

Talvivaara Mining Company Plc  
Stock Exchange Release 27 August 2009

### **Interim Results January – June 2009**

Talvivaara Mining Company Plc (“Talvivaara” or the “Company”) today announces its unaudited Interim Results for the three and six month periods ended 30 June 2009.

#### **Highlights**

- Decision to expand production capacity to up to 50,000 tonnes of nickel annually in 2012 was taken funded by a successful equity placing announced in June 2009
- Talvivaara’s crushing circuit is being upgraded to increase the crushing capacity to approximately 22 million tonnes per annum; installation of the redesigned and expanded circuit is progressing as planned and on time for commissioning in the beginning of September 2009
- Due to previously announced technical problems in materials handling, the crushing capacity of the old circuit remained substantially below budgeted levels throughout the period, primarily due to significant down-time
- Excluding crushing, all other processes were running as designed
- Successful nickel and zinc sulphide production campaigns were run in January-February and April-May 2009 with subsequent deliveries to Norilsk Nickel Harjavalta Oy and zinc customers
- Talvivaara obtained a secondary listing of its shares on the Helsinki Stock Exchange (Nasdaq OMX Helsinki Ltd.) on 11 May 2009, which has increased liquidity of the shares and expanded the shareholder base substantially
- Safety at the mine site remained good with three Lost Time Injuries (LTI’s) to Talvivaara personnel during the period; there have been no LTI’s to the Company’s employees since the launch of the Work Group Safety Challenge at the beginning of February 2009
- The number of employees at Talvivaara increased from 239 at the end of 2008 to 276 on 30 June 2009; recruitment will continue throughout the ramp-up period during the remainder of the year
- Financial results for the six month period reflected the commencement of product deliveries to customers, but capacity was limited due to technical problems in crushing
  - Sales EUR 1.8 million
  - Other operating income mainly from currency and metal derivatives EUR 25.6 million
  - Operating loss EUR 7.9 million
- Talvivaara’s cash position was improved during the period through
  - EUR 45 million investment and working capital loan from Finnvera; and
  - Equity placing of approximately 22.3 million shares with gross proceeds of EUR 82.7 million<sup>1</sup> (GBP 71.3 million), as announced in June and completed in July 2009

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<sup>1</sup> 1. At EUR/GBP exchange rate of 0.8612 on 6 July 2009, as applied to 73% of the issue which was subscribed and paid in GBP

Key Figures		Q2	Q2	Q1-Q2	Q1-Q2	FY 2008
		2009	2008	2009	2008	
Turnover	EUR '000	1,652	-	1,778	-	-
Operating profit (loss)	EUR '000	(10,128)	(3,223)	(7,905)	(4,621)	(4,296)
Profit (loss) before taxes	EUR '000	(2,867)	(2,629)	(14,689)	(4,451)	(8,033)
Earnings per share	EUR	(0.01)	(0.01)	(0.04)	(0,02)	0.03
Capital expenditure	EUR '000	28,020	105,012	57,737	172,902	429,086
Net interest-bearing debt	EUR '000	397,417	(21,602)	397,417	(21,602)	285,466
Debt-to-equity ratio		108.4%	-6.5%	108.4%	-6.5%	67.3%
Cash and cash equivalents at the end of the period	EUR '000	24259	74,117	24259	74117	82,713
Derivative financial instruments	EUR '000	97,783	29,071	97,783	29,071	152,545
Number of employees at the end of the period		276	191	276	191	239

Pekka Perä, CEO of Talvivaara commented: "I am delighted to be able to look back on a positive half year for Talvivaara as we progress towards full production. We have decided to accelerate our growth by increasing production capacity by almost 50% to up to 50,000 tonnes of nickel per annum from 2012. In the meantime, we are addressing the design problems experienced with our existing crushing circuit and anticipate the upgraded facilities to be commissioned and operational in September.

The past six months have seen our financial position strengthen and our shareholder base deepen and broaden through our successful EUR 82.7million equity placing in July and, respectively, our secondary listing on the Helsinki Stock Exchange in May. In conjunction with the hard work of our operational and managerial team, we are confident that these developments put us in a position to achieve our production target of approximately 30,000 tonnes of nickel in 2010 and to continue growing Talvivaara into an internationally significant nickel producer."

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An analyst presentation will be webcast at 11.00 UK time/ 13.00 Finnish time on 27 August 2009 and will be available on the Talvivaara website, [www.talvivaara.com](http://www.talvivaara.com). The webcast is also accessible directly via the link below.

Link to webcast: [http://qsb.webcast.fi/c/customers/customers\\_2009\\_0827\\_talvivaara\\_H1/](http://qsb.webcast.fi/c/customers/customers_2009_0827_talvivaara_H1/)

A conference call facility will be available for a Q&A with senior management following the presentation via the following numbers:

**Europe & U.K Participants:** +44 (0)20 7162 0025  
**US Participants:** +1 334 323 6201  
**Conference ID:** 844147

## CEO Statement

Our focus over the last six months has been to achieve the ramp up of production to our targeted figures promptly and efficiently despite the previously announced teething problems with our crushing circuit. It is reassuring that all other stages of the production process, including metals recovery, are working well. Corrective action in the crushing process is progressing as planned and we look forward to being able to confirm successful installation and commissioning of the redesigned and expanded crushing circuit in September, as planned.

Based on our experience from Talvivaara operations so far and following the successful equity placing carried out this summer, I am pleased to update on positive progress so far with our plan to increase our production capacity to up to 50,000 tonnes of nickel annually from 2012. After the closing of the equity placing we started the investment programme related to the production expansion by ordering critical long-lead items such as the second hydrogen plant and additional mobile equipment.

We have put a lot of emphasis on environmental, health and safety issues, and we are all very proud of our record of zero Lost Time Injuries to Talvivaara personnel since we launched our Work Group Safety Challenge in February. On the environmental side, our performance was also good and we have no material concerns. We intend to maintain our good record on the environment and on occupational health and safety.

