

RAPID RESULTS SUCCESS

OPERATION SURVIVAL – INSIGHT FROM LISHEEN MINE

24 April 2009

A sharp decline in Zn metal prices and the implementation of Asset Optimisation (AO) at Lisheen were the two main factors for initiating a change management project called 'Operation Survival' at Lisheen mine during November 2008.

Operation Survival is a structured process that utilises self-directive multidisciplinary teams to deliver productivity, cost and safety improvements across the operation. Implementation workshops were held where improvement opportunities were identified and targeted over a 90 day period.

The process is not plucked out of the blue, but is based on the "Rapid Results Approach" (<http://www.rhsa.com>), a structured process that mobilizes teams to achieve tangible results and to learn along the way. Many blue chip companies have used this approach before with success. The process was facilitated at Lisheen by Alrien van der Walt, change specialist.

The first set of projects is completed and a second phase is now underway. Significant results are being achieved for example in the following areas:

- Increased tonnage output from the mine.
- Increased throughput in the mill.
- Reduced equipment downtime underground.
- A reduction in the consumption of energy underground.

C1 costs are showing significant reductions from an average of 62 cents for 2008 to 50 cents in March 2009.

Key projects in safety are underway and as of the 27th April Lisheen had achieved 300 lost time injury free days.

The project success can be attributed to the following:

- A sense of urgency was created throughout the site by sharing the business results and future prospects.
- The challenge was set by utilising the value driver tree to identify the key projects.
- A cross section of multidisciplinary project teams devised action plans into how to address the challenge.
- Management support and roll out across the organisation.
- Clearly defined measurable metrics and results displayed and briefed across the site.
- Professional and owner team facilitation available throughout.

Management, team leaders and facilitators are strongly of the opinion that Operation Survival has changed both the culture and the way in which we do our business now and in the future.

In summary, Lisheen has had some significant early successes and are now in the second month of exceeding budget, however the goal now is to prove the sustainability by outperforming budget by the end of the year and by exceeding our Asset Optimisation economic profit targets.

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