

Talvivaara Mining Company Ltd unaudited interim results for the six month period ended 30 June 2007

30 August 2007

Talvivaara Mining Company Ltd ("Talvivaara" or "the Company"), the Finnish mining company with a primary focus on nickel and zinc, is pleased to announce its first set of financial results following its successful listing on the Main Market of the London Stock Exchange on 1 June this year.

Highlights

- Bankable Feasibility Study for the Talvivaara mine completed on 23 March
- Environmental permit and starting order obtained on 29 March
- Project finance facility of €236 million signed on 7 May
- Initial Public Offering on the London Stock Exchange Main Market with gross proceeds of €302 million successfully closed on 1 June
- Investment plan for the Talvivaara mine approved on 8 June
- Resolution by the Finnish Parliament on 20 June for an addition to the national budget in excess of €50 million to support Talvivaara's infrastructure investments
- Personnel successfully recruited in key positions for the construction phase of the Talvivaara mine
- Construction of the Talvivaara mine underway and proceeding according to timetable and budget
- Loss for the period €11.2 million (H1/2006: €1.6 million)
- Cash at bank on 30 June of €286 million
- Capital expenditure commitments totalled approximately €280 million as of 30 August, representing more than 60% of the anticipated development phase (2007-2009) capital expenditure of €452 million

Commenting on the results, Pekka Perä, Chief Executive Officer of the Company said:

"I am delighted to report that Talvivaara achieved all major operational and financial goals it had set for the first six months of 2007. Following the approval of the investment plan in June, we must now show we can complete the construction of our world class production facility on timetable and on budget. I have every confidence that, working together with our industrial partners and contractors, our highly experienced team will deliver on this task."

ENQUIRIES

Talvivaara Mining Company Ltd

Pekka Perä
Saila Miettinen-Lähde

Tel: +358 20 712 9800

Tel: +358 40 585 9225

Tel: +358 40 548 3695

Merlin

David Simonson
Tom Randell
Maria Suleymanova

Tel: +44 207 653 6620

NOTES TO EDITORS

Company Overview

- Talvivaara aims to become an internationally significant base metals producer with its primary focus on nickel and zinc using a technology known as bioheapleaching to extract metal out of ore
- The Company's main activity is the development and exploitation of two polymetallic deposits, Kuusilampi and Kolmisoppi, in Sotkamo, Finland (together the "Talvivaara deposits") using bioheapleaching technology
 - The Talvivaara deposits comprise one of the largest known sulphide nickel resources in Europe with 266 million tonnes of ore in measured and indicated resources
 - Resources are sufficient to support anticipated production for a minimum of 24 years, expected to start in late 2008, with an expected annual nickel output of approximately 33,000 tonnes; the Company has the potential to provide approximately 2.3% of the world's current annual production of primary nickel by 2010
 - In addition to the mining of nickel, the mine is also expected to produce zinc (approximately 60,000 tpa), copper (approximately 10,000 tpa) and cobalt (approximately 1,200 tpa) as by-products of the process
 - The mine site is situated close to existing energy and transportation infrastructure
- The Group plans to develop the Talvivaara deposits using bioheapleaching technology
 - Bioheapleaching harnesses locally occurring, live bacteria for the extraction of metals from ore
 - This technology is already globally widely used for other metals, notably copper and gold
 - During the last two years, the Group has demonstrated the viability of using the bioheapleaching technology for the extraction of nickel in sub-arctic climatic conditions in large on-site pilot trials
- The Talvivaara deposits are well-suited for open pit mining due to their thin overburden, favourable resource geometry and a low waste to ore ratio
 - The ore has a nickel content of 0.27 per cent. and is well-suited to bioheapleaching due to both its high sulphide content and its low pH, which enables rapid leaching with reduced need for chemical catalysis
- The Company has secured a 10-year off-take agreement for 100 per cent. of its main product output of nickel and cobalt to Norilsk Nickel
- With good infrastructure, progressive mining laws, subsidy policies, an economically and politically stable operating environment and readily available mining expertise, Finland provides a favourable environment for operating a mine

Chairman's Statement

The highlight of the period under review was the successful listing on 1 June of the Company's shares on the Main Market of the London Stock Exchange. JPMorgan Cazenove and Nordea Bank Finland, respectively, acted as Lead and Co-Lead Managers. This landmark event initiated the process which will soon transform Talvivaara into a globally important base metals producer supported by a strong and diversified shareholder base including stakes held by our business partners Outokumpu and Norilsk Nickel.

