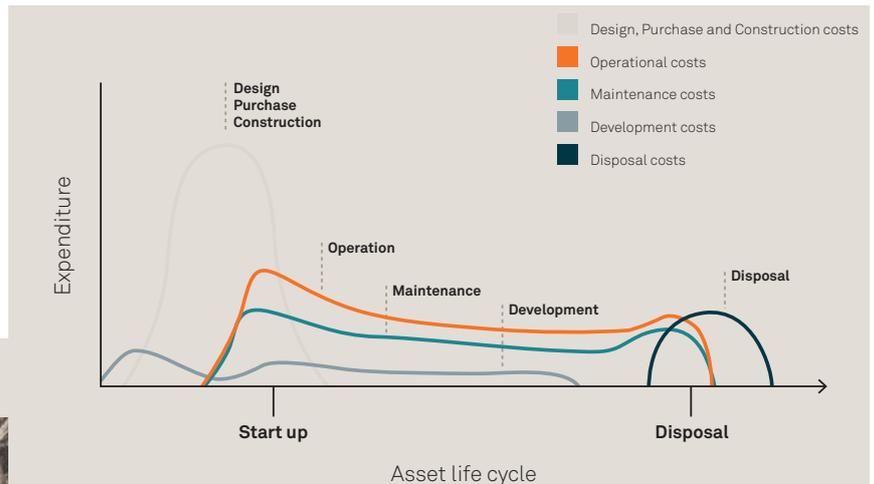


Above equivalent annual cost (EAC) of owning and operating an asset



Above total cost of ownership of an asset

Methodology to identify significant cost savings over asset lifecycle

Ausenco Rylson was engaged to analyse the whole-of-life costs for the majority of MMG Century Mine's mobile fleet and recommend a replacement strategy for each asset in order to minimise Capital Expenditure prior to end of mine life. Economic Life models were developed for CAT Dozers, Komatsu Haul Trucks, Liebherr Shovels, and Komatsu Excavators and Wheel loaders.

Ausenco Rylson determined the optimum economic life of each mobile asset for MMG at Century Mine. Ausenco Rylson's methodology is based on widely accepted capital decision making techniques and models all costs through the asset lifecycle. Lifecycle costs include the costs to acquire, install, commission, operate, maintain, modify, upgrade and dispose of an asset across its lifetime.

The economic replacement point is the point at which the Equivalent Annual Cost (EAC) is minimised. The EAC is the cost per year of owning and operating an asset over its entire lifespan. The EAC is the

only capital budgeting technique available to compare projects of unequal lifespan. The EAC compares alternative replacements and ascertains the optimum time to replace each unit in each fleet.

This approach has been shown to identify significant cost and performance benefits for the business over the asset lifecycle combining cost inputs with performance outputs against projected production plans and company accounting practices. Ausenco Rylson identified significant Capital savings and provided the client with a model to run various production scenarios to maximise output from a diminishing resource.

An added complexity for Century Mine was a constantly evolving production plan against a variable end of mine date. Rylson8 can handle these types of uncertainties with ease. By running various scenarios our clients can be confident that variable business inputs are considered when making commercial decisions for an asset.

www.ausenco-rylson.com

Location

Queensland, Australia

Business line

Program Management

Client

Minerals and Metals Group (MMG)

Timeframe

2012

Contract type

Optimise

MMG202
MMG206