



TALVIVAARA MINING COMPANY PLC
INTERIM REPORT
JANUARY - SEPTEMBER 2010

Interim Report
10 November 2010

Talvivaara Mining Company Interim Report for January - September 2010

Q3 2010 highlights

- Nickel production 3,211t, up 18% from Q2 2010
- Zinc production 7,557t, up 36% from Q2 2010
- Significant improvement in net sales to EUR 45.1 million and in operating profit to EUR 10.9 million
- First net profit since production commenced: EUR 25.4 million

Q1-Q3 2010 highlights

- Nickel and zinc production 6,550t and 16,092t, respectively
- Net sales EUR 91.9 million, operating profit EUR 11.1 million
- EUR 100 million corporate revolving credit facility signed in June; EUR 40 million drawn
- Zinc streaming agreement with Nyrstar NV for 1.25mt of zinc in concentrate completed in February
- Net debt significantly reduced through repayment of USD 320m project loan facility in February using the USD 335m pre-payment received from Nyrstar
- Permit application to extract uranium as a by-product lodged in April; Environmental Impact Assessment relating to uranium recovery ongoing

Highlights after the reporting period

- 54% upgrade in total mineral resources to 1,550mt; 3.4mt contained nickel and 7.6mt of contained zinc
- Talvivaara assesses options for production capacity expansion

Production guidance

Talvivaara anticipates its full year 2010 nickel and zinc production to amount to 11,000-13,000t and 28,000-30,000t, respectively. The Company continues to expect the annualized production rate of nickel to reach 30,000t before the year end and the full scale production target of 50,000t per annum to be achievable in 2012.

Key figures

EUR million	Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Q1-Q4 2009
Net sales	45.1	0.8	91.9	2.6	7.6
Operating profit (loss)	10.9	(15.3)	11.1	(23.2)	(54.8)
Profit (loss) for the period	25.4	(10.7)	(8.3)	(21.9)	(55.0)
Earnings per share, EUR	0.08	(0.04)	(0.04)	(0.08)	(0.19)
Equity-to-assets ratio	39.9%	47.8%	39.9%	47.8%	43.5%
Net interest bearing debt	263.4	354.1	263.4	354.1	426.2
Debt-to-equity ratio	67.0%	84.2%	67.0%	84.2%	111.4%
Capital expenditure	36.9	24.3	92.2	82.1	118.5
Cash and cash equivalents at the end of the period	6.0	68.6	6.0	68.6	11.9
Number of employees at the end of the period	370	283	370	283	308

CEO Pekka Perä:

“Our production ramp-up continued making progress during the third quarter despite the technical challenges we encountered while commissioning the second production line at the metals recovery plant. Looking to the fourth quarter output, we are now glad to see all processes working well at the mine, and we remain confident that we will achieve our targeted 30,000tpa annualised production rate of nickel by the year end.

We are pleased to be reporting good Q3 financial results, not least our movement into net profit, supported by stronger nickel prices. We expect nickel to remain around its recent level for the remainder of the year, although some volatility related to the US dollar and macro-economic drivers is likely to be seen.

Our recent 54% upgrade in resources at the mine confirms Talvivaara’s tremendous potential as a world class asset. With a longer term perspective we are currently considering how to optimise Talvivaara’s organic growth beyond the 50,000t annual nickel production target.”

Webcast and conference call on 10 November 2010 at 11:00 am UK / 1:00 pm Finland

A combined webcast and conference call on the interim report for January-September 2010 will be held at 11:00 am UK / 1:00 pm Finland on 10 November 2010. The webcast can be accessed through the following link:

http://qsb.webcast.fi/t/talvivaara/talvivaara_2010_1110_q3/

Event title: Talvivaara Mining Company Plc Interim Report January - September 2010

Details for the conference call:

Conference ID: 880360
US participants: +1 334 323 6201
UK participants: +44 (0)20 7162 0025
Finnish participants: +358 (0)9 2313 9201

Further details on the event can be found on the Talvivaara website, www.talvivaara.com. The webcast will also be available for viewing afterwards on the Talvivaara website and through the above link.

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Financial review

Q3 2010 (July-September)

Net sales and financial result

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the three months ended 30 September 2010 amounted to EUR 45.1 million (Q3 2009: EUR 0.8 million). The net sales increased by 28% compared to Q2 2010.