The commodities markets have shown some signs of improvement mainly on re-stocking, but an underlying increase in demand is still awaited. We would not be surprised to see commodities prices retract somewhat from their present levels in the short term, but our long term view is very positive. The latest economic data from the developing economies has only strengthened this view. In any foreseeable pricing environment, as a low cost producer, Talvivaara is in a strong position.

On the equity markets, the liquidity of the Talvivaara shares has improved, and our shareholder base, as listed in the Finnish Central Share Depository, broadened from approximately 700 shareholders just prior to our secondary listing on the Helsinki Stock Exchange in May to some 11,500 by the end of June and to over 13,000 in late August. We are very pleased with this development, which demonstrates increasing interest and support from our Finnish retail and institutional investors and which complements our already strong international shareholder base. We would also like to thank our shareholders for their continued support in our recent equity placing, showing their appreciation for our achievements in bringing the Talvivaara mine to production and their support of our commitment to taking it to the next level.

Pekka Perä  
CEO

## Financial review

Talvivaara's sales during the three and six month periods ended 30 June 2009 amounted to EUR 1.7 million (Q2 2008: nil) and EUR 1.8 million (Q1-Q2 2008: nil), respectively, reflecting the start of metal sulphide deliveries from the Talvivaara mine to customers. The sales volumes remained below budgeted levels due to limited crushing capacity resulting from technical design issues with the crushing circuit.

The Company's other operating income, amounting to EUR 6.3 million in Q2 2009 (Q2 2008: EUR 4.3 million) and EUR 25.6 million for Q1-Q2 2009 (Q1-Q2 2008: EUR 9.2 million), consisted mainly of realised (EUR 12.2 million) and unrealised (EUR 13.2 million) gains on nickel, zinc and USD forwards. Other operating expenses, which in Q2 2009 amounted to EUR (9.4) million (Q2 2008: EUR (3.8) million) and in Q1-Q2 2009 to EUR (15.5) million (Q1-Q2 2008: EUR (7.9) million), included unrealised fair value losses on biological assets (trees) and nickel and zinc forward swaps held for trading.

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (4.3) million in Q2 2009 (Q2 2008: EUR (2.6) million) and EUR (8.1) million for the first six months of the year (Q1-Q2 2008: EUR (4.1) million). The increase was attributable to increase in the number of employees.

Operating loss for Q2 2009 amounted to EUR (10.1) million (Q2 2008: EUR (3.2) million) and was EUR (7.9) million for the first half of the year (Q1-Q2 2008: EUR (4.6) million).

Finance income in Q2 2009 of EUR 14.5 million (Q2 2008: EUR 2.0 million) and in Q1-Q2 2009 of EUR 7.0 million (Q1-Q2 2008: EUR 2.3 million) included exchange rate gains on the USD 320 million project loan facility and on bank accounts. Finance costs of EUR (7.2) million in Q2 2009 (Q2 2008: EUR (1.4) million) and EUR (13.8) million in Q1-Q2 2009 (Q1-Q2 2008: EUR (2.1) million) related mostly to the Company's borrowings, in particular to the project loan facility and the EUR 84.9 million convertible bond.

Loss for the period in Q2 2009 amounted to EUR (2.4) million (Q2 2008: EUR (4.0) million) and totalled EUR (11.2) million for the first half of the year (Q1-Q2 2008: EUR (6.0) million).

The Company's total comprehensive income in Q2 2009 was EUR (56.9) million (Q2 2008: EUR 9.5 million) and in Q1-Q2 2009 EUR (58.6) million (Q1-Q2 2008: EUR 3.9 million), reflecting primarily a decrease in hedge reserves brought about by the increase in nickel price during the first half of the year.

In the consolidated statement of financial position as at 30 June 2009, property, plant and equipment totalled EUR 590.5 million (31 December 2008: EUR 552.5 million), with the increase since the year end 2008 attributable to expenditure on and capitalisation of mine related assets according to plan. Other notable changes in the Company's assets include the substantial decrease in the fair value of derivative financial instruments, in particular nickel and zinc forward swaps, brought about by an increase in nickel and zinc prices during the reporting period. As at 30 June 2009, the net value of derivative financial instruments was EUR 97.8 million (31 December 2008: EUR 152.5 million).

Inventories amounted to EUR 66.5 million (31 December 2008: 31.7 million) with the increase relating mostly to ore on leach pads and work in progress, both valued at cost. Cash and cash equivalents totalled EUR 24.3 million (31 December 2008: EUR 82.7 million) at the period end prior to receipt of the equity placing proceeds in July.

In equity and liabilities, the hedge reserve relating to nickel cash flow hedges decreased from EUR 72.3 million on 31 December 2008 to EUR 34.4 million on 30 June 2009 due to increase in the market price of nickel. Borrowings increased from EUR 368.2 million to EUR 421.7 million, with the change primarily reflecting draw down of the EUR 45 million investment and working capital loan from Finnvera Plc.

Total equity and liabilities as at 30 June 2009 amounted to EUR 824.6 million (31 December 2008: EUR 874.0 million).

## **Currency and commodity hedges and hedge accounting**

The Company entered into a currency hedging programme comprising USD forwards for seven quarters from Q2 2009 through Q4 2010. The hedged amount is EUR 175 million in total, with EUR 25 million maturing each quarter. The forwards were executed in April 2009 at EUR/USD rates ranging from 1.26 to 1.28.

In addition, the Company has outstanding currency option contracts which at the end of the period amounted to USD 112 million. The EUR/USD strike price of the option contracts is 1.60. The options will mature during the second half of 2009.

As at 30 June 2009, the Company had 14,743 tonnes of nickel and 36,108 tonnes of zinc forward swaps remaining of its commodity hedging programme executed in 2007 and 2008 and extending through 2011. The volume weighted average prices of the outstanding positions are USD 23,561 per tonne for nickel and USD 1,949 per tonne for zinc. Talvivaara applies hedge accounting to nickel hedges maturing in Q4 2009 – Q4 2011.