Talvivaara has one of Europe's largest known sulphide nickel resources. The company's two polymetallic deposits located at Kuusilampi and Kolmisoppi in Sotkamo, Finland, contain some 266 million tonnes of nickel resources from which we expect to produce by 2010 an annual output of around 33,000 tonnes of nickel or approximately 2.3% of the world's current demand. Talvivaara will have the resources to produce at least this amount for more than two decades.

This year saw us able to secure, by way of a US\$320 million project finance facility and €302 million of equity, the entire financing requirement to bring the Company into production. Structured by Standard Bank, the project finance facility was completed in only five months with Standard Bank, Societe Generale, Bayerische Hypo- und Vereinsbank and Nordea Bank Finland as mandated lead arrangers. I would like to thank them for their confident support.

I would also like to thank the Finnish authorities at the national and regional levels as well as the broader community in the area surrounding our operations in Sotkamo who together have helped to ensure that we will be able to develop this project and bring welcome economic stimulus to the local economy.

I am also pleased to report that we have been able to attract a Board of Directors with the combination of skills, experience and competencies required for the successful execution of our strategic and operational plans, and which at the same time fully complies with current best practice Corporate Governance requirements.

Despite the recent turmoil in the equity markets and the moderation in the nickel price we remain confident that the underlying fundamentals are unchanged and remain well above the very conservative parameters used in Talvivaara's strategic planning.

Finally, and on a personal note, it has been most gratifying for me to see Pekka Perä's vision coming closer and closer to fruition. It will be the realisation of many years' work by him together with a dedicated team of experts. I have, and continue, to enjoy working with his impressive and growing team and together we can look forward to busy and rewarding times ahead.

Edward Haslam
Chairman
30 August 2007

CEO's statement

During the first six months of 2007, Talvivaara achieved several major milestones on its way to becoming a significant nickel producer. These included the securing of financing for the construction of the Talvivaara nickel mine in Sotkamo, Finland, through a successful Initial Public Offering ("IPO") of €302 million and a committed project finance facility of US\$320 million (€236 million). Together with the environmental permit obtained in March 2007, this funding enabled the Company to commit to and commence mine construction targeted at starting metal production during the fourth quarter of 2008. To date, the construction project is proceeding on timetable and on budget.

Review of operating activities

Talvivaara completed the Bankable Feasibility Study for the Talvivaara mine in March. The technical solutions described in the study were largely based on successful pilot trials of bioheap leaching and metals recovery which, respectively, demonstrated high yields from the ore and from the leach solution. In all, the results of the study confirmed both the technical and economic feasibility of the project using relatively conservative assumptions for key parameters such as metal recoveries and metal prices. The study was audited by SRK Consulting, who provided the Mineral Expert's Report for Talvivaara's listing and the Technical Audit for the project finance facility.

The environmental permit and starting order for the Talvivaara mine were published by the Northern Finland Environmental Permitting Office on 29 March. The permit will be final and binding upon completion of the customary appeal process.

Following the successful financing transactions completed in the beginning of June, the Company made a formal investment decision for the construction of the Talvivaara mine on 8 June. Work on the mining site has since progressed rapidly, with focus on infrastructure, foundations for the primary bioheap leaching pad, and design and construction of the metals recovery facilities. Orders for long lead-time production equipment have also been placed in accordance with the development plan.

Talvivaara has continued to be successful in recruiting key personnel, attracting a number of managers with significant experience of the mining and metals industries, hydrometallurgical processes, construction and project management. The high competence level of the team has enabled the Company to choose a strategy whereby no overall project contractor is engaged. The team's strong credentials were similarly a supportive factor in the arrangement of the project finance facility. The total number of personnel employed by the Group on 30 June 2007 was 53 (20 on 30 June 2006), while the number of contractors' personnel working on the mining site was approximately 250 at the end of June, and had exceeded 400 by 30 August 2007.

Safety record on the mining site was excellent, with no reported Lost Time Injuries during the period. The Company is also committed to maintaining a first class record in this respect.

Financing transactions

A senior loan project finance facility of US\$320 million (€236 million) was signed on 7 May with Standard Bank, Societe Generale, Bayerische Hypo- und Vereinsbank and Nordea Bank Finland as the mandated lead arrangers. The facility was arranged in record time, enabling Talvivaara to become fully financed as soon as it obtained its listing. First draw downs of the loan are expected in 2008.

Official trading in Talvivaara shares on the London Stock Exchange Main Market began on 1 June following the closing of the all-primary IPO of €302 million. JPMorgan Cazenove acted as the Lead Manager and Sole Bookrunner in the transaction, with Nordea Bank Finland as the Co-Lead Manager. The offering was significantly over-subscribed with coverage from first tier international mining investors as well as key institutional investors in Finland. The timing of the listing coincided with historically high nickel prices and significant mergers and acquisitions activity in the mining sector, contributing to good market conditions for the transaction.