Operating profit for Q3 2010 was EUR 10.9 million (Q3 2009: loss of EUR 15.3 million). Profit for the period amounted to EUR 25.4 million (Q3 2009: loss of EUR 10.7 million).

Balance sheet and financing

Capital expenditure during the quarter totalled EUR 36.9 million (Q3 2009: EUR 24.3 million). The expenditure related primarily to earth works at the secondary heap foundations, installation of the second production line at the metals recovery plant, and to the secondary heap stacker and conveyors.

Talvivaara drew down EUR 40 million of the EUR 100 million three-year revolving multicurrency credit facility signed in June 2010. The Company also drew down the EUR 10 million investment and working capital loan signed with Finnvera Plc in June.

Q1-Q3 2010 (January-September)

Net sales and financial result

Talvivaara's net sales during the nine months ended 30 September 2010 amounted to EUR 91.9 million (Q1-Q3 2009: EUR 2.6 million). 5,614 tonnes of nickel, 14,610 tonnes of zinc, and approximately 47 tonnes of cobalt were sold during the period.

The Group's other operating income amounted to EUR 17.2 million (Q1-Q3 2009: EUR 37.2 million) and came mainly from fair value gains on biological assets (trees) and realised gains on nickel and zinc forwards.

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (14.4) million (Q1-Q3 2009: EUR (11.6) million). The increase was attributable to the increased number of personnel.

Other operating expenses amounted to EUR (30.2) million (Q1-Q3 2009: EUR (32.6) million) and included realised losses of EUR (4.0) million on interest rate swaps and USD forwards as well as energy and maintenance costs. Operating profit amounted to EUR 11.1 million (Q1-Q3 2009: loss of EUR 23.2 million).

Finance income for the nine month period was EUR 6.9 million (Q1-Q3 2009: EUR 15.0 million) and consisted mainly of exchange rate gains of EUR 6.8 million. Finance costs of EUR (29.0) million (Q1-Q3 2009: EUR (21.8) million) were caused by exchange rate losses of EUR (16.3) million on the USD 320 million Project Term Loan Facility and on the USD 335 million Nyrstar advance payment as well as interests of EUR (12.3) million on borrowings.

The Company's loss for the period amounted to EUR (8.3) million (Q1-Q3 2009: EUR (21.9) million). The total comprehensive income for the first nine months of 2010 was EUR (16.9) million (Q1-Q3 2009: EUR (85.8) million), including a reduction in hedge reserves resulting from the occurrence of the hedged sales.

Balance sheet

Capital expenditure during the first nine months of 2010 totalled EUR 92.2 million (Q1-Q3 2009: EUR 82.1 million). The expenditure related primarily to the construction of secondary heap foundations, installation of the second production line at the metals recovery plant, and to the secondary heap stacker and conveyors.

On the consolidated statement of financial position as at 30 September 2010, property, plant and equipment totalled EUR 687.2 million (31 December 2009: EUR 644.4 million).

During 2008-2009, Talvivaara Infrastructure Oy constructed a new railway connecting the mine site with the national railway grid. As of 30 June 2010, the railway has been classified to assets held for sale. Property, plant and equipment was reduced by EUR 39.4 million due to the reclassification.

In the Group's assets, inventories amounted to EUR 160.4 million on 30 September 2010 (31 December 2009: EUR 109.5 million). Trade receivables came to EUR 33.7 million (31 December 2009: EUR 3.9 million). Cash and cash equivalents totalled EUR 6.0 million (31 December 2009: EUR 11.9 million).

In equity and liabilities, the total equity amounted to EUR 393.0 million on 30 September 2010 (31 December 2009: EUR 382.6 million), including approximately EUR 25 million from a perpetual capital loan. A total of 140,000 new shares were subscribed and paid for during the first nine months of 2010 under the company's stock option rights 2007A and the entire subscription price of EUR 0.4 million was recognized in equity.