## **Financing**

During the period, Talvivaara drew down EUR 45 million of the investment and working capital loan granted by Finnvera Plc. The loan is now fully drawn down as the remaining EUR 5 million of Finnvera's total commitment of EUR 50 million is used for capitalisation of interest. The loan carries an interest of EURIBOR 6 months + 3.00% and is repaid over a five-year period of 2013 to 2018.

The Company drew down EUR 5.1 million of its term loan facility for the railroad construction during the first half of the year. Of the total committed facility of EUR 45 million, EUR 30.8 million had been drawn as at 30 June 2009.

The interest margin of Talvivaara's fully drawn project term loan of USD 320 million was increased, effective as of 16 April 2009, to 3.25% pre-completion and will fall to 3.00% post-completion. The economic completion that triggers the lower interest margin is expected to take place during 2010.

The Company received a EUR 5 million reimbursement from the Finnish Government for infrastructure investments relating to power supply and electrification. The subsidy was part of the overall decision by the Finnish Parliament in 2007 to grant EUR 52 million to support the construction of necessary infrastructure to the Talvivaara mine.

On 2 June 2009 the Company announced an equity placing of 22,280,000 shares to institutional investors, representing approximately 10 per cent of the existing issued share capital. The placing was successfully conducted through an accelerated book-building process and priced at EUR 3.70 (GBP 3.20) per share, raising gross proceeds of EUR 82.7 million (GBP 71.3 million). At the end of the reporting period, the completion of the share issue was subject to shareholder approval which was subsequently received at the Extraordinary General Meeting held on 6 July 2009.

## **Production summary**

Talvivaara produced its first saleable quantities of nickel and zinc sulphides in February 2009, followed by a second metals recovery campaign in May 2009. The production volumes remained substantially below budgeted levels, however, due to limited amounts of leach solution available for treatment. This was caused by technical problems in crushing, which in turn limited the amount of ore under leaching.

The mining department blasted 5.3 million tonnes of ore and excavated 1.8 million tonnes of waste during the first half of the year. The mining operations performed well, however not at full capacity due to the bottleneck in crushing.

Design flaws in the fine crushing circuit continued to cause significant downtime such that the overall capacity achieved Q1-Q2 2009 was limited to 4.0 million tonnes of ore, which was 53% of the previously budgeted amount. Temporary improvements in capacity were achieved as a result of a series of amendments, but production levels of the circuit could not be consistently improved. During Q2 2009 the

downtime was partly related to preparations for the installation of the expanded crushing circuit in August.

In order to secure sufficient capacity in the long term and to catch up on the already incurred crushing delay, the Company decided to redesign the entire system and to acquire additional crushing equipment with expected availability for use in September 2009. By the end of June 2009, construction of the new crushing plant, which is planned to increase the capacity from 15 million tonnes to approximately 22 million tonnes annually, was well on its way and a 2-3 week production stoppage for installation is being carried out during August.

The Company's primary crusher also experienced technical problems and performed at less than budgeted capacity during the period. Corrective action was taken during the second quarter, as soon as the capacity limitations became obvious. Problems in primary crushing are not a rate limiting factor for overall production, however, as contractor capacity is readily available.

Bioheapleaching proceeded according to plan with the existing heap supporting the metals recovery levels realised in the May production campaign. Heat generation in the heap has continued to be high, making temperature control through aeration and irrigation a critical task especially during the summer months.

The metals recovery process was in operation for most of the month of May, producing approximately 12-14 tonnes of nickel and 29-30 tonnes of zinc per day. The produced volumes correspond well to the size and average age of the heap at the time. The total nickel and zinc contents in the Q1-Q2 2009 production were 224 tonnes and 538 tonnes, respectively. The quality of the products was good and continued to improve throughout the production campaign with increasing experience of the metals recovery process.

At the end of Q2 2009, the Company estimates production ramp-up overall to be delayed approximately 5 months from the original ramp-up plan.

Due to the disproportionately high cost of materials handling relative to metals recovery during the first half of 2009, the unit cost of production during the period was not representative of the estimated production costs in steady state operation.

#### **Production summary 2008 - Q2 2009**

		Q2 2009	Q1 2009	Q1-Q2 2009	2008-09
<b>Mining</b>					
Blasted ore	million tonnes	2.4	2.9	5.3	8.3
Excavated waste	million tonnes	0.9	1.0	1.8	3.2
<b>Materials handling</b>					
Stacked ore	million tonnes	2.1	2.0	4.0	6.5
<b>Bioheapleaching</b>					
Ore in primary heap at end of period	million tonnes	6.5	4.4	6.5	6.5
<b>Metals recovery</b>					
Nickel sulphide production	dry metric tonnes	402	58	460	460
Nickel metal content	tonnes	198	26	224	224
Zinc sulphide production	dry metric tonnes	794	460	1,254	1,254
Zinc metal content	tonnes	538	168	706	706

## **Research and development**

Talvivaara continued active studies relating to manganese recovery from the leach solution. Other ongoing research and development projects related to optimisation of the bioheap leaching technology, chemical and biological iron removal from leach solution, and utilisation of gypsum residue.

## **Environment, health and safety**

The Company continued its environmental management and monitoring programme in accordance with the requirements set out in its Environmental Permit. Some temporarily decreased pH levels and increases in suspended solids and metal contents in downstream waters have been detected and such deviations have been reported to the environmental authorities. Any deviations have been followed by increased level of monitoring until all parameters have returned to permitted levels.

Dust emissions from the mining area have also occasionally exceeded permitted levels, primarily due to contractor fine crushing which was performed outdoors during the early part of 2009 to increase the overall crushing capacity. Since the discontinuation of contractor fine crushing at the end of March the dust emissions have substantially decreased, but the Company continues to focus on decreasing the dust levels further.

