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LONDON (Mineweb.com) --Vulcan Resources Limited, (listed on the ASX, ticker symbol VCN, market capitalisation A\$25.4 million or US\$20 million), is developing a highly prospective copper-cobalt project at Kylylahti in Finland and has recently announced drill results that indicate the prospects for an extended mine life, while also extending the number of years of higher-grade production. Prior to these drilling results the company was considering a mine life in the region of twelve years, with output in excess of 8,000 tonnes per annum of copper, over 1,300 tpa cobalt, approximately 750 tpa nickel, approaching 2,000 tpa zinc and 9,000 ounces per annum of gold. The company has been granted mining tenure over the property; environmental approvals and project development are both expected as of the middle of 2007

The latest drill results form part of the company's first directional deep drilling programme at Kylylahti, intended to test the validity of high grade inferred resources that had been projected to the lower limited of drilling. The results exceeded expectations (see below), with one intercept showing "significant" high grade zones at up to 12% copper equivalent; depths are essentially between 600 and 680 metres.

The Kylylahti deposit lies roughly 400 kilometres to the north-east of Helsinki and roughly 24 kilometres to the north west of the famous Outokumpu mining camp. The project is 100% owned by Vulcan, with excellent infrastructure and local labour supply. Customers for concentrate are located within 400 km of the mine. The company describes it as one of a cluster of "Outokumpu type deposits" in the region, which has historically produced over 2 billion pounds (907,200 tonnes) of copper.

The Outokumpu style deposits have a copper-cobalt-zinc-nickel-gold association that is very rare elsewhere in the world. They were first discovered in 1913, gave rise to the major Finnish mining company Outokumpu Oy and were mined continuously until 1989. The mineralisation is sulphide, generally in elongate bodies of up to four kilometres in length, 50-60 metres thickness and 400 metres across. Kylylahti is approximately 1,000 metres in strike length.

Outokumpu completed extensive drilling programmes and metallurgical testwork at Kylylahti, outlining a resource of 74,000 tonnes of copper, 14,800 tonnes of cobalt, 14,800 tonnes of nickel and 143,000 ounces of gold. The resource as outlined in June 2005 (estimated by independent consultant SRK) comprises approximately 7.4 million tonnes at 1.0% copper, 0.2% cobalt, 0.4% zinc, 0.2% nickel and 0.6 grammes/tonne of gold.

The latest drilling indicates that the deposit is approximately 150 metres in depth and averages approximately 40 metres in thickness. Vulcan's downhole geophysics exercises have highlighted several anomalies suggesting that there is highly prospective ground close by. The company's target is to raise the resource to ten million tonnes and to delineate additional high-grade mineralisation.

An updated Resource estimate will be completed in the second quarter of this year and will include the results of the current drilling programme; the company Managing Director, Dr Alistair Cowden, has opined that the latest drill results show that the intensity of mineralisation and the substantial widths intersects bode well for significant extensions to the deposit. Among the latest drill result, one intercept ahs shown

Meanwhile the pre-feasibility study has recommended a 500,000 tonne per annum underground decline mine. The most interesting drill intercept that equates showed 98.5 metres at 1.15% copper, 0.21% cobalt, 0.20% nickel, 0.79% zinc and 1.25 grammes/tonne gold, giving a 5.2% copper equivalent. Using price estimates at \$1.50/lb copper (average year to date, \$2.55), cobalt \$16/lb (\$26/lb), nickel \$5.55/lb (\$12.90/lb), zinc \$0.77/lb (\$1.60/lb) and gold, \$550/ounce (\$645), high-grade intercepts worked at as having rock values of between \$143 and \$392/tonne in situ.

Vulcan listed on the Australian Stock Exchange in October 2002. The Chairman is Barry Eldridge, who has followed a 20-year career in the coal industry in Queensland and New South Wales, served in management roles at (inter alia) the Super Pit in Kalgoorlie, the Kanowna Belle Gold Mine, as well as Managing Director of Forrestania Gold NL. Managing Director Dr. Alistair Cowden is a geologist by training and has been involved in projects including the Sunrise Dam mine, Kanowna Belle and the Nimbus silver-zinc deposit as well as the Hartley Platinum mine and the Kambalda nickel mine.

Management on site in Finland includes experienced Finnish mining engineers and geologists while the project manager is John Brodziak, a civil engineer who has previously worked for Rio Tinto in Canada as well as numerous mine developments in Australia.

The current timeline for the project suggests that the mine will come on stream in mid-2008. While the scale is small, it looks like being low cost and there would clearly appear to be the potential for growth.