Borrowings decreased from EUR 438.1 million on 31 December 2009 to EUR 269.4 million on 30 September 2010, reflecting the repayment of a USD 320 million Project Term Loan Facility in February, and of a EUR 5 million convertible loan from Outokumpu Mining Ltd in August 2010. Talvivaara received a total of EUR 263 million in advance payments during the period, comprising USD 335 million for the Zinc in Concentrate Streaming Agreement with Nyrstar NV, and EUR 20 million paid by the Finnish State as an advance payment for the redemption of the Talvivaara-Murtomäki railway. In short-term liabilities, accounts payable amounted to EUR 31.4 million (31 December 2009: EUR 29.7 million) and other payables amounted to EUR 21.9 million (31 December 2009: EUR 9.9 million). Other payables included a factoring debt of EUR 13.7 million relating to nickel and cobalt sales to Norilsk Nickel.

The nickel, zinc and USD forwards held by Talvivaara were closed in Q1 2010 and as at 30 September 2010 the Company's derivative financial instruments consisted of interest rate swaps, which were valued at EUR (2.4) million (derivative financial assets on 31 December 2009: EUR 33.1 million).

Total equity and liabilities as at 30 September 2010 amounted to EUR 984.0 million (31 December 2009: EUR 879.0 million).

Financing

On 30 June 2010, Talvivaara signed a EUR 100 million three-year revolving multicurrency credit facility with Nordea Bank, Handelsbanken and Sampo Bank. The facility has a margin of 300 bps until 31 December 2010 and thereafter a varying margin of 175-300 bps depending on the Company's leverage ratio. The facility is intended for general corporate purposes. As at 30 September 2010, Talvivaara had drawn down EUR 40 million of the facility.

In June, Talvivaara also signed a EUR 10 million investment and working capital facility with Finnvera Plc with an eight-year maturity and a margin of 4.1%. As at 30 September 2010, Talvivaara had fully drawn down the facility.

In June, the Finnish Government paid the first 50% instalment towards the EUR 40 million (0% VAT) reimbursement granted for the Talvivaara-Murtomäki railroad. The instalment was used in its entirety to partially repay the EUR 41.0 million loan facility drawn down by Talvivaara Infrastructure Oy to finance the construction of the railroad.

In February 2010, Talvivaara completed a Zinc in Concentrate Streaming Agreement with Nyrstar NV. For the agreement, Nyrstar paid a USD 335 million advance payment, the majority of which was used to completely pre-pay the USD 320 million Project Term Loan Facility.

In February 2010, Talvivaara also drew down a EUR 25 million perpetual capital loan, which is recognized in equity according to IFRS. A convertible loan of EUR 5 million was drawn down from Outokumpu Mining Ltd in February and repaid in full in August 2010.

Currency and commodity hedges and hedge accounting

In connection with the repayment of the USD 320 million Project Term Loan Facility in February 2010, the Group closed all of its commodity and foreign exchange risk hedging positions realising net proceeds of EUR 46.0 million. Cash flows from operating activities were positive due to the closing of the hedges.

Commercial arrangements

In addition to its financing component, Talvivaara's agreement with Nyrstar also formed a significant commercial arrangement between the parties. The key commercial terms of the Nyrstar agreement included Talvivaara's obligation to deliver all of its zinc in concentrate production to Nyrstar until a total of 1,250,000 metric tonnes has been delivered (equivalent to approximately 2 million tonnes of zinc concentrate at a grade of 65%). Based on Talvivaara's production plans, the deliveries are expected to occur over a period of 10-15 years. Deliveries commenced in March 2010.

In addition to the USD 335 million advance payment, Nyrstar pays Talvivaara an extraction and processing fee of EUR 350 per tonne of zinc in concentrate delivered (with escalators in relation to prices of elemental sulphur and propane). The Parties have also agreed the following price participation:

- until the later of the seventh anniversary of the agreement or delivery of 600,000 tonnes of zinc in concentrate, Nyrstar will pay to Talvivaara 10% of the LME zinc price exceeding USD 2,500 per tonne (up to USD 3,000 per tonne), and 30% of the LME zinc price exceeding USD 3,000 per tonne; and
- thereafter, Nyrstar will pay to Talvivaara 30% of the excess of the LME zinc price above the processing fee of EUR 350 per tonne of zinc in concentrate.

Nyrstar has also agreed to supply to Talvivaara up to 150,000 tonnes of sulphuric acid per annum for use in Talvivaara's leaching process during the period of supply of the zinc in concentrate.

Production review

New quarterly production records were again set in the third quarter with contained metal output amounting to 3,211t of nickel and 7,557t of zinc. These figures were 18% and 36%, respectively, up from the previous quarter. In the first nine months of the year, nickel production amounted to 6,550t (Q1-Q3 2009: 101t) and zinc production to 16,092t (Q1-Q3 2009: 820t).