Talvivaara is in the process of preparing its environmental processes to meet the ISO 14001 environmental standard. Audit of the environmental system is targeted for Q4 2010.

No environmental compensations were paid during the reporting period. The environmental security placed for future rehabilitation of the area amounted to EUR 15.3 million on 30 June 2009. Of the total, EUR 9 million was covered by bank guarantees and guarantee insurance, and EUR 6.3 million was deposited in escrow accounts.

Occupational safety is one of Talvivaara's key focus areas. The safety record remained good during the reporting period with three relatively minor Lost Time Injuries (LTI's) reported among the Company's personnel in January 2009 and none since the start of the Work Group Safety Challenge in February 2009. The overall safety rating at the end of the period was 12 LTI's per million man hours.

## **Legal and permitting matters**

The name of the Company's operating subsidiary was changed from Talvivaara Project Ltd. to Talvivaara Sotkamo Ltd. The new company name was registered in the Finnish Trade Registry on 16 June 2009.

The appeal pending at the Supreme Administrative Court against the decision by the Ministry of Employment and Economy regarding the extension of the area covered by the existing mining license was cancelled in April. Thereby the extension of the mining license area became final and binding on 14 April 2009. Concurrently, the appeal against the compensations awarded in the land surveying and redemption proceedings pending at the Land Court of Rovaniemi was cancelled, making the compensation awards final and binding as of 16 April 2009.

## **Personnel**

Talvivaara employed an average of 268 employees during the first half of 2009 (Q1-Q2 2008: 133). At the end of June 2009 the number of employees was 276, while the corresponding number was 239 at the end of 2008 and 191 at the end of June 2008. Wages and salaries paid during the period totalled EUR 6.9 million (Q1-Q2 2008: EUR 3.5 million).

## **Shares and shareholders**

The issued share capital of the Company on 30 June 2009 was 222,896,718 and (assuming share issues in relation to the convertible bond of May 2008 and option scheme of 2007) the fully diluted issued share capital of the Company was 241,391,018. A further share issue occurred in July 2009, post the period end, and is referred to below.

As at 30 June 2009, the shareholders who held more than 5% of the shares and votes of the Company were Pekka Perä (25.6%), Varma Mutual Pension Insurance Company (8.6%), Norilsk Nickel Holdings Ltd. (5.5%) and Black Rock (5.1%).

Talvivaara obtained a secondary listing of its shares on the Helsinki Stock Exchange (Nasdaq OMX Helsinki Ltd) on 11 May 2009.

### **Risks and uncertainties**

Talvivaara carries out an ongoing process endorsed by the Board of Directors to identify risks, measure their impact against certain assumptions and implement the necessary proactive steps to manage these risks. Talvivaara's operations are affected by various risks common to the mining industry, such as risks relating to the development of Talvivaara's mineral deposits, and volatility of commodities prices and currency exchange ratios.

In the short term, Talvivaara's operational risks relate primarily to the installation and commissioning of the redesigned and expanded crushing circuit and the ramp-up schedule of the overall operations. Because of uncertainties relating to the materials handling processes, Talvivaara has previously withdrawn its production targets for the current year and is taking measures to secure 2010 production at the targeted level of approximately 30,000 tonnes of nickel.

The market price of nickel has recovered significantly over the past 3-4 months. In light of the available data particularly on industrial demand of nickel in the Western economies, the recent price increase may in the Company's view have exceeded the fundamental drivers and may not be sustainable in the short term. For the short and medium term, Talvivaara has executed significant hedges against low nickel and zinc prices. In the long term, Talvivaara believes its operations to also be profitable at substantially lower nickel prices than the present market prices of USD 19,000-20,000 per tonne.

Talvivaara's revenues are almost entirely in US dollars, whilst the majority of the Company's costs are incurred in Euro. Potential strengthening of the Euro against the US dollar could thus have a material adverse effect on the business and financial condition of the Company. Talvivaara's existing currency hedges have been executed to partly mitigate this through the end of 2010 and the Company anticipates hedging against currency exchange volatility also going forward.

### **Events after the reporting period**

#### Closing of the equity placing announced on 2 June 2009

An Extraordinary General Meeting of the Company Plc held on 6 July 2009 resolved to approve the proposal of the Board of Directors for a share issue of 22,280,000 new shares on a non pre-emptive basis. The new shares, which had been placed and allocated in an accelerated book-building process on 2 June 2009, were registered in the Finnish Trade Register on 7 July 2009 and dealings in the new shares on the London Stock Exchange's main market and on the official list of the Helsinki Stock Exchange commenced on 8 July 2009.

#### Production stoppage for installation of redesigned and expanded crushing circuit

The production stoppage affecting all production processes except bioheapleaching commenced on 12 August 2009 as planned. The installation work has since progressed on or ahead of schedule and re-start of all processes, including commissioning of the new crushing circuit, is expected in the beginning of September.

#### Continued modification of primary crusher

Additional modifications to the primary crusher have been made since end June 2009 and are anticipated to continue until mid Q4 2009 in order to get the capacity of the system up to the specified level. In the meantime, contractors are engaged to provide sufficient primary crushing capacity to meet the fine crushing capacity of the expanded circuit.

#### Capital expenditure related to capacity expansion

Critical long-lead items, notably additional hydrogen capacity and mining fleet, have been ordered after the closing of the equity placing and are expected to be delivered in time for the capacity expansion to proceed in the planned timetable.

#### Factoring of sales receivables

Talvivaara has entered into an agreement with a Finnish financial institution for the factoring of sales receivables from the Company's nickel and cobalt products.

#### **Short-term outlook**

Following the anticipated commissioning of the expanded crushing circuit and restart of all production processes in early September, Talvivaara expects to continue its production ramp-up targeted at eventually achieving up to 50,000 tonnes in annual nickel production in 2012. While production guidance for 2009 has been withdrawn as a result of technical issues in materials handling, the Company reiterates its production target of approximately 30,000 tonnes of nickel in 2010.

