project) and Mt Garnet which together provided the critical mass to sustain a significant project.

Kagara's \$5.25 million IPO in 1999 and subsequent ASX listing marked the beginning of a significant new chapter in the company's history which saw the successful development of Mt Garnet as a central processing facility and the development of major new mining operations at Balcooma, to the south. These included the Surveyor open pit, which proved to be a company-maker, propelling Kagara into the ranks of Australia's mid-tier mining leaders. Subsequent exploration delineated the high-grade Dry River South underground base metal deposit, which is now mined from a decline off the side of the Surveyor pit.

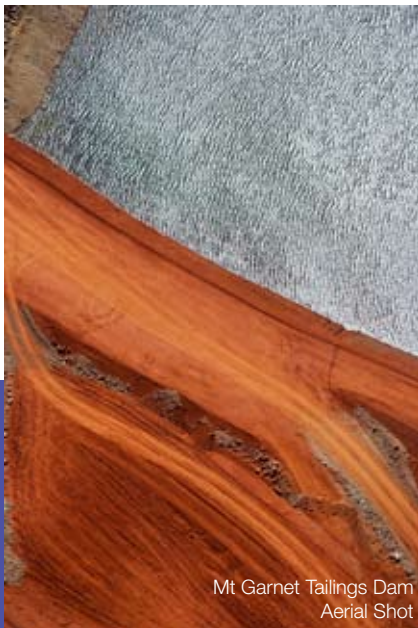
The completion of a new copper circuit at Mt Garnet and the acquisition of the Thalanga base metal treatment facility in 2006 underpinned a major increase in Kagara's output of copper concentrate. The combined Balcooma/Dry River South mining complex will underpin Kagara's production well into the next decade, but it is the Mungana deposit, located in the Chillagoe region, 150km northwest of Mt Garnet, that will be a key driver of its growing production profile into the future.

An exploration decline commenced at Mungana in early 2006 and has been developed to over 1,500 metres to access this high-grade orebody. Kagara is aiming to construct a new treatment facility at Mungana to treat the base metal resources, with first production targeted for the March Quarter of 2009.

In November 2006, Kagara secured a significant new growth opportunity in the nickel business in Western Australia after reaching agreement to acquire the highly-strategic Lounge Lizard Nickel Project from LionOre Mining International Ltd for A\$25 million. This project is located immediately adjacent to the new Flying Fox Nickel Mine, which is owned and operated by Western Areas NL.

During 2007, Kagara also initiated a number of other exciting growth projects, including a A\$15 million drilling program at the Admiral Bay Zinc Project in Western Australia, where it is targeting a 50-75 million tonne Inferred zinc/lead resource.

Successful exploration has also upgraded the potential for a large-scale development of the gold resources at Red Dome in North Queensland, located adjacent to the Mungana deposit. Exploration is ongoing, targeting a conceptual 50 million tonne resource which could be extracted using bulk underground mining methods.



Mt Garnet Tailings Dam
Aerial Shot



Mt Garnet Tailings Dam
Aerial Shot



Mt Garnet Fine Ore Bin

SUPPLY CHAIN FOCUS WITH WAYNE GLOVER, SUPPLY SUPERINTENDENT FOR KAGARA LTD

Kagara Ltd looks for a good back up and after hours' service, while simultaneously saving on price when acquiring suppliers. Value, quality and reliability are also prime concerns – as is maintaining a sense of transparency with their supply partners.

Kagara Ltd is looking towards a Supplier Management Program (SMP) so they can oversee all aspects of the

supply area. They currently have six long-term contracts which will be used as part of the SMP to keep track of how these suppliers are performing. As part of the SMP, Kagara Ltd also invite their suppliers to their sites to see what Kagara are all about and will make sure these suppliers keep in contact with Kagara Ltd on a monthly basis.

As with many companies, Kagara Ltd have suppliers in two predominant categories; small and major, which require different dealings overall in terms of business transactions and approach.

"After you have been dealing with

the suppliers for a while you get to know which suppliers you can rely on to deliver your goods and services at the best price available and in the specified time frame," explains Wayne.

In regards to this, Kagara Ltd tends to build relationships with their major suppliers who they can rely on for value, service and dependability.

"With your major suppliers you get the feeling when you deal with them they are in for the long haul and are not going to sell you short at any stage," says Wayne. "For example, the smaller suppliers can't always get what you



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“WITH YOUR MAJOR SUPPLIERS YOU GET THE FEELING WHEN YOU DEAL WITH THEM THEY ARE IN FOR THE LONG HAUL AND ARE NOT GOING TO SELL YOU SHORT AT ANY STAGE.”

Wayne Glover.

want so they don't tend to chase your business; where our major suppliers are always in constant communication with us to find if there is anything we need or are looking to introduce alternative products which could save us money. There is a lot of after sales support from our major suppliers.” This is what Kagara Ltd as a business responds to – suppliers that want their business and work hard to maintain it.

Kagara value their suppliers and believe that they have played a definitive role in the company's growth and success over the years and will no doubt continue to do so in the future. “North Queensland Fasteners and Lifting is one of our major suppliers and has been with us from day one and are more than willing to go that extra mile for us,” comments Wayne.

“I've also just finished negotiating with two of our other major suppliers who have come on board and are willing to go that extra mile for us as well; these guys – off their own bat – have come to us and said that they can do a better pricing on an alternative product that does the same job. We didn't have to approach them to do that and this attitude holds them in good stead with us.”

Wayne believes that communication

and transparency are significant components in regards to a mutually beneficial long-term relationship with suppliers.

“These are two of the more important pieces that go into the puzzle as you have to be transparent with them to make sure they are transparent with you and with the communication side, if you maintain a good rapport with your suppliers it makes procuring goods and services much easier,” he says. “The supplier knows what you're about and you know what they are about, it all goes hand in hand.”

“Our six major suppliers – North Queensland Fasteners and Lifting, Orica Mining Chemicals, Orica Explosives, Reliance Petroleum, Minpro Mining and Engineering Supplies as well as Castrol Lubricants are willing to keep their prices to a minimum, even though they themselves might have two or three price increases from their own suppliers. They go that extra little bit to help us out and at the end of the day that goes a long way to providing us with goods and services at the best price available and good after market service as well,” says Wayne. 🌐

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