The mining department increased its total output compared to all earlier periods, but concentrated more on waste mining in order to provide sufficient material for levelling the ground for the secondary heap foundations. The third quarter ore mining amounted to 3.4 Mt (Q3 2009: 2.0 Mt) and waste mining to 5.8 Mt (Q3 2009: 1.0 Mt). For the nine months from January to September the corresponding figures were 10.0 Mt of ore (Q1-Q3 2009: 7.3 Mt) and 12.3 Mt of waste rock (Q1-Q3 2009: 2.9 Mt).

In materials handling, the amount of crushed and stacked ore in the third quarter was 3.4 Mt (Q3 2009: 1.4 Mt). This is slightly less than the previous quarter's output of 3.7 Mt, reflecting the emphasis on waste mining during the summer months as well as a two-week maintenance stoppage at the primary crusher. The amount of ore crushed and stacked during the first nine months of the year was first 10.4 Mt (Q1-Q3 2009: 5.5 Mt).

Bioheapleaching progressed according to expectations during the third quarter. Heap section 2 continued to provide most of the leach solution treated at the metals recovery plant. Heap section 3 was completed in early June and taken into production in July. Nickel grades in solution from this section improved rapidly after the stacking had been completed, exceeding 2.6 g/l in September. Stacking of heap section 4 commenced in June and continued throughout the third quarter, with targeted completion in early Q4 2010. Leaching performance from the fourth section has been very promising.

Construction of the secondary heap foundations continued throughout the third quarter, but sections of the area were already completed during the summer. This allowed secondary leaching to commence in small scale in August, when reclaiming and re-stacking of ore from heap section 1 started using dump trucks. By the end of September, early signs from secondary leaching had proven positive, indicating that the back-precipitated metals from the first heap section are leaching well.

A major milestone was achieved in metals recovery with the commissioning of the second production line in June. With experience gained from operating the first line, many of the technical issues that had affected the start-up of the first line had been fixed for the second one, making its commissioning relatively uneventful. However, the second hydrogen sulphide generator suffered from installation faults, which during the early part of the third quarter resulted in insufficient output and later in down time during repairs. By the end of Q3 2010, both production lines were operating at capacities planned for the corresponding stage of ramp-up.

Installation of additional gas scrubbing capacity continued during the third quarter in order to overcome any remaining issues with the hydrogen sulphide odour. In particular, the aim was to build sufficient buffer into the system such that also occasional higher discharge levels could be satisfactorily handled.

Operating expenses during the nine months from January through September 2010 were materially in line with expectations.

Production key figures

		Q3 2010	Q3 2009	Q1-Q3 2010	Q1-Q3 2009	Q1-Q4 2009
Mining						
Blasted ore	Mt	3.4	2.0	10.0	7.3	10.8
Excavated waste	Mt	5.8	1.0	12.3	2.9	4.3
Materials handling						
Stacked ore	Mt	3.4	1.4	10.4	5.5	8.5
Bioheapleaching						
Ore in primary heap	Mt	21.4	8.0	21.4	8.0	11.0
Metals recovery						
Nickel metal content	tonnes	3,211	101	6,550	325	735
Zinc metal content	tonnes	7,557	114	16,092	820	3,133

Permitting and planning processes ongoing for the extraction of uranium as a by-product

In February, Talvivaara announced its intention to initiate the recovery and exploitation of uranium as a by-product. The Company plans to recover uranium in the form of a uranium intermediate, yellow cake, from its main leaching process by using a safe and technically simple solvent extraction process which is widely applied to metals recovery.

On 20 April 2010, Talvivaara Sotkamo Ltd lodged an application in accordance with the Nuclear Energy Act to the Ministry of Employment and Economy for the extraction of uranium as a by-product. The Environmental Impact Assessment relating to the uranium extraction process also commenced at the mine site during the second quarter.

The detailed design of the solvent extraction plant needed for uranium recovery progressed during the third quarter. As a result of some alterations made to the process and the planned location of the extraction unit, the estimated capital expenditure relating to the project has risen to EUR 40-50 million. Annual production costs are estimated at approximately EUR 2 million and the annual production volume at approximately 350 tonnes.