The Company does not anticipate its production plans to be affected by commodity prices. Following the successful closing of its equity placing in July, Talvivaara believes it has sufficient liquidity to cover the cost of capacity expansion, expected to be incurred mostly in 2009 and 2010.

#### **Change in financial reporting**

As a consequence of its secondary listing in Helsinki in May 2009, the Company is now required to issue financial reports quarterly. The quarterly report for Q3 2009 will be released on 11 November 2009.

## CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	Unaudited three months to 30 Jun 09	Unaudited three months to 30 Jun 08	Unaudited six months to 30 Jun 09	Unaudited six months to 30 Jun 08	Audited twelve months to 31 Dec 08
<b>Turnover</b>	1,652	-	1,778	-	-
Other operating income	6,296	4,310	25,553	9,166	29,810
Changes in inventories of finished goods and work in progress	17,795	-	32,077	-	24,006
Materials and services	(13,869)	(981)	(27,504)	(1,521)	(20,407)
Employee benefit expenses	(4,282)	(2,633)	(8,065)	(4,127)	(8,910)
Depreciation, amortization, depletion and impairment charges	(8,351)	(114)	(16,219)	(197)	(5,756)
Other operating expenses	(9,369)	(3,805)	(15,525)	(7,942)	(23,039)
<b>Operating profit (loss)</b>	<b>(10,128)</b>	<b>(3,223)</b>	<b>(7,905)</b>	<b>(4,621)</b>	<b>(4,296)</b>
Finance income	14,462	2,003	7,013	2,285	9,219
Finance cost	(7,201)	(1,409)	(13,797)	(2,115)	(12,956)
Finance cost (net)	7,261	594	(6,784)	170	(3,737)
<b>Loss before income tax</b>	<b>(2867)</b>	<b>(2,629)</b>	<b>(14,689)</b>	<b>(4,451)</b>	<b>(8,033)</b>
Income tax expense	507	(1,375)	3,491	(1,532)	13,865
<b>Profit (loss) for the period</b>	<b>(2,360)</b>	<b>(4,004)</b>	<b>(11,198)</b>	<b>(5,983)</b>	<b>5,832</b>
<b>Attributable to:</b>					
Equity holders of the Company	(1,943)	(2,552)	(9,105)	(3,962)	7,042
Minority interest	(417)	(1,452)	(2,093)	(2,021)	(1,210)
	<b>(2,360)</b>	<b>(4,004)</b>	<b>(11,198)</b>	<b>(5,983)</b>	<b>5,832</b>
<b>Earnings per share for profit (loss) attributable to the equity holders of the Company (expressed in € per share)</b>					
Basic and diluted	(0.01)	(0,01)	(0.04)	(0.02)	0.03

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 30 Jun 09	Unaudited three months to 30 Jun 08	Unaudited six months to 30 Jun 09	Unaudited six months to 30 Jun 08	Audited twelve months to 31 Dec 08
<b>Profit (loss) for the period</b>	<b>(2,360)</b>	<b>(4,004)</b>	<b>(11,198)</b>	<b>(5,983)</b>	<b>5,832</b>
<b>Other comprehensive income, items net of tax</b>					
Available-for-sale financial assets	-	(513)	-	(451)	(451)
Cash flow hedges	(54,573)	14,018	(47,367)	10,306	90,414
<b>Other comprehensive income, net of tax</b>	<b>(54,573)</b>	<b>13,505</b>	<b>(47,367)</b>	<b>9,855</b>	<b>89,963</b>
<b>Total comprehensive income</b>	<b>(56,933)</b>	<b>13,505</b>	<b>(58,565)</b>	<b>3,872</b>	<b>95,795</b>
<b>Attributable to:</b>					
Equity holders of the Company	(45,602)	8,150	(46,999)	3,832	78,922
Minority interest	(11,331)	1,351	(11,566)	40	16,873
	<b>(56,933)</b>	<b>9,501</b>	<b>(58,565)</b>	<b>3,872</b>	<b>95,795</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)

