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Australia's newest zinc producer

Thursday, 22 February 2007

The past six months has been a period of rapid development for Intec, culminating when it became Australia's latest zinc producer. By James Moses, *RESOURCESTOCKS.**

With its 50:50 joint venture partner Polymetals, Intec has re-commenced production of bulk zinc concentrate from the Intec Hellyer Mill in north western Tasmania.

Philip Wood

The rapid transition to production has been aided by $6 million contributed by Polymetals to cover start-up costs, along with the well maintained status of the Mill and the readily available source of feedstock from the tailings dam.

Intec and Polymetals have off-take agreements with a number of Chinese smelters and are expecting their first shipment of zinc concentrate to leave the Tasmanian port of Burnie by the end of the year.

Intec managing director and chief executive Philip Wood explained that the company was able to leverage off the current world shortage in zinc concentrate to secure favourable terms for its off-take agreements.

"Changes in the 2007 Asian Benchmark terms should be even more favourable for us," he said.

"Our EBITDA at current zinc prices, that is our free cash flows, is expected to be in excess of $60 million for the joint venture partners combined."

The joint venture with Polymetals will conclude after four years or after 6 million tonnes of tailings are processed - whichever event comes first.

"It is a good deal for Polymetals and they are good operators, so we are happy to see them share in the benefits with us," Wood told RESOURCESTOCKS.

Intec plans to increase throughput from 1.5 Mt to 2 Mt in 2007, first by expanding the tailings utilisation, and then by sourcing zinc ore from regional zinc producers. Intec owns approximately 18.5% of Bass Metals, soon to mine zinc bearing ore from its nearby Que River project.

Intec acquired the Hellyer assets from the receivers of Western Metals in January 2004, which included 2,000 tonnes of low grade bulk concentrate.

The concentrate had been rejected as 'off-spec' by a prospective buyer and had been taking up space at the Hellyer concentrates storage shed. It graded a bare 21.5% zinc, 17.7% lead, 375 grams a tonne (g/t) silver and 2.3g/t gold.

Intec was able to sell the parcel earlier this year into northern Asia for $A250,000.

"The bottom line," Wood said at the time, "is that if we could sell that parcel, we can sell a lot more of a much higher quality product from Hellyer in the current zinc concentrates market conditions."

That concentrate was Hellyer material with the same mineralogy as the much better zinc bulk concentrate Intec is now mass producing from Hellyer Metals project.

The zinc concentrate production represents stage one, of what will be a three-stage project for Intec to reincarnate Hellyer as a long-life residue re-treatment facility, with cashflows from each stage expected to fund the next.

The second stage will see the company co-treat electric arc furnace dust (EAFD) and the Zeehan Slags to produce saleable zinc units from Intec's polymetallic demonstration plant at Burnie.

Intec acquired its Melbourne-based 20,000t EAFD stockpile (grading approximately 28% zinc) earlier

this year from Smorgon Steel. The Zeehan Slags is a century-old 460,000 tonne lead smelter slag dump grading around 14% zinc, which corresponds to over 60,000 tonnes of contained zinc.

From Burnie, Intec will then begin work on a commercial zinc product plant at Hellyer to treat 100,000tpa of EAFD, Zeehan residues, and other oxidised zinc-bearing secondary residues.

"The treatment of these feedstocks is complimentary and is an example of Intec making use of its proprietary technology to view a minerals resource from a different angle to the conventional perspective," Wood explained.

"This will result in a substantially enhanced value recovery through the application of the Intec technology."

The third stage will combine the tailings, ore and zinc oxide residues in a poly-metallic plant at Hellyer to treat all base metals as well as precious metals – gold and silver.

Wood said the staged development of the Hellyer Metals project was aimed at securing the earliest possible cash flow to fund on going project development, minimising necessary recourse to external financing and hastening returns to shareholders.

"The major difference between Intec and other similar companies is that we already have existing, proven, above ground resources and the processing facilities and technologies to treat them. We can therefore provide nearer term metals products in response to current high prices," Wood said.

"This is why we are opting for the three stage development model for the Hellyer Metals Project, which brings forward much earlier significant cash flow, with lower upfront capital expenditures and perceived technical risks, without losing sight of our unique metallurgical vision."

Intec's pilot plant for the Hellyer Metals Project was built in Sydney in 2004 and ran successfully on tailings from Hellyer, the base metals mine operated by Aberfoyle and then Western Metals between 1989 and 2000.

The Hellyer ore had a complex refractory nature, which led to a significant part of the valuable metals being lost to the tailings dam, and Intec have been able to use its technology to treat these tailings.

Wood describes Intec's goal to be an integrated producer from mine-to-metal, with an initial focus on the concentrates joint venture via the Hellyer Mill and tailings at its Burnie demonstration plant.

"The current metal focus is zinc to maximise early cashflow and capitalise on the existing high price regime," Wood explained.

Intec is acknowledged as the world leader in chloride hydrometallurgy. It listed on the Australian Stock Exchange in May 2002 and on Germany's Deutsche Boerse earlier this year.

Its patented chloride hydrometallurgical Intec Process produces high purity base and precious metals from sulphide ore concentrates and has substantial cost and environmental advantages over both conventional smelting and sulphate-based hydrometallurgical processes.

Originally developed for copper resources, it can economically unlock valuable base and precious metals from a wide range of sulphide and oxide deposits and improve the economics of operating mines and downstream processing facilities.

"The fact that we are in a resource boom has resulted in us receiving enquiries from all around the world for companies wanting to use our technology to unlock near-term value.

"The Intec Process has a wide range of applications in base metals and precious metals."

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