

# Focus Minerals Limited CEO Campbell Baird Discussed Production Ramp-Up And Company Outlook With Open Briefing

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Perth, Australia (ABN Newswire) - [Focus Minerals Ltd](#) (ASX: FML) is a gold producer and explorer based in Western Australia's Eastern Goldfields. The company holds the mineral rights to more than 420km<sup>2</sup> of tenements and is the largest landholder in the Coolgardie Gold Belt. FML has three gold mines in operation and recently acquired 100% ownership in the highly prospective Treasure Island Gold Project, situated at Lake Cowan at the southern end of the Boulder-Lefroy fault.

In this Open Briefing(R), CEO Campbell Baird discusses

- Aggressive ramp-up of production
- Update on Treasure Island exploration project
- Outlook and strategic focus over the next 12 to 18 months

## Open Briefing interview:

openbriefing.com: Focus Minerals Limited now has three gold mines in operation and aims to increase production to 100,000 ounces in calendar 2011 and 130,000 ounces in 2012. Are you on track to achieve these targets? What are the key risks to these targets?

CEO Campbell Baird: Yes, we are very much on track to achieve these production targets. We have been significantly transforming this business over the last few months to change from a one mine operation, to now having three operating mines, two of which we are ramping up.

The Tindals underground has to date been the mainstay of production for us, and we expect that we will continue to produce 4,500oz (ounces) per month from the Tindals mine. The Tindals underground operation has now been joined by the new high grade underground mine at The Mount and new open pits at the Tindals Mining Centre.

At The Mount we have developed over 600 metres of decline to access three levels. We've developed two levels of the high-grade German lode and expect to commence stoping operations there next week.

Last month, we also commenced ore development at the first of the new Tindals open pits and ore began to arrive at the Three Mile Hill ROM (run of mine) pad last week. We are a couple of weeks behind schedule at the pits due to contractor mobilisation delays but we already have two pits operational and are developing the third.

We will see over the next 30 - 60 days the new Tindals open pits get to 2,500oz per month, and with the transition at The Mount from development to stoping we will see a continued growth in our production profile to our target rate of 130,000oz per annum by the end of calendar year 2011.

With all of this development work, in the June quarter on 2011 we plan to deliver between 18,000oz to 20,000oz, a similar result to the March quarter. Then, as the new mines ramp up we will see our production profile strongly grow into the second half of the year to deliver 100,000oz in calendar 2011.

openbriefing.com: How has your transition to higher grade ore affected mill productivity? With average mill throughput of over 300,000 tonnes in the last two quarters, up from an average of just over 200,000 tonnes in the previous two quarters, is the mill performing to expectations? How much capacity does it have to handle the planned future production increase?

CEO Campbell Baird: The higher grade doesn't affect the operation of the mill and we've more than adequate capacity to ensure we maximise the efficiency of the mill and optimise recoveries. More important for the mill is its mechanical availability and we're very pleased with the way it operates, its availability and

through-put. We refurbished the mill at the beginning of 2010 and it's been running well since then. When we started the refurbishment, we expected the mill would run at around 130 tonnes per hour. Over the past couple of months it's been running at 160 tonnes per hour - a monthly rate of around 110,000 tonnes per month.

openbriefing.com: Focus Minerals' cash operating cost was A\$878 per ounce in the March quarter. How do you expect cost per ounce to trend as production ramps up? What is the outlook for your cash costs?

CEO Campbell Baird: We have a program in place that constantly looks for cash reduction opportunities and opportunities to do things smarter, including sourcing cheaper inputs from China, Asia, US or Europe. We've demonstrated over the past 12 months that we're ahead of the curve in reducing our costs. At a steady annualised rate of 130,000oz we're going to be producing at between \$800 to \$850 an ounce which is pretty much the median for the goldfields, and allowing us to enjoy a very strong margin at today's gold price of A\$1,430/oz.

openbriefing.com: To what extent is Focus Minerals' production outlook dependent on gold remaining close to or at its recent highs?

CEO Campbell Baird: We will deliver on our production targets and as I stated, we enjoy a very strong margin at today's gold price. We expect the gold price will remain strong and as such our strategy in 2011 is to aggressively expand into the strong gold price and position ourselves over the next two years to take advantage of the cash coming into the business. This allows us to further drive and fund our exploration and development across Coolgardie, The Mount and Treasure Island.

We are constantly working to ensure that our operations are efficient, and that our balance sheet continues to strengthen and we have an active strategy in place to reduce operating costs so that we are well positioned to absorb any gold price volatility.

openbriefing.com: In April Focus Minerals raised A\$40 million to assist in accelerating exploration and development at Coolgardie, The Mount and Treasure Island. How are these funds being utilised?

CEO Campbell Baird: The funds from the capital raising are being split between the acceleration of our production and the advancement of our regional exploration.

To give you an indication of our intent to drive forward, we currently have five drill rigs on site.

By the beginning of July we will have eight rigs drilling across all of our projects.

On the production front we have two rigs working underground at the Tindals Mining Centre growing the reserve and one on the surface at the open pits building mine inventory. An additional rig is also arriving soon for drilling underground at The Mount to test depth and strike extensions.

On the exploration front we have one rig working now in the Greater Coolgardie area focused on resource expansion and a second is due to arrive in a few weeks' time to drill depth extensions of the Greenfields reserve. We also have one diamond drill rig at Treasure Island and an aircore rig on the way.