	Unaudited 30 Jun 09	Audited 31 Dec 08	Unaudited 30 Jun 08
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	590,486	552,459	301,585
Biological assets	6,503	8,152	8,354
Intangible assets	7,586	7,774	7,301
Derivative financial instruments	60,141	116,004	26,303
Other receivables	11,449	9,635	18,637
	676,165	694,024	362,180
<b>Current assets</b>			
Inventories	66,514	31,691	-
Trade receivables	1,823	-	-
Other receivables	13,978	24,721	20,441
Derivative financial instruments	41,875	40,805	3,741
Cash and cash equivalent	24,259	82,713	74,117
	148,449	179,930	98,299
<b>Total assets</b>	<b>824,614</b>	<b>873,954</b>	<b>460,479</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	80	80	80
Share premium	8,086	8,086	8,086
Other reserves	335,273	334,019	333,072
Hedge reserve	34,438	72,332	8,245
Retained earnings	(35,206)	(26,101)	(37,106)
	342,671	388,416	312,377
<b>Minority interest in equity</b>	23,904	35,470	18,630
<b>Total equity</b>	366,575	423,886	331,007
<b>Non-current liabilities</b>			
Borrowings	420,896	367,955	72,955
Trade payables	-	-	3
Other payables	-	-	-
Derivative financial instruments	2,801	1,985	912
Deferred tax liabilities	2,938	23,070	10,322
Provisions	959	944	9
	427,594	393,954	84 201
<b>Current liabilities</b>			
Borrowings	780	224	25
Trade payables	20,646	45,283	40,606
Other payables	7,587	8,294	4,545
Derivative financial instruments	1,432	2,279	61
Provisions	-	34	34
Current income tax liabilities	-	-	-
	30,445	56,114	45,271
<b>Total liabilities</b>	458,039	450,068	129,472
<b>Total equity and liabilities</b>	<b>824,614</b>	<b>873,954</b>	<b>460,479</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 30 Jun 09	Unaudited three months to 30 Jun 08	Unaudited six months to 30 Jun 09	Unaudited six months to 30 Jun 08	Audited twelve months to 31 Dec 08
<b>Cash flows from operating activities</b>					
Profit (loss) for the period	(2,360)	(4,004)	(11,198)	(5,983)	5,832
Adjustments for Tax	(507)	1,375	(3,491)	1,532	(13,865)
Depreciation and amortization	8351	114	16,219	197	5,756
Other non-cash income and expenses	1,187	(554)	2,724	1,508	4,780
Interest income	(14,462)	(2,003)	(7,013)	(2,285)	(9,219)
Fair value gains on financial assets at fair value through profit or loss	10,266	(2,255)	(8,190)	(4,601)	(24,796)
Interest expense	7,201	1,409	13,797	2,115	12,956
	9,676	(5,918)	14,046	(1,534)	(24,388)
Change in working capital					
Decrease(+)/increase(-) in other receivables	(11,640)	12,226	6,781	3,298	4,552
Decrease (+)/increase (-) in inventories	(20,934)	-	(34,718)	-	(30,661)
Decrease(-)/increase(+) in trade and other payables	3,926	15,505	(25,855)	16,516	23,773
Change in working capital	(28,648)	27,731	(53,792)	19,814	(2,336)
	(18,972)	21,813	(39,746)	18,280	(26,724)
Interest and other finance cost paid	(7,571)	(3,129)	(11,554)	(3,686)	(7,468)
Interest income	388	438	3,378	455	9,581
<b>Net cash used in operating activities</b>	(26,155)	19,122	(47,922)	15,049	(24,611)
<b>Cash flows from investing activities</b>					
Purchases of property, plant and equipment	(27,985)	(104,915)	(57,660)	(171,757)	(427,187)
Purchases of biological assets	-	-	(35)	(26)	(26)
Purchases of intangible assets	(35)	(97)	(42)	(1,119)	(1,873)
Proceeds from sale of property, plant and equipment	-	-	9	-	-
Proceeds from sale of intangible assets	49	-	49	-	-
Proceeds from sale of biological assets	-	127	-	127	707
Proceeds from government grant related to tangible assets	5,000	-	5,000	-	-
Proceeds from government grant related to intangible assets	-	-	13	-	203
Proceeds from sale of available for sale financial assets	-	26,356	-	26,356	26,356
Purchases of derivative financial instruments	-	-	-	(1,371)	(1,371)
Proceeds from sale of derivative financial instruments	-	661	-	1,440	-
Purchases of financial assets at fair value through profit or loss	-	-	-	-	1,440
<b>Net cash used in investing activities</b>	(22,971)	(77,868)	(52,666)	(146,350)	(401,751)
<b>Cash flows from financing activities</b>					
Proceeds from share issue net of transaction costs	-	-	-	-	-
Share premium	-	-	-	-	-
Proceeds from interest bearing liabilities	52,988	84,900	53,357	84,900	396,734
Payment of interest bearing liabilities	(25)	-	(25)	-	(20,000)
Capital investment by minority shareholders	-	-	-	-	8
<b>Net cash generated in financing activities</b>	52,988	84,900	53,332	84,900	376,742
<b>Net (decrease)/increase in cash and bank overdrafts</b>	3,837	26,154	(58,454)	(52,384)	(43,788)
Cash and bank overdrafts at beginning of the period	20,422	47,963	82,713	126,501	126,501
<b>Cash and bank overdrafts at end of the period</b>	24,259	74,117	24,259	74,117	98,299

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(all amounts in EUR '000)

	Share capital	Share premium	Invested unrestricted equity	Other reserves	Hedge reserve	Retained earnings	Total	Minority interest	Total equity
<b>Balance at 1 Jan 2008</b>	<b>16</b>	<b>8,086</b>	<b>320,671</b>	<b>1,106</b>	<b>-</b>	<b>(33,423)</b>	<b>296,456</b>	<b>18,591</b>	<b>315,047</b>
Total comprehensive income for 1-6/2008	-	-	-	(451)	8 245	(3,962)	3,832	39	3,871
Transfers within equity, change of the corporate form	64	-	(64)	-	-	-	-	-	-
Issue of new shares	-	-	-	-	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	-	-	-	-
- value of employee services	-	-	-	914	-	-	914	-	914
Convertible capital loan	-	-	-	-	-	-	-	-	-
- conversion into shares	-	-	-	-	-	-	-	-	-
Convertible bond	-	-	-	-	-	-	-	-	-
- conversion into shares	-	-	-	-	-	-	-	-	-
Convertible bond, equity component	-	-	-	10,896	-	-	10,896	-	10,896
Restatement to capital expenditure, which relates to previous year	-	-	-	-	-	278	278	-	278
Minority interest arising from subsidiary	-	-	-	-	-	1	1	-	1
<b>Balance at 30 June 2008</b>	<b>80</b>	<b>8,086</b>	<b>320,607</b>	<b>12,465</b>	<b>8,245</b>	<b>(37,106)</b>	<b>312,377</b>	<b>18,630</b>	<b>331,007</b>
<b>Balance at 31 Dec 2008</b>	<b>80</b>	<b>8 086</b>	<b>320 607</b>	<b>13 412</b>	<b>72 332</b>	<b>(26 101)</b>	<b>388 416</b>	<b>35 470</b>	<b>423 886</b>
<b>Balance at 1 Jan 2009</b>	<b>80</b>	<b>8,086</b>	<b>320,607</b>	<b>13,412</b>	<b>72,332</b>	<b>(26,101)</b>	<b>388,416</b>	<b>35,470</b>	<b>423,886</b>
Fair value changes net of tax on available- for-sale financial assets	-	-	-	-	-	-	-	-	-
Total comprehensive income for 1-6/ 2009	-	-	-	(37,894)	-	(9,105)	(46,999)	(11,566)	(58,565)
Transfers within equity, change of the corporate form	-	-	-	-	-	-	-	-	-
Convertible bond, equity component	-	-	-	-	-	-	-	-	-
Employee share option scheme	-	-	-	-	-	-	-	-	-
- value of employee services	-	-	-	1,254	-	-	1,254	-	1,254
Restatement to capital expenditure, which relates to last year	-	-	-	-	-	-	-	-	-
<b>Balance at 30 Jun 2009</b>	<b>80</b>	<b>8,086</b>	<b>320,607</b>	<b>14,666</b>	<b>34,438</b>	<b>(35,206)</b>	<b>342,671</b>	<b>23,904</b>	<b>366,575</b>

## NOTES

### 1. Basis of preparation

This Interim Consolidated Financial Statement has been prepared in compliance with IAS 34.