Commercial negotiations relating to potential cooperation for the uranium production and sales continued during the third quarter with leading companies in the industry. The financing and operating model for the uranium business will be determined based on agreement with the eventual partner.

Environment, health and safety

Safety among the Talvivaara personnel remained good during the third quarter with only one relatively minor Lost Time Injury (LTI) suffered. The number of LTI's during the first nine months of the year was five. The LTI frequency at the end of September was 11.5 accidents per million hours worked year to date and 12.5 during the last 12 months.

Planning and implementation of the ISO 14001 Environmental Management System continued during the third quarter with the target of having the system audited by the end of 2010.

Talvivaara commenced research work relating to the Global Reporting Initiative, GRI, as part of its quest to improve its sustainability reporting. The Company also participated in the Carbon Disclosure Project.

Personnel

The number of personnel on 30 September 2010 was 370 (Q3 2009: 283), up by 62 from 308 at the end of 2009, but down by 12 from 382 on 30 June 2010. The recent reduction in the number of employees reflected the termination of over 30 summer trainee contracts towards the end of the third quarter, indicating that the underlying number of permanent workforce continued to increase. The average number of employees during the first nine months of 2010 was 356 (Q1-Q3 2009: 266).

Wages and salaries paid during the first nine months of the year totalled EUR 12.2 million (Q1-Q3 2009: EUR 9.9 million).

Eeva Ruokonen, MSc(Mining), Lic.Tech.(Mineral Processing) was appointed Chief Sustainability Officer and member of the Company's Executive Committee from the beginning of February 2010.

Annual General Meeting

Talvivaara held its Annual General Meeting on 15 April 2010. The resolutions of the AGM included:

- that the number of Board members be changed to eight and that Mr. Gordon Edward Haslam, Mr. D. Graham Titcombe, Ms. Eileen Carr, Mr. Eero Niiva, Ms. Saira Miettinen-Lähde, and Mr. Pekka Perä be re-appointed as directors of the Company, and that Mr. Roland Junck and Mr. Tapani Järvinen be appointed as new directors of the Company;
- that article 5 of the Company's articles of association be amended to provide for a retirement of all the members of the Board of Directors at each Annual General Meeting of Shareholders;
- that article 12 of the Company's articles of association be amended so that the shareholders are convened to the Annual or Extraordinary Shareholders' Meeting by a notice sent at the earliest three (3) months and at the latest twenty-one (21) days before the meeting, however, at the minimum nine (9) days before the record date of the Shareholder's Meeting. Further, to be allowed to take part in a Shareholders' Meeting a shareholder must register with the Company at the latest by the date mentioned in the notice convening the meeting and which date may not be earlier than ten (10) days before the Shareholders' Meeting; and
- that the Board of Directors be authorised to decide on repurchasing a maximum of 10,000,000 of the Company's own shares through public trading, and to decide on conveying a maximum of 10,000,000 of the Company's own shares, each in deviation of the pre-emptive rights of shareholders.

Risks and uncertainties

In line with current corporate governance guidelines on risk management, 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, estimates of reserves and resources, infrastructure risks, and volatility of commodity prices. There are also risks related to currency exchange ratios, management and control systems, historical losses and uncertainties about the future profitability of Talvivaara, dependence on

key personnel, effect of laws, governmental regulations and related costs, environmental hazards, and risks related to Talvivaara's mining concessions and permits.

In the short term, Talvivaara's key operational risks relate to the ongoing ramp-up of operations. While the Company has demonstrated that all of its production processes work and can be operated on an industrial scale, the rate of ramp-up is still subject to risk factors, including various technical and operational risks, that may currently be unknown or are beyond the Company's control. In order to better mitigate operational risks going forward, Talvivaara has commenced a production dependability programme, which targets at reducing downtime and risk of accidents through detailed evaluation of all equipment and processes and subsequent improvement of operating procedures and maintenance.

The market price of nickel is, together with production volumes, the main determinant of Talvivaara's revenues. The volatility of nickel price has historically been high and it is in the Company's view likely that the volatility will continue also in the future. Talvivaara is, since February 2010, unhedged against variations in metal prices, which means that nickel price volatility will have a substantial effect on the Company's revenues and result. Full or substantially full exposure to nickel prices is in line with Talvivaara's strategy and supported by the Company's view that it can operate the Talvivaara mine profitably also during the lows of commodity price cycles.

