

Talvivaara Mining Company Plc Operational Update

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Stock Exchange Release
Talvivaara Mining Company Plc
19 July 2013

Talvivaara Operational Update

Highlights

- * Talvivaara produced 1,776t of nickel and 4,465t of zinc in Q2 2013, and 4,508t of nickel and 7,593t of zinc in H1 2013
- * Production impacted by a planned maintenance stoppage and low metal grades in leach solution due to continued effect of excess water in the older heaps
- * Successful re-start of ore production in May with monthly output of 1.2Mt in June and current monthly run-rate exceeding 1.6Mt; promising early leaching results from newly stacked ore
- * Flow rate at the metals plant reached a record 1,650 m³/h in June and plant availability remains good
- * Risk level related to excess water on site reduced by continued discharge of treated water within permitted limits
- * Extensive cost reduction and efficiency programme ongoing with aim of increasing overall cost efficiency and improving productivity levels; organizational changes likely to be included
- * Production guidance for full year 2013 withdrawn, but significant improvement in production expected in H2 2013 compared to H1 2013

Production and operational update

Metals production

Talvivaara produced 1,776t of nickel and 4,465t of zinc in Q2 2013, and 4,508t of nickel and 7,593t of zinc in H1 2013. Metals production continued to be impacted by low metal grades in leach solution. Talvivaara also carried out a scheduled maintenance stoppage in late May and early June, due to which the metals plant was shut down or running at substantially restricted capacity for approximately two and a half weeks. In addition, planned maintenance of the hydrogen sulphide plants caused some capacity restrictions already from mid-April onwards.

Following re-start of the plant after the scheduled maintenance stoppage, the flow rate reached a record level of 1,650 m³/h in June. Metals plant operation has been relatively stable throughout H1 2013 and is not anticipated to restrict production levels going forward.

Ore production

Ore production was successfully re-commenced in May and has since proceeded according to plan. 1.2Mt of new ore was crushed and stacked in June, and a record monthly run-rate exceeding 1.6Mt has been reached in July. The reclaiming process is also operating at planned capacity levels following process modifications carried out during the spring and the addition of a jaw crusher unit.

Bioheapleaching

As anticipated in Talvivaara's previous operational outlook in connection with the Q1 2013 interim results, metals production and bioheapleaching performance continued to be impacted by water balance issues throughout H1 2013. The excess water in the heaps stacked prior to the shut-down of mining in September 2012 continued to dilute metal grades in leach solution, reduce the efficiency of aeration, slow down the leaching reactions and impact the rate of evaporation. The nickel grade in solution pumped to metals recovery declined to a low of approximately 1.0 g/l during April, and increased to a level of 1.1-1.2 g/l by June.

Whilst the impact of excess water on the leaching process has been greater than expected and the recovery from it somewhat slower than hoped for, the process has nevertheless started showing signs of improvement during the recent months. Heap temperatures have materially increased, indicating growing levels of chemical and biological activity, and there is strong evidence of significantly improved leaching results in de-watered heap sections. De-watering of all existing heaps is ongoing by intermittent discontinuation of irrigation, but due to limited space available for the solution draining from the heaps during irrigation stoppages, this process is anticipated to take several more months to completion. In the meantime, securing efficient aeration and high quality management of the process overall will continue to be in focus.

Metals production from fresh ore stacked after the re-start of mining in May will become increasingly important during the latter half of the year. Therefore, special attention is paid to securing efficient start-up of the new heaps, the first one of which (primary heap no. 4) is anticipated to be completed in the beginning of September. Whilst still being stacked, the early leaching of this heap has been very promising with temperatures of the circulating solution already exceeding 50°C. This proves very active oxidation reactions in the heap and exceeds the corresponding performance of any previous heap historically.

Water management

Treatment and discharge of excess waters from the mine area has continued throughout the period, reducing the water management related risk level whilst also allowing mining activities to be re-started and other operational processes to continue according to plan. Until the end of May 2013, the treatment and discharge of water was carried out under the Company's notification of exception under the Environmental Protection Act and related decision by the Kainuu Centre for Economic Development, Transport and the Environment in February 2013. From the beginning of June onwards, the discharge has continued under the permit granted by the Northern Finland Regional State Administrative Agency ("AVI") on 31 May 2013.

Efficiency and productivity programme

Talvivaara launched a broad efficiency and productivity programme in June in circumstances where the price development of nickel has remained weak during the first half of 2013. The programme is targeted at increasing the overall cost efficiency and improving productivity levels across all functions of the Company. The programme commenced with an intensive five-week diagnostics phase which was completed in early July. Approximately 30 initiatives to enhance efficiency and productivity were identified, and the programme is now progressing into full-scale implementation of the identified initiatives. The co-operation consultations announced on 2 July 2013 may potentially lead to organizational changes which form a part of the programme.

Production guidance

Talvivaara withdraws its 2013 nickel production guidance of approximately 18,000t due to remaining uncertainties relating to the short-term leaching performance of the existing heaps. However, H2 2013 production is expected to increase substantially compared to H1 2013 as the newly stacked heaps are taken

into production and the overall leaching performance continues to improve.

CEO Pekka Perä comments: "The challenge we have faced with the excess water has been remarkable, but our team has worked tirelessly to stabilize the operations and to minimize the environmental risks. The systematic work has now started to bear fruit with mining and materials handling operations running at all-time record levels, and the metals recovery plant recording higher than ever flow rates. Revival of the leaching performance in our older heaps has however been somewhat slower than we had hoped for and some uncertainties relating to the short-term leaching rates still remain. This has forced us to withdraw our production guidance for the current year until we get more clarity into the near term leaching recoveries. This said, our recent success in water management and materials handling operations will now allow us to accelerate the dewatering and revival of the old heaps, and the newly constructed heap will start contributing metals within the next few weeks. As a result, we expect production in the second half of the year to significantly exceed the amounts achieved during the first six months of 2013.

The challenging market environment and poor nickel price development over the recent months have also made us take a particularly close look at the efficiency and productivity of our operations. Although I regret that we have had to start co-operation consultations with our personnel as part of the ongoing efficiency programme, I believe the targeted productivity improvement is necessary in order for us to succeed in the current low nickel price environment."

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Talvivaara Mining Company Plc

Talvivaara Mining Company is an internationally significant base metals producer with its primary focus on nickel and zinc using a technology known as bioheapleaching to extract metals out of ore. Bioheapleaching makes extraction of metals from low grade ore economically viable. The Talvivaara deposits comprise one of the largest known sulphide nickel resources in Europe. The ore body is estimated to support anticipated production for several decades. Talvivaara has secured a 10-year off-take agreement for 100 per cent of its main output of nickel and cobalt to Norilsk Nickel and entered into a long-term zinc streaming agreement with Nyrstar NV. Talvivaara is listed on the London Stock Exchange Main Market and NASDAQ OMX Helsinki. Further information can be found at www.talvivaara.com.

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