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 2008, added with the following changes.

#### Revenue recognition

Revenue is recognized, net of treatment charges, foreign exchange gains and losses resulting from the settlement and any applicable sales taxes, from a sale when evidence of an arrangement exists, the price is determinable, the product has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured. Most sales are being priced in US dollars and as delivered duty unpaid (d.d.u.).

A large proportion of Group production is sold under long term contracts, but sales revenue is only recognised on individual sales when persuasive evidence exists that all of the following criteria are met:

- all material risks and rewards of ownership have been transferred to the buyer;
- there is no continuing managerial involvement to the degree usually associated with ownership or effective control over goods sold;
- the amount of revenue can be measured reliably;
- the costs incurred or to be incurred in respect of the sale can be measured reliably; and
- the flow of future economic benefits is probable.

Most products are "provisionally priced", i.e. the sales price is subject to final adjustment at the end of a quotational period. The quotational period is a time frame during which the final sales price is determined. The principal risks associated with recognition of sales on a provisional basis include metal price fluctuations between the date initially recorded and the date of final settlement. If a significant decline in metal prices occurs between the provisional pricing date and the final settlement date, it is reasonably possible that the Group could be required to return a portion of the sales proceeds received based on the provisional invoice.

Sales are initially recorded based on 100% of the provisional sales prices. Until final settlement occurs, adjustments to the provisional sales prices are made to take into account the mark-to-market changes based on the forward prices for the estimated month of settlement. These adjustments are made at the end of a reporting period e.g. financial year or quarter. For this purpose, the selling price can be measured reliably for those products, for which there exists an active and freely traded commodity market such as the London Metals Exchange. The marking to market of provisionally priced sales contracts is recorded as an adjustment to sales revenue. For changes in metal quantities upon receipt of new information and assay, the provisional sales quantities are adjusted as well.

#### **Inventories**

(all amounts in EUR '000)

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 Jun 09</b>	<b>31 Dec 08</b>
Raw materials and consumables	8,353	6,655
Ore on leach pads	45,073	22,965
Work in progress	10,575	1,041
Finished products	435	-
Advance payments	2,078	1,030
<b>Inventories total</b>	<b>66,514</b>	<b>31,691</b>

## Derivative financial instruments

Fair values of the derivative financial instruments

Derivative financial instruments Fair values of the derivative financial instruments (all amounts in EUR '000)	Unaudited 30 Jun 09		Audited 31 Dec 08	
	Assets	Liabilities	Assets	Liabilities
Nickel forwards-cash flow hedges	69,899	-	135,355	-
Nickel forwards-held for trading	10,719	-	3,301	-
Zinc forwards-held for trading	8,181	-	18,153	-
Interest rate swaps-held for trading	-	2,801	-	2,279
Currency forwards-held for trading	13,217	209	-	-
Currency options-held for trading	-	1,223	-	1,985
<b>Total</b>	<b>102,016</b>	<b>4,233</b>	<b>156,809</b>	<b>4,264</b>

  

	Unaudited 30 Jun 09		Audited 31 Dec 08	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	102,016	4,233	156,809	4,264
<b>Total</b>	<b>102,016</b>	<b>4,233</b>	<b>156,809</b>	<b>4,264</b>

  

Less non-current portion				
Nickel forwards -cash flow hedges	48,904	-	101,797	-
Nickel forwards-held for trading	-	-	-	-
Zinc forwards-held for trading	4,856	-	14,207	-
Interest rate swaps-held for trading	-	2,801	-	1,985
Currency forwards-held for trading	6,381	-	-	-
Currency options-held for trading	-	-	-	-
<b>Current portion</b>	<b>41,875</b>	<b>1,432</b>	<b>40,805</b>	<b>2,279</b>

## Quantities of the derivative financial instruments

	Unaudited 30 Jun 09			Audited 31 Dec 08		
	Current	Non-current	Total	Current	Non-current	Total
Nickel forwards – cash flow hedges, in tonnes	2,451	9,989	12,440	3,429	12,128	15,557
Nickel forwards – held for trading, in tonnes	2,303	-	2,303	404	-	404
Zinc forwards - held for trading, in tonnes	12,486	23,622	36,108	7,458	30,559	38,017
Interest rate swaps – held for trading, in EUR	-	36,636,000	36,636,000	-	36,636,000	36,636,000
Currency forwards – held for trading, in GBP	51,800,000	-	51,800,000	-	-	-
Currency forwards – held for trading, in USD	127,375,000	64,062,500	191,437,500	-	-	-
Currency options – held for trading, in USD	112,000,000	-	112,000,000	209,800,000	-	209,800,000

**Borrowings**

(all amounts in EUR '000)