Financial review

The Company had no revenues during the period ended 30 June 2007 (H1/2006: €0). Other operating income consisted largely of unrealized gains in trees (biological assets). The operating profit amounted to €1.2 million (H1/2006: €1.5 million), and loss for the period to €11.2 million (H1/2006: €1.6 million), the difference between the corresponding periods being mainly attributable to finance cost related to the project finance facility and partial redemption of a €33 million convertible note drawn in October 2006, income tax expense, and increased employee benefit expenses stemming from the growth of the Company's administrative function.

On the balance sheet as at 30 June 2007, the Company's current assets amounted to €290.4 million (30 June 2006: €4.4 million) with the increase attributable mainly to the proceeds of the IPO. The Company's total equity also increased in a corresponding manner to €313.4 million (30 June 2006: €0.9 million). The Company's total assets amounted to €345.3 million (30 June 2006: €7.9 million).

The net cash flow from operating activities was €(2.1) million (H1/2006: €(2.2) million), reflecting largely finance costs and a substantial change in working capital. Cash flow from investing activities amounted to €(128.1) million, largely consisting of project related capital expenditure on property, plant and equipment (€(23.5) million), and purchase of financial assets. Net cash generated from financing activities amounted to €287.1 million.

In all, the financial development of the Company was in line with the development plan and reflected largely the capital expenditure related to the Talvivaara project and the successfully closed IPO.

Capital commitments

By 30 August, the capital commitments in the project had reached approximately €280 million, which constitutes more than 60 % of the total anticipated development phase (2007-2009) capital expenditure of €452 million. This commitment level has been achieved within the overall budget and timetable.

The most significant capital commitments to date have included the agreement with Sandvik Mining and Construction for the engineering, supply and erection of a crushing and screening plant, the agreement with FAM Magdeburger Förderanlagen und Baumaschinen for the stacking and reclaiming equipment, and the agreement with Outotec for reactors and thickeners to be used in the metals recovery process, which together total approximately €110 million in value. Some of these or other capital commitments may be financed through leasing arrangements.

The Company's primary activity during the second half of 2007 will continue to be the construction of the Talvivaara mine, which is expected to increase further the capital commitment level before the year end.

Conclusion

In conclusion, I am delighted to report that Talvivaara achieved all major operational and financial goals it had set for the first six months of 2007. Accordingly, I would like to thank the Group's personnel and advisors who have contributed enormously to the Company's success thus far. I would also like to extend my thanks to the Board of Directors that guided the Company from its early stages to the listing, and to the newly nominated Directors that have already assumed active and important roles in the Company's development from the project phase to production and beyond.

Everyone at Talvivaara is committed to staying on timetable and on budget with the goal of bringing the project to production before the end of 2008. It has been the skill, determination and support of our employees, partners and other supporters that has enabled us to achieve as much as we have in such a short time. I would like to take this chance to express my confidence that together we will continue the successful development of the Company.

Pekka Perä
Chief Executive Officer
30 August 2007

Consolidated Income Statement

(all amounts in € '000)	Unaudited six months to 30 June 2007	Unaudited six months to 30 June 2006	Audited twelve months to 31 December 2006
Other operating income	4 944	82	218
Materials and services	(840)	(819)	(856)
Employee benefit expenses	(1,266)	(486)	(1,394)
Depreciation, amortization, depletion and impairment charges	(357)	(3)	(13)
Other operating expenses	(1,299)	(253)	(32,564)
Operating profit (loss)	1,182	(1,479)	(34,609)
Finance income	238	8	2
Finance cost	(9,986)	(137)	(1,514)
Finance cost (net)	(9,748)	(129)	(1,512)
Loss before income tax	(8,564)	(1,608)	(36,121)
Income tax expense	(2,657)	35	(15)
Loss for the period	(11,221)	(1,573)	(36,136)
Attributable to:			
Equity holders of the Company	(10,896)	(1,573)	(36,124)
Minority interest	(325)	-	(12)
	(11,221)	(1,573)	(36,136)
Earnings per share for loss attributable to the equity holders of the Company (expressed in € per share)			
Basic and diluted	(0.10)	(0.02)	(0.41)

Consolidated Balance Sheet

(all amounts in € '000)

