

# A\$132 Million Tri-Metal Queensland Mine A Step Closer For Metallica Minerals Limited After Positive Stage 1 Scoping Study: Focus On 2013 First Production

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Brisbane, Australia (ABN Newswire) - Queensland's potential to host one of the newest and most advanced tri-metal mining and processing operations in Australia has moved a key step forward with a just completed scoping study finding the A\$132 million project 'economically and technically robust'.

Project owner, Metallica Minerals Limited (ASX: MLM) said today the positive results of the initial scoping study into the planned Stage 1 of the Company's wholly-owned NORNICO nickel (Ni), cobalt (Co) and scandium (Sc) project northwest of Townsville, strongly supported a move towards a low cost, shallow and simply open pit mining operation.

This start-up mining and processing operation would initially be based on the higher grade Greenvale and nearby Lucknow Ni-Co deposits at the southern extremities of the NORNICO project area which is itself host to a number of proven Ni-Co deposits.

Metallica's objective is to be in Ni-Co & SC production by 2013 - preceded by a planned move to a full bankable feasibility study commencing next year.

Because of potential improvements in the proposed processing flow sheet identified during the initial scoping study, Metallica has moved immediately to generate an enhanced version of the study by year's end.

There is additional potential for the study to take into account the processing of high grade (>200 grams per tonne (g/t) scandium ores discovered by Metallica earlier this year at the Lucknow deposit, which was not included in the initial scoping study. Scandium is a valuable rare earth element used in aluminium alloys, fuel cells and lighting.

'The scoping studies will position Metallica for a decision to commence a full feasibility study early next year with a view to achieving first nickel-cobalt and scandium (Ni, Co, Sc) production from the Greenvale and nearby Lucknow deposits, starting 2013,' Metallica's Managing Director, Mr Andrew Gillies, said today.

'The initial study has reinforced the technical and economic viability of commencing Stage 1 as a modest sized, 180,000 tonne per annum heated agitated Atmospheric Acid Leaching (AAL) plant to be located on the Greenvale nickel mine site,' Mr Gillies said.

'This would involve processing high grade Ni-Co ores from simple, free dig shallow open pit mining to a maximum depth of only 50 metres at Greenvale, supplemented with Ni-Co-Sc ores from nearby Lucknow and in later years, NORNICO's Kokomo deposit, 55 kilometres to the north within our project area,' he said.

'The most significant outcome of the study was that the Ni, Co and Sc bearing laterite ores are suitable for simultaneous tri-metal mining and processing under the proprietary technology specifically developed by Metallica for this project - a unique processing upside that will deliver significant revenue and margin performance.'

The current combined high grade resource at Greenvale, Kokomo (Mona deposit) and Lucknow is approximately 2.28 million tonnes (Mt) @ 1.22% Ni, & 0.18% Co (1.58% NiEq or Ni+2Co) and 53g/t Sc. This excludes the Lucknow high grade Sc resource of 4.1 Mt at 205 g/t Sc.

Metallica has set an exploration target for a mineable resource base of > 2.5Mt @ > 1.5% NiEq and >50g/t Sc.

The scoping study sets Stage 1 as producing around 2,700 tpa Ni in nickel sulphate (12,100tpa), 160 tpa Co in cobalt sulphide and 11,600 kg per annum of Sc oxide (99.9% purity).

On base case assumptions, the scoping study estimated the total capital cost for Stage 1 being A\$132 million with an average total operating cost of A\$250/t ore. The study was based on long-term average metal price assumptions of US\$9/lb Ni, US\$18/lb Co and US\$1,750/kg Sc oxide and an A\$ exchange rate of US\$0.85.

Mr Gillies said that on a 10-year mine life for Stage 1, the financial model provided a net present value of A\$75 million and an Internal rate of return of 23%.

### **Unique processing opportunity**

'The tri-metal (Ni-Co-Sc) processing opportunity that NORNICO presents is unique in Australia's minerals sector, and is further enhanced by Metallica's access to high grade Ni-Co-Sc ores, an excellent processing site and infrastructural setting,' Mr Gillies said.

'We are well advanced in developing an innovative and highly efficient flow sheet for simultaneous metal recovery of Ni-Co and Sc, thereby effectively reducing unit operating and capital costs. Metallica also has the potential for boosting revenues by incorporating very high Sc ore in to the feed, as we expect the global scandium market to grow substantially.

'Our discovery earlier this year at NORNICO of the Lucknow Scandium deposit close to Greenvale, significantly underpinned NORNICO's development options.

'The Lucknow mineralisation has emerged as larger and higher grade than our existing Kokomo scandium resource to its north.

Because the scandium market is yet to grow substantially and there is some uncertainty on the timing and quantum of growth, we are planning to start with predominantly Ni-Co processing with Sc as a co-product and scandium production could then be readily scaled to future growth in scandium demand by the gradual addition of high grade Sc ores.

'It is not unreasonable to expect that the NORNICO Stage 1 plant could ultimately, within the decade, convert from a Ni-Co-Sc ore facility to a predominantly Sc ore operation and a major long-term world supplier of scandium oxide.

'We envisage that NORNICO Stage 2 will be a much larger Ni-Co +/- Sc operation, hosting its own acid and power plant and be established at the northern end of the NORNICO project, at the Bell Creek Ni-Co project near Mt Garnet, with supplementary ore feed trucked from the Minnamoolka and Kokomo deposits.

'Metallica's mining and processing intent is to start modestly, then scale up later with a much larger Stage 2 operation while increasing Stage 1 scandium production. The latter is subject to the expected growth in the scandium market and NORNICO's performance in delivering secure, long-term scandium supply,' Mr Gillies said.

'Our NORNICO processing operations will be technologically advanced and non conventional and cannot be compared to most previous nickel laterite projects.

'Large-scale, huge capital cost nickel laterite operations in remote or difficult locations are not the way to go - the Metallica pathway is focused on margins and maximising returns from the flexibility of three simultaneous revenue streams from nickel, cobalt and scandium depending on variations of the metal prices and markets at a given time.

'We plan to be a significant supplier of nickel and cobalt, and expect to emerge as the major world supplier of scandium,' Mr Gillies said.

### **About Metallica Minerals Limited:**

Metallica Minerals Limited (Metallica) was incorporated in 1997 by Founding and Managing Director Andrew Gillies. Metallica was established with the primary objective of creating opportunity and wealth for its shareholders through the evaluation and development of mineral projects in Queensland. Metallica was listed on the Australian Stock Exchange November 2004 (ASX:MLM). Metallica's focus and flagship project is its North Queensland Nickel Cobalt (NORNICO)

**Contact:**

Andrew Gillies, Managing Director  
John Haley, Director  
Metallica Minerals Limited  
Tel: +61-7-3249-3000  
[www.metallicaminerals.com.au](http://www.metallicaminerals.com.au)

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