

# Thinking outside the square

How a software programmer and a partner in a securities firm helped build one of the largest and lowest-cost gold mines in the world.

By **David Noort**



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In 1997, a software programmer named Eric Raymond presented a paper at a technology conference in Germany. The paper was titled "The Cathedral and the Bazaar" and it described a pivotal event in the evolution of the software industry: the development of the Linux operating system and the concept of an "open source project".

The Linux operating system was developed piecemeal (some might say haphazardly) using the power of the internet to combine the expertise of diverse unpaid individuals across virtual space. The resulting product held its own against the offerings of traditional product developers such as IBM, Microsoft and Sun.

Fast-forward to 2000: After listening to a seminar about Raymond's paper, and the open-source model for developing operating system software, Goldcorp Inc chairman and chief executive Rob McEwen had his eureka moment.

What this led to became famously known as the Goldcorp Challenge.

The Red Lake Gold Mine in Ontario, Canada began production in the 1940s. When Goldcorp acquired the mine in 1989 it was an ageing and underperforming asset. By 1996, the mine was widely believed to be in terminal decline. It was producing 53,000 ounces of gold a year at a cost of \$US360 an ounce and rising.

The price of gold was about \$US380/oz and the workers were embarking on a strike that was to last nearly four years.

To most, that strike would be the final nail in Red Lake's coffin, but McEwen remained doggedly optimistic. He believed that based on evidence of high-grade lodes from neighbouring properties, elusive sources of untapped high-grade ore existed at Red Lake.

The Goldcorp Challenge was launched with an incentive of a \$US575,000 prize to individuals or companies anywhere in the world who could come up with the best strategies for finding Red Lake's next 6 million ounces of gold.

All of the proprietary geological data collated on the Red Lake mine was made available online. The industry reaction was startling: more than 1400 scientists, engineers and geologists from 50 countries downloaded the company's data and started the search for the elusive high-grade lode.

So was this just an exercise in abstract idealism?

Of the 110 submissions that were judged as semi-finalists, 50% of the targets were new. Of those 50%, 80% succeeded in identifying new sources of ore. Goldcorp found the 6

million ounces it was looking for.

In 2001, mining at Red Lake recommenced on a new, richer lode. Production costs of \$US59/oz, after re-commissioning, have today made Red Lake Canada's largest gold mine and one of the world's richest and lowest-cost gold producers.

During his reign, McEwen was responsible for growing Goldcorp's market capitalisation from \$50 million to over \$7 billion.

The moral to this story: Never underestimate the potential of diverse experience and inspiration to overcome even overwhelming odds. Open-source innovation is no longer the exclusive province of the software industry.

Momentum Partners is a Perth-based business consulting and advisory firm. **RS**



Goldcorp famously pursued a unique course of action to turn its fortunes around.