	Note	Unaudited 30 June 2007	Audited 31 December 2006	Unaudited 30 June 2006
ASSETS				
Non-current assets				
Intangible assets		5,382	4,771	3,405
Property, plant and equipment	2	27,117	3,960	54
Biological assets	3	10,062	964	-
Other assets		12,390	-	-
		54,951	9,695	3,459
Current assets				
Other receivables		4,724	694	693
Available-for-sale financial assets		26,595	22,537	3,198
Other financial assets at fair value through profit or loss		100,464	5,040	-
Cash and cash equivalent		158,609	1,784	534
		290,392	30,055	4,425
Total assets		345,343	39,750	7,884
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital		16	13	13
Share premium		8,086	2,755	2,755
Other reserves		321,463	1,336	400
Retained earnings		(21,962)	(4,991)	(2,246)
		307,603	(887)	922
Minority interest in equity		5,837	87	-
Total equity		313,440	(800)	922
Non-current liabilities				
Provisions		32	31	30
Borrowings	4	1,149	1,149	6,089
Other payables		58	41	24
Deferred tax liabilities		2,868	194	105
		4,107	1,415	6,248
Current liabilities				
Borrowings	4	-	36,879	-
Trade payables		23,489	1,037	505
Other payables		4,307	1,219	209
		27,796	39,135	714
Total liabilities		31,903	40,550	6,962
Total equity and liabilities		345,343	39,750	7,884

Consolidated Cash Flow Statement

(all amounts in € '000)	Unaudited six months to 30 June 2007	Unaudited six months to 30 June 2006	Audited twelve months to 31 December 2006
Cash flows from operating activities			
Loss for the period	(11,221)	(1,573)	(36,136)
Adjustments for			
Tax	2,658	(36)	15
Depreciation and amortization	356	3	13
Other non-cash income and expenses	(4,084)	-	31,805
Interest income	(238)	(8)	(2)
Fair value gains on other financial assets at fair value through profit through profit or loss	(464)	-	(40)
Interest expense	9,985	137	1,514
	(3,008)	(1,477)	(2,831)
Change in working capital			
Decrease(+)/increase(-) in other receivables	(16,404)	(396)	(396)
Decrease(-)/increase(+) in trade and other payables	25,579	(293)	949
Change in working capital	9,175	(689)	552
	6,167	(2,165)	(2,278)
Interest and other finance cost paid	(8,513)	(0)	(10)
Interest income	223	7	2
Net cash used in operating activities	(2,123)	(2,158)	(2,286)
Cash flows from investing activities			
Purchases of property, plant and equipment	(23,509)	(37)	(3,932)
Purchases of biological assets	(5,335)	-	(964)
Purchases of intangible assets	(615)	(403)	(1,791)
Proceeds from sale of biological assets	331	-	-
Purchases of available for sale financial assets	(24,000)	(3,468)	(36,467)
Proceeds from sale of available for sale financial assets	20,009	1,143	14,953
Purchases of other financial assets at fair value through profit or loss	(104,000)	-	(5,000)
Proceeds from sale of other financial assets at fair value through profit or loss	9,000	-	-
Net cash used in investing activities	(128,119)	(2,765)	(33,201)
Cash flows from financing activities			
Proceeds from share issue net of transaction costs	287,067	-	825
Proceeds from interest-bearing liabilities	20,000	5,394	36,284
Payment of interest-bearing liabilities	(20,000)	-	-
Capital investment by minority shareholders	-	-	100
Net cash generated from financing activities	287,067	5,394	37,209
Net (decrease)/increase in cash and bank overdrafts	156,825	471	1,721
Cash and bank overdrafts at beginning of the period	1,784	63	63
Cash and bank overdrafts at end of the period	158,609	534	1,784