This is a significant commitment to development and exploration which will see us fast track our production growth and deliver a steady build in resources.

openbriefing.com: Most of the Treasure Island project is situated in a salt lake. Considering no significant exploration has previously been conducted at the site, what gives you the confidence that the project is 'highly prospective?'

CEO Campbell Baird: We are very excited by Treasure Island. Treasure Island is an absolute greenfields project. From our initial mapping we identified a granophyric horizon in a dolerite/gabbro package of rocks which indicated that we have the right rock types, similar to that found further north in the belt at Kambalda and Kalgoorlie. A granophyric zone contains a lot of iron which acts as a fantastic chemical trap for gold bearing fluids. In addition we mapped a series of quartz vein systems, some unmineralised and some mineralised with fine gold which indicated that rich gold bearing fluids had moved through the area.

From the aeromagnetic survey we flew we were then able to identify the major structures, including the regional Boulder-Lefroy Fault. The geophysics highlighted the structural complexity of the area with a number of demagnetised 'dead zones', where magnetite in the rock has been destroyed by chemical reactions from a potential gold bearing fluid moving through the rock package which is another ideal trap for gold.

A combination of the mapping and geophysics highlighted an important aspect where the geological

orientation over a six kilometre strike length is 25 degrees different to the regional grain, producing an ideal setting for dilational zones to form within favourable stratigraphy (the granophyric zone) into which gold bearing fluids can migrate and be deposited.

So we've got the right geology (the granophyric zone), a change in geological orientation and major structural features like the Boulder-Lefroy Fault with a lot of evidence of multiple fault splays coming off the Boulder-Lefroy Fault as well as tremendous surface evidence of the gold bearing quartz veins on the Island.

We know we are in the right geological address. We have the structural complexity needed as well as the major Boulder-Lefroy Fault along which many million ounce deposits have been found to the north of the project. We know there is plenty of gold in the system as evident by the gold bearing veins on the Island.

openbriefing.com: A diamond drill rig has been on site at Treasure Island since March and commenced drilling at the Black Dog and Blind Pew prospects. What is the drilling strategy and what are you hoping to discover about the geology of the area? When do you expect to update the market on the results?

CEO Campbell Baird: We've started a drilling program in order to determine the depth extent of the quartz veins and the more intricate local structural controls. This quickly identified shallowly dipping shear zones (30-35 degrees) within which sub-vertical quartz veins are mainly constrained. This is enabling us to build an exploration model which is currently being tested at the southern tip of the Island at Blind Pew where we have access to drill from the lake bed on both sides of the favourable granophyric stratigraphy.

The strategy is to 1). Define the width of this favourable stratigraphy; 2) Define the boundaries of the shallow dipping shear zones (and it appears that there are possible stacked repetitions of shallow dipping shear zones); 3) Define any other structural controls on potential mineralisation; and 4) Identify the geochemical signature of the mineralisation. Drilling will then trace the favourable structures back into the upper and lower contacts of the granophyric zone where the better mineralisation is expected.

The process is expected to take many months. From the geophysical interpretation the better targets appear to be away from the Island where more structural complexity and demagnetisation is seen. However, it was necessary that we start as close to the Island as possible because that is where the better known information was, as identified from the initial mapping.

A lake aircore rig is expected to arrive on site in the next six weeks to begin a 13,000m program testing the whole system including a number of targets which have been identified along the six kilometre strike length. This will see us starting to put the full picture together for the whole system rather than one small part of it.

As the drilling progresses the model is continuously updated, which allows us to systematically work through the process of targeting for mineralised zones. The work piecing the puzzle together is going to take quite a bit of time but each hole adds to the exploration model and gives us a better understanding of the geology, structural controls and geochemical signature of the mineralisation.

openbriefing.com: How are you seeking to balance the resourcing needs of your production and exploration activities? How do you see the company evolving over the next 12 to 18 months?

CEO Campbell Baird: We have a very clear strategy over the next two years to expand aggressively into a rising gold price. This will see us being both an active gold explorer as well as a rapidly growing producer. From a production standpoint, we now have two geographical production centres being the Tindals Mining Centre at Coolgardie and The Mount in Widgiemooltha. Tindals has an established operating team and we are building our own owner operator team at The Mount.

From an exploration standpoint, we have divided our exploration team into four, with dedicated teams for both The Mount and the Tindals Mining Centre, as well as a team to focus on regional exploration at Greater Coolgardie, and another team for Treasure Island.

This has the business well balanced. I see that over the next 18 months we will have delivered three key things: the business will have grown to be producing at or above 130,000oz per annum, and be well placed to grow strongly again from that level; we will have significantly extended the mine life we have at our three mines; and we will have delivered a strong resource growth through exploration in our Greater Coolgardie tenements and at Treasure Island. All three outcomes will be really strong value drivers for shareholders.

openbriefing.com: Thank you Campbell.

### **About Focus Minerals Ltd:**

Focus Minerals Ltd (ASX: FML) is an Australian-based exploration and development group whose focus is to

become a significant gold and nickel producer in the Coolgardie-Kalgoorlie-Widgiemoorltha region of Western Australia.

Focus Minerals is the largest landholder in the Coolgardie Gold Belt located in Western Australia, 560km east of Perth and 35km west of the 'Super Pit' in Kalgoorlie-Boulder. More than 2.6 million ounces of gold has been produced from the Coolgardie gold belt alone since 1892. Focus holds the mineral rights to more than 210sq km of tenements including an extensive inventory of Measured, Indicated and Inferred gold resources as well as the 1.2mtpa Three Mile Hill processing plant.

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