

Decision on Distribution Licence Application for Central Norseman Gold Corporation Limited

19 June 2007

Economic Regulation Authority



WESTERN AUSTRALIA

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DECISION

1. On 10 May 2007, Central Norseman Gold Corporation Limited (CNGC) ACN 005 482 860 (**Applicant**) submitted an application to the Economic Regulation Authority (**Authority**) for a distribution licence (**Application**). The proposed licence area is located at Norseman 725 km east of Perth and midway between Kalgoorlie and Esperance region of Western Australia and is covered by an existing distribution licence (EDL5).
2. The Licence Application was made pursuant to section 10 of the *Electricity Industry Act 2004 (Act)*.
3. Pursuant to sections 9 and 19 of the Act, the Authority approves the grant of an electricity distribution licence to the Applicant subject to, and in accordance with, the terms set out in the Distribution Licence for a period of 30 months.

REASONS

1. Pursuant to section 19 of the Act, the Authority may grant a licence if it is satisfied that the Applicant: has and is likely to retain the financial and technical resources to carry out the functions authorised by the licence under the Act.
2. The Authority accepts the original technical assessment provided by McGill Engineering on the Application by Croesus Mining NL (Croesus). CNGC was the operational subsidiary that managed and operated the distribution line. CNGC was sold by Share Sale Agreement and the management structure, staff and operational structures transferred to the new owners Norseman Gold PLC in its entirety. The original assessment concluded the Applicant has and is likely to retain the technical resources to carry out the functions authorised by the licence under the Act. The Authority accepts that this is still the case.
3. The Authority engaged 2020 Global to examine the financial capacity of the Applicant to undertake the activities authorised by the Distribution Licence.
4. Concerning the Applicant's financial resources, the Authority notes that in 2020 Global's view, the Applicant has the financial resources to carry out the functions authorised by the licence for at least the next three years. This view is based on the applicant's current financial resources and the extent of known gold reserves.
5. Section 9 of the Act states that the Authority must not exercise a power conferred by Division 3 of the Act (general licensing provisions) unless the Authority is satisfied that it would not be contrary to the public interest to do so.
6. A notice regarding receipt of the Application was published on the Authority's web site in May 2007. The Authority received a letter of support from Horizon Power and no objections to the grant of the licence to the Applicant.
7. In its consideration of the Application, the Authority considered the public interest, including the matters set out in section 8(5) of the Act as required by section 9(2). In particular, the Authority notes that the town of Norseman is supplied with electricity via the distribution line, the subject of the Application, and if the application was not granted then the town may have electricity supply issues from 1 July 2007.

8. Accordingly, the Authority is satisfied that approval of the grant of a distribution licence to the Applicant would not be contrary to the public interest.
9. The Authority has therefore decided to grant a distribution licence to the Applicant. The Authority is limiting the period for this licence to 30 months in order for the Applicant to work through its financial issues. After this time, the Authority will consider an extension of the licence.
10. As required by section 23(1) of the Act, the Authority will publish a notice of its approval of the Application in the *Government Gazette* as soon as is practicable.

LYNDON ROWE
CHAIRMAN