

Talvivaara Mining Company Plc
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Interim Management Statement for the period of 1 July – 1 October 2008

First metal production at the Talvivaara mine

Appointment of Joint Broker

Talvivaara Mining Company Plc ("Talvivaara" or the "Company") focused its activities during the reporting period on the construction and commissioning of the Talvivaara nickel mine in Sotkamo, Finland. The project progressed according to plan both as regards its timetable and budget.

Highlights

- First nickel and zinc sulphides were produced at Talvivaara on 1 October 2008, as planned
- Operational materials handling and bioheapleaching processes started on schedule in July
- Talvivaara successfully recruited 38 employees during the reporting period bringing the total number of employees to 229 on 1 October; a sufficient workforce is now in place for the first months of production
- Safety at the mine site remained good throughout the period – 22 lost time injuries in 2008; 28 in total during the project
- Initial drawdown of USD 165 million of the USD 320 million project loan took place on 3 September

Talvivaara's CEO, Pekka Perä comments: "We successfully produced our first metal yesterday on time and within budget! I cannot stress enough how thankful I am to the whole team for achieving this incredible milestone in the development of Talvivaara. However, this is just the first step in building Talvivaara into a world class business and there is more work ahead of us.

"Separately, we are very pleased to welcome Liberum Capital as our Joint Broker, alongside JPMorgan Cazenove. We highly value having such experienced partners working together with us."

Key events during the reporting period:

First metal production at the Talvivaara mine

Talvivaara produced its first metal sulphides on 1 October 2008 as planned. The start-up of metals production followed the commencement of mining operations in April and materials handling and bioheapleaching processes in July this year.

The EUR 250 million metals recovery plant is scheduled to produce 33,000 tonnes of nickel and 60,000 tonnes of zinc per annum by 2010. Approximately 60% of the planned volumes, some 20,000 tonnes of nickel and 37,000 tonnes of zinc, is expected to be produced in 2009.

The successful start-up of metals recovery demonstrates that the entire production process at Talvivaara, including bioheapleaching, is now operational. While the production volumes during the rest of 2008 will still remain low as per plan, the main target over the coming months will be to optimize the various processes for commercially significant production from the beginning of 2009 and beyond.

Materials handling and bioheapleaching processes commenced in July

Ahead of the metals recovery stage of the production process, the ramp-up of the materials handling and bioheapleaching processes commenced, as planned, in July.

By early August, contractor operated primary crushing, and Talvivaara operated secondary and tertiary crushing, agglomeration and stacking were all operational. Bioheapleaching had by then also got off to a good start with heap temperatures reaching 80°C and bacterial counts rising.

Personnel and safety

Talvivaara's personnel increased from 191 at the start of the reporting period to 229 by the date of this statement. The growth in personnel stemmed primarily from the recruitment of trainee operators who completed training courses for process workers.

During the reporting period, an average of 1,750 contractor personnel worked at the mining site daily.

During 2008, there have been altogether 22 lost-time-injuries (LTI's), none serious. Since the start of the construction project in April 2007 the total number of LTI's has been 28, which corresponds to 10 LTI's per million working hours and is substantially below the average figures for the construction industry in Finland.

The Company will continue to place a special emphasis on safety issues at the site.

Initial drawdown of the USD 320 million project loan

Talvivaara made a USD 165 million initial drawdown of the USD 320 million project loan facility on 3 September.

As required under the facility agreement, Talvivaara had hedged prior to the drawdown 15,961 tonnes of nickel and 38,017 tonnes of zinc for the period April 2009 to December 2011 through forward swaps. The average hedged prices for nickel and zinc are USD 23,611 per tonne and USD 1,948 per tonne, respectively. The Company has committed to hedge an additional 7,000 tonnes of nickel for the same time period before the end of May 2009.

Corporate broking

Alongside Talvivaara's existing broker, JPMorgan Cazenove, the Company is pleased to announce the appointment of Liberum Capital as Joint Corporate Broker. Liberum Capital has a recognised research, sales and trading platform in UK and European equities, with particular strength in the mining sector.

Short term outlook

The short term outlook for the Company remains positive, with the major milestone of metals production now achieved. The key task for the coming months will be the continuation of the ramp-up and optimisation of production processes.

The recent turmoil on the financial markets is not anticipated to have a material effect on Talvivaara's operations, as the project is fully funded.

Talvivaara has hedged its exposure to the potential US dollar weakness at EUR/USD levels of 1.5 and 1.6 through 2009 with EUR call options. These call options are anticipated to cover the undrawn proportion of the project term loan and the majority of the operational expenditure in 2009.

The present spot prices of nickel and zinc (USD 16,250 per tonne and USD 1,680 per tonne, respectively) are substantially above Talvivaara's estimated cash costs. Hence the Company anticipates being able to operate profitably at present or lower price levels.

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Note: The information presented in this release is unaudited.

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 low grade 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 sufficient to support anticipated production for a minimum of 24 years after the now realized production start-up in October 2008. The Company has secured a 10-year off-take agreement for 100 per cent. of its main output of nickel and cobalt to Norilsk Nickel.