

SPECIAL PROFILE Daisy Milano Gold Mine Part 2

New mining approaches lead to success

EVE NOON

ALTHOUGH Daisy Milano mine is now exceeding expected production levels under Silver Lake Resources management, the mine has experienced a long varied history of gold mining and has been worked by several mining companies.

Perilya acquired the Daisy Milano gold mine in January 2005 and despite a successful first year of operation, the metals mining and exploration company never quite got the mine to work.

Daisy Milano reached a significant high point for Perilya in July 2005 when it produced its first gold from ore sourced during the development activities completed to date.

In March 2007 operations were suspended at the mine by its previous owner, Perilya, then in August that year Silver Lake purchased the mine.

The mine historically produced 316,000 tonnes at 16.7g/t.

The first batch of ore, comprised about 12,700 t at 6.81g/t sourced from the lower grade remnant stopes above the 11 level and development ore from the 12 level.

Development ore from the 12 and 14 Levels produced the second batch which was about 7400 tonnes at 9.95g/t.

A short-term ore sales agreement with New Hampton Goldfields allowed for the treatment of batches of ore at its Jubilee plant.

The 120,000tpa mine continued to only return grades of 8-10g/t on bulk mining methods and 5m mining widths.

That was when the company decided to



Underground diamond mining at level 23, Daisy Milano mine

suspend extraction and the gold mine was put into care and maintenance while the divestment of Perilya's gold assets was finalised.

The company made a strategic exit to allow it to refocus its strategy on base

metals and concentrate on the more significant Broken Hill operation.

By August 2007, Perilya's gold assets comprising the Daisy Milano mine and the Mount Monger, Moyagee and Honeymoon Well exploration projects were sold.

The Daisy Milano lode structure was sold for \$12.8m to Silver Lake.

History of Mount Monger

The Mount Monger goldfield has multi-mine potential because, as well as Daisy Milano, it also comprises Christmas Flats, Lorna Doone, Costello, Haoma lode and Caledonian which are all now either being assessed for mining or have shown potential as near-term production sources.

However, before Silver Lake purchased the Mount Monger tenements in November 2007 there had been no systematic exploration undertaken to realise the full potential of the high-grade field.

The field is marked by a series

of historic workings extending northward under recent shallow alluvial cover towards a significant drainage channel.

It appears only sub-cropping mineralisation has been exploited by early miners, with historic workings in the field typically extending to depths of no greater than 80m below the surface.

Following major gold discoveries at Kalgoorlie in 1893, local prospectors found gold near Mount Monger in 1896.

The main production period dates from 1916 when several mines were developed in the area.

During this period, records show that the average production grade for all of these mines was in excess of 1oz/t.

Mining in the area was hindered in the past by several factors including lack of water,

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New mining approaches lead to success

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low availability of labour at mine sites which were remote from Kalgoorlie and

low gold prices. The high costs of cartage to the treatment plants in Kalgoorlie and the elevated costs of mining narrow stopes with hand-held machines also stalled successful production.

Due to the fragmented nature of the lease holding, mine development was often halted as the plunge of the ore body was carrying the ore zones into the lease boundaries of the neighbouring tenements that were owned by other prospectors.

For the period between 1955 and 2000 the goldfield continued to be mined on a small scale by private and small public consortiums with mine development and exploration activities driven by gold prices.

The field remained unconsolidated and consisted of numerous prospectors and small companies each with their own piece of land, but it was the lease boundaries which were deemed to have been one of the main restrictions with the old workings.

Eventually the area consisted of 25 mine workings and all of these had been exploited by either small-scale underground mining or shallow open pit, with exploration not completed and the majority of mines not extending to depths of greater than 50m below the surface.

The first consolidation of the area was made by Ramsgate in its Mt Monger joint-venture operation, which bought Lorna Doone and Spinifex from Nugold Hill in 1992, and mined them as open cuts at grades of 2.7g/t to 3.5g/t.

The area appears to have

languished until the privately owned Nickel Seekers extended the historic underground at Daisy Milano and mined from 2000 to 2003. Perilya then purchased the Daisy Milano region from the Ridgeway Group in January 2005 for \$13.2m and extended the decline, developing down to 20 level under the old workings (then at 12 level).

Key to success

Silver Lake's success in recommissioning Daisy Milano mine is attributed to two main approaches which differentiated it from previous owners' methods.

Primarily, one week after acquiring the mine the company bought the 300,000tpa Lakewood processing facility which cost \$2.4m. It was re-commissioned in April 2008, after refurbishment and the addition of a gravity circuit.

Ore from the mine is processed at the facility 5km south east of Kalgoorlie, only 45km from the Daisy Milano mine.

This allows the company to keep full contact with the product but also reduces production costs due to the facility's proximity to the mine.

By comparison, production costs were high for the previous owner because of long trucking distances to where Perilya treated its ore at other company's plants such as Harmony's Jubilee or Coolgardie, 100km away from the mine.

These plants were both at least another 55km beyond Silver Lake's Lakewood facility and were then subject to mill availability, batch campaign treatment and toll treating costs.

The downside was that sales had little comparison with actual production costs.

Silver Lake's success is also linked to its optimised mining methods. The company has restricted jumbo use mainly to decline development and focussed on air-leg mining of much narrower stopes.

By comparison, Perilya had attempted to create a bulk mining operation by developing wide drives and stopes drilled

out using jumbo as opposed to air-leg miners.

This resulted in higher dilution compared to Silver Lake's narrow vein mining approach.

Under Silver Lake's ownership, Daisy Milano recommenced production in early December 2007 but the perception at the time, based on limited information, was that minimal mineralisation extended south of the dolerite dyke.

The management team has gained a better understanding of the mineralisation south of the dolerite dyke since then. The mineralisation south of the dyke has been accessed on multiple levels and a recent infill drilling program has revealed encouraging results.