	Carrying amount		Fair value	
	Unaudited 30 Jun 09	Audited 31 Dec 08	Unaudited 30 Jun 09	Audited 31 Dec 08
<b>Non-current</b>				
Capital loans	1,405	1,405	1,405	1,405
Project Term Loan Facility	226,404	229,935	226,404	229,935
Senior Unsecured Convertible Bonds	74,149	72,842	74,149	72,842
Railway Term Loan Facility	30,323	25,461	30,323	25,461
Working capital loan	44,372	-	44,372	-
Finance lease liabilities	4,829	1,694	4,829	1,694
Interest Subsidy Loans	4,184	4,182	4,184	4,182
Other	35,229	32,436	35,229	32,436
	<b>420,895</b>	<b>367,955</b>	<b>420,895</b>	<b>367,955</b>
<b>Current</b>				
Finance lease liabilities	781	199	781	199
Other	-	25	-	25
	<b>781</b>	<b>224</b>	<b>781</b>	<b>224</b>
<b>Total borrowings</b>	<b>421,676</b>	<b>368,179</b>	<b>421,676</b>	<b>368,179</b>

## KEY FIGURES

		Three months	Three months	Six months	Six months	Twelve months
		30 Jun 09	30 Jun 08	30 Jun 09	30 Jun 08	31 Dec 08
Operating profit (loss)	EUR '000	(10,128)	(3,223)	(7,905)	(4,621)	(4,296)
Return on equity		(0.6 %)	(1.3 %)	(2.8 %)	(1.9 %)	1.6 %
Equity-to assets ratio		44%	72%	44 %	72 %	49 %
Net interest bearing debt	EUR '000	397,417	(21,602)	397,417	(21,602)	285,467
Debt-to equity ratio		108.4%	(6.5%)	108.4%	(6.5%)	67.3%
Capital expenditure	EUR '000	28,020	105,012	57,737	172,902	429,086
Research & development expenditure	EUR '000	0	0	0	62	181
Property, plant and equipment	EUR '000	590,486	301,585	590,486	301,585	552,458
Derivative financial instruments	EUR '000	97,783	29,071	97,783	29,071	152,545
Borrowings	EUR '000	421,676	72,930	421,676	72,930	368,179
Cash and cash equivalents at the end of the period	EUR '000	24,259	74,117	24,259	74,117	82,713
Share- related key figures		Three months	Three months	Six months	Six months	Twelve months
		30 Jun 09	to 30 Jun 09	to 30 Jun 09	to 30 Jun 08	to 31 Dec 08
Earnings per share	EUR	(0.01)	(0.01)	(0.04)	(0.02)	0.03
Equity per share	EUR	1.54	1.40	1.54	1.40	1.74
Development of share price at London Stock Exchange						
Average trading price <sup>1</sup>	EUR	3.36	5.05	3.01	4.69	3.64
	GBP	2.95	4.01	2.69	3.64	2.90
Lowest trading price <sup>1</sup>	EUR	2.26	4.66	1.44	3.61	1.22
	GBP	1.99	3.70	1.29	2.80	0.98
Highest trading price <sup>1</sup>	EUR	4.69	5.66	4.61	5.79	5.64
	GBP	4.12	4.49	4.12	4.49	4.49
Trading price at the end of the period <sup>2</sup>	EUR	3.99	4.66	3.99	4.66	1.25
	GBP	3.40	3.70	3.40	3.70	1.19
Change during the period		56.5 %	(2,8 %)	185.7 %	23.2 %	(60.3 %)
Market capitalization at the end of the period <sup>3</sup>	EUR '000	889,390	1,039,575	889,390	1,039,575	278,475
	GBP '000	757,849	823,603	757,849	823,603	265,247
Development in trading volume						
Trading volume	1000 shares	65,151	21,131	83,504	38,769	84,780
In relation to weighted average number of shares		29.2 %	9.5 %	37.5 %	17.4 %	38.0 %
Development of share price at OMX Helsinki						
Average trading price	EUR	3.97		3.97		
Lowest trading price	EUR	3.05		3.05		
Highest trading price	EUR	4.85		4.85		
Trading price at the end of the period	EUR	4.05		4.05		
Change during the period		0.29		29.4 %		
Market capitalization at the end of the period	EUR '000	902,732		902,732		
Development n trading volume						
Trading vlume	1000 shares	41,398		41,398		
In relation to weighted average number of shares		18.6 %		18.6 %		
Adjusted average number of shares		222,896,718	222,896,718	222,896,718	222,896,718	222,896,718
Number of shares at the end of the period		222,896,718	222,896,718	222,896,718	222,896,718	222,896,718

- 1) Trading price is calculated on the average of EUR/GBP exchange rates published by the European Central Bank during the period
- 2) Trading price is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period
- 3) Market capitalization is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period

### Employee-related key figures

	Three months to 30 Jun 09	Three months to 30 Jun 08	Six months to 30 Jun 09	Six months to 30 Jun 08	Twelve months to 31 Dec 08
EUR '000					
Wages and salaries	3,581	2,200	6,850	3,525	5,756
Average number of employees	272	165	268	133	178
Number of employees at the end of the period	276	191	276	191	239

Other figures	Three months to 30 Jun 09	Three months to 30 Jun 08	Six months to 30 Jun 09	Six months to 30 Jun 08	Twelve months to 31 Dec 08
Share options outstanding at the end of the period	4,442,500	2,285,000	4,442,500	2,285,000	4,442,500
Number of shares to be issued against the outstanding share options	4,442,500	2,285,000	4,442,500	2,285,000	4,442,500
Rights to vote of shares to be issued against the outstanding share options	2.0 %	1.0 %	2.0 %	1.0 %	2.0 %

### Key financial figures of the Group

Return on equity	$\frac{\text{Profit (loss) for the period}}{(\text{Total equity at the beginning of period} + \text{Total equity at the end of period})/2}$
Equity-to-assets ratio	$\frac{\text{Total equity}}{\text{Total assets}}$
Net interest-bearing debt	Interest-bearing debt - Cash and cash equivalent
Debt-to-equity ratio	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$

### Share-related key figures

Earnings per share	$\frac{\text{Profit (loss) attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Equity per share	$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Market capitalization at the end of the period	Number of shares at the end of the period * trading price at the end of the period