Talvivaara's revenues are determined mostly 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. As at 30 September 2010, Talvivaara was unhedged against the currency exchange risk relating to the US dollar.

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 September 2010 was 245,316,718. Including the effect of the convertible bond of 14 May 2008 and the Option Scheme of 2007, the authorised full number of shares of the Company amounted to 263,669,291 at the end of the period.

The share subscription period for stock options 2007A commenced on 1 April 2010 and ends on 31 March 2012. By 30 September 2010 a total of 140,000 Talvivaara Mining Company Plc's new shares had been subscribed and paid for under the stock option rights 2007A. The entire subscription price of EUR 363,832 was entered into the invested unrestricted equity reserve. A total of 2,193,100 stock option rights 2007A remain unexercised.

As at 30 September 2010, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.3 %), Varma Mutual Pension Insurance Company (8.6%), and BlackRock Investment Management Ltd (6.2%).

Events after the review period

Significant increase in Talvivaara mineral resources

On 27 October 2010, Talvivaara announced a 54% upgrade to 1,550t in the mineral resources in the Kuusilampi and Kolmisoppi orebodies in Sotkamo, Finland. Measured and indicated resources, as defined by the JORC code, increased by 75% to 1,121mt. The new resources contain 3.4mt of nickel and 7.6mt of zinc.

Following the substantial upgrade in mineral resources, Talvivaara is currently evaluating options for growth through a further expansion of production capacity at the mine. The Company anticipates providing further information on the results and conclusions of the evaluation over the coming months.

Commissioning of the secondary stacking system

Commissioning of the secondary stacker that piles ore to the secondary heap started in October, as planned. Trial runs with ore have been successfully completed and production with the system is anticipated to commence during the week of 8 November 2010.

Commissioning of the second hydrogen plant

The second hydrogen plant, which allows the metals recovery plant to be operated at full capacity, was connected during the first week of November. The hydrogen plant is expected to reach full operational status during the current month.

Short-term outlook

Talvivaara anticipates its production ramp-up to continue during the fourth quarter and the full year production to reach 11,000-13,000t of nickel and 28,000-30,000t zinc.

The average daily nickel production currently exceeds 50t and further uplifts in production are expected in the coming weeks as a result of section four of the primary heap coming on stream and the second hydrogen plant being commissioned. It is also anticipated that some metals can be recovered from secondary leaching in December. The Company therefore continues to anticipate its annualised production rate of nickel to reach 30,000t and its cash flow to turn positive by the year end.

The market outlook for nickel remains mixed in the short term, affected by US dollar movements and macroeconomic drivers. The recent US dollar weakness has supported the nickel price and the Company expects this trend to continue into 2011. Negative price pressure may however result from growing LME nickel stocks and sales of nickel out of China, indicating lagging demand. Whilst the signals are mixed and surprises in either direction are possible, Talvivaara anticipates nickel to remain around its recent trading range of 20,000-25,000 USD/t in the near future.

Espoo 10 November 2010

Talvivaara Mining Company Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

	Unaudited three months to 30 Sep 10	Unaudited three months to 30 Sep 09	Unaudited nine months to 30 Sep 10	Unaudited nine months to 30 Sep 09	Audited twelve months to 31 Dec 09
(all amounts in EUR '000)					
Net sales	45,091	826	91,945	2,604	7,571
Other operating income	532	11,599	17,243	37,152	43,118
Changes in inventories of finished goods and work in progress	20,938	15,100	53,097	47,177	75,587
Materials and services	(26,915)	(12,763)	(68,284)	(40,267)	(65,156)
Personnel expenses	(4,590)	(3,566)	(14,446)	(11,631)	(17,695)
Depreciation, amortization, depletion and impairment charges	(13,159)	(9,458)	(38,191)	(25,677)	(37,061)
Other operating expenses	(10,966)	(17,041)	(30,234)	(32,566)	(61,140)
Operating profit (loss)	10,931	(15,303)	11,130	(23,208)	(54,776)
Finance income	29,365	8,026	6,892	15,039	11,526
Finance cost	(6,065)	(8,037)	(29,044)	(21,834)	(31,835)
Finance cost (net)	23,300	(11)	(22,152)	(6,795)	(20,309)
Profit (loss) before income tax	34,