Environmental awareness

The company remains highly conscious of the community and the environmental laws of the industry it operates within.

It is committed to achieving compatibility between economic development and the maintenance of the environment.

When it bought the Lakewood processing facility, it was environmentally non-compliant and the company fixed this immediately.

As testament to the company's environmental awareness it reports having no environmental non-compliances.

All staff, including managing director Les Davis, reside in Kalgoorlie and Mr Davis said it was a major socioeconomic benefit to have a residential workforce at the mining operation.

Throughout all phases of Silver Lake's activities, proper consideration is given to the care of the flora, fauna, air, land, water and community and the company also strives to rehabilitate the environment affected by its activities.

It achieves environmental standards by minimising the use of energy, water and other consumptive resources and promoting recycling.

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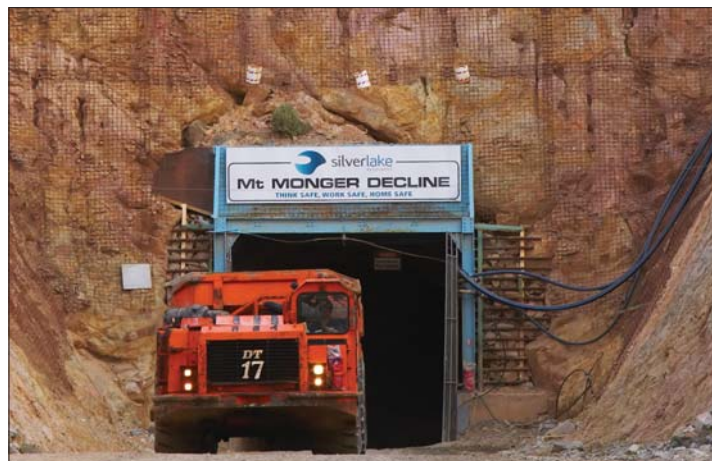




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Entrance to the Mt Monger decline

Working a wide variety of jobs

ASSISTING local goldfields contractors with their boilermaking and welding needs, MB Fabrications was established by Mick Binder in 2004.

With clients including Westrac, KCGM, Atlas Copco, Australian Contract Mining, Silverlake Resources, Minesite Mechanical Services, Westcore Drilling, Redmond Drilling and many more, the company works a wide variety of jobs.

"We rebuild anything from Caterpillar 793 Dump trays to Bobcat buckets," Mr Binder said.

"We fabricate drill rig support trucks and ancillary equipment and build various projects for clients.

"With a staff of local tradesmen we do it right the first time and where possible we utilize an automated welding system to speed up the process for superior machine welds.

"Our current project is to widen an underground MT 5010 Dump body to increase the volume of material being hauled."

SPECIAL PROFILE Daisy Milano Gold Mine Part 2

Client demand leads to expansion

DURING the past 12 years Taris Engineering has been servicing Australia's mining industry with service exchange components, consumables parts and component repairs.

The company is based in Perth and has three specialised workshops.

At the CNC workshop, repetitive machining and specialised repairs are carried out.

The hydraulic and welding workshop is concerned with assembly, testing, component overhauls, welding and fabrication, while the manual machine workshop specialises in large horizontal and vertical borers and lathes with a turning capacity up to 1500mm.

Specialising in underground drill rigs, the company has a wide range of stock covering all high wearing parts and based

on client demand.

However, as the client base has increased the stock levels and range have also expanded to cover the most commonly used drill rigs.

Taris has been supplying Silver Lake Resources with after market parts and servicing the company's fleet of drill rigs. While maintaining high quality, reduced prices make the company's parts a valued asset to sites with tight budgets during recent economic times.

Taris Engineering prides itself on high-quality work by ensuring all manufactured parts have been engineered to the highest accuracy and standard.

Being a family-based company it has the flexibility to undertake urgent breakdowns or rock falls to ensure companies can resume operating as quickly as possible.

Minimising costs, maximising efficiencies

SPECIALISED fixed-plant maintenance company Rotating Plant Maintenance (RPM) provides its services to mining companies throughout WA's Goldfields region, with both on-site and workshop repair capabilities.

Formed in the beginning of 2004 by Andrew Loone and Michael Marafioti; the main objectives were to provide quality workmanship at an economical cost to minimise breakdowns and maximise plant availability.

RPM specialises in laser alignment of drivelines, large electric motor change-outs and crusher re-builds.

It has a modern and well-equipped workshop in Kalgoorlie for prompt service for its clients in the region.

Workshop facilities include horizontal boring, keyway cutting, milling, turning and fitting bay in a one-stop repair facility (without the need to seek various contractors for the repair of rotatable store items).

RPM is a company that prides itself on quality of workmanship and backup service to its valued clients.

Some existing clients are Barrick Kanowna, Paddington Gold, KCGM, Barrick Barlot, Silver Lake Resources Norseman Gold.

RPM is available at short notice on a 24-hour, 7-day-a-week basis for all specialised maintenance issues, provides top quality workmanship and is dedicated to achieve the best result every time.



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TARIS ENGINEERING

History:
 Established in February 1997, Taris Engineering, specializes in service exchange units, manufacturing & modifying of parts for Jumbos to suit your needs & budgets.

Experience:
 Our Management Team draws on thirty five years of Engineering experience, coupled with on-site mining experience to oversee a handpicked team. Fast, efficient turn-round is a major priority. We have invested careful planning and staff training to ensure we are capable of servicing a larger sector of the market.

Taris Engineering focuses on the following key goals:

- Successful servicing of existing business
- Quality Products with Prompt Delivery Service
- Value for money
- Identifying new growth opportunities.
- Working alongside clients to overcome individual problems



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after

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