Consolidated Statement of Changes in Equity

Attributable to equity holders of the parent

(all amounts in € '000)	Share capital	Share premium	Other reserves	Retained earnings	Total	Minority interest	Total equity
Balance at 1 January 2006	13	2,755	58	(673)	2,153	-	2,153
Fair value gains net of tax on available-for-sale financial assets	-	-	15	-	15	-	15
Net income/(expense) recognized directly in equity	-	-	15	-	15	-	15
Loss for the period	-	-	-	(1,573)	(1,573)	-	(1,573)
Total recognised income and expense for January to June 2006	-	-	15	(1,573)	(1,558)	-	(1,558)
Convertible capital loan	-	-	327	-	327	-	327
Balance at 30 June 2006	13	2,755	400	(2,246)	922	-	922
Balance at 31 December 2006	13	2,755	1,336	(4,991)	(887)	87	(800)
Balance at 1 January 2007	13	2,755	1,336	(4,991)	(887)	87	(800)
Fair value gains net of tax on available-for-sale financial assets	-	-	50	-	50	-	50
Sales loss of the Talvivaara Project shares	-	-	-	(6,028)	(6,028)	-	(6,028)
External costs, net of tax, directly attributable to the issue of new shares	-	-	(16,682)	-	(16,682)	-	(16,682)
Net income/(expense) recognized directly in equity	-	-	(16,632)	(6,028)	(22,660)	-	(22,660)
Loss for the period	-	-	-	(10,896)	(10,896)	(325)	(11,221)
Total recognised income and expense for January to June 2007	-	-	(16,632)	(16,925)	(33,557)	(325)	(33,882)
Issue of new shares	-	-	303,749	-	303,749	-	303,749
Employee share option scheme - value of employee services	-	-	11	-	11	-	11
Convertible capital loan - conversion into shares	3	5,330	-	-	5,333	-	5,333
Convertible bond - conversion into shares	-	-	33,000	-	33,000	-	33,000
Capital investments to unrestricted shareholders equity of subsidiary on behalf of minority shareholders (a)	-	-	-	(1,000)	(1,000)	-	(1,000)
Transfer from equity holders of the parent to minority due to the exercise of option (b)	-	-	-	954	954	(954)	-
Minority interest arising from subsidiary	-	-	-	-	-	7,029	7,029
Balance at 30 June 2007	16	8,086	321,463	(21,962)	307,603	5,837	313,440

(a) Investments were made according to the terms set forth in the Sale and Option Agreement with Outokumpu Mining Oy.

(b) Outokumpu Mining Oy exercised its option to acquire 20% shareholding in Talvivaara Project Ltd on 14 May 2007, according to the terms set forth in the Sale and Option Agreement.

Note: In October 2006, the Company drew down a €33 million convertible loan with a partial redemption obligation dependent on the Company's equity valuation at and timing of the IPO. Based on its initial target to proceed with the IPO during Q1/2007, the Company assumed in its statutory accounts as at 31 December 2006 that no redemption payment would be payable. With the IPO being realized during Q2/2007, the redemption assumption in the accounts presented in the Company's Prospectus dated 1 June 2007 was adjusted to amount to €4.6 million, of which €1.5 million was accrued in 2006.

Notes

1. Basis of preparation

The interim financial information set out herein has been prepared on the same basis and using the same accounting policies as were applied in drawing up the Group's statutory financial statements for the year ended 31 December 2006.

The financial information for the six months ended 30 June 2007 and 30 June 2006 is unaudited. In the opinion of the Directors, the financial information for these periods presents fairly the financial position, results of operations and cash flows for the periods in conformity with IAS 34 consistently applied.

2. Property, plant and equipment

(all amounts in € '000)	Machinery and equipment	Construction in progress	Land and buildings	Other tangible assets	Total
Gross carrying amount at 1 January 2007	100	1,928	1,905	45	3,978
Additions	187	20,337	2,985	-	23,509
Gross carrying amount at 30 June 2007	287	22,265	4,890	45	27,487
Accumulated depreciation and impairment losses at 1 January 2007	19	-	-	-	19
Depreciation for the period	17	-	335	-	352
Accumulated depreciation at 30 June 2007	36	-	335	-	370
Carrying amount at 1 January 2007	81	1,928	1,905	45	3,960
Carrying amount at 30 June 2007	251	22,265	4,556	45	27,117

3. Biological assets

(all amounts in € '000)	Unaudited 2007	Unaudited 2006
Balance at 1 January	964	-
Increases due to purchases	5,335	-
Gain arising from changes in fair value less estimated point-of-sale costs attributable physical changes	358	-
Gain arising from changes in fair value less estimated point-of-sale costs attributable to price changes	3,736	-
Decreases due to sales	(331)	-
Balance at 30 June	10,062	-

The company has acquired 4 320 hectares of forest land in January-June 2007 as part of its activities in connection with the mine construction.

4. Borrowings and capital loans

(all amounts in € '000)

	Unaudited 30 June 2007	Audited 31 December 2006
Non-current		
Capital loans	1,124	1,124
Other	25	25
	<u>1,149</u>	<u>1,149</u>
Current		
Convertible capital loan (a)	-	5,135
Convertible bond (b)	-	31,745
	<u>-</u>	<u>36,879</u>
Total borrowings	<u>1,149</u>	<u>38,028</u>

(a) The convertible capital loan was fully converted into shares in connection with the Company's listing on 1 June 2007.

(b) The convertible bond was fully converted into shares when the Company's listing took place on 1 June 2007.

A partial redemption payment of €6,809,011 was made according to terms set forth in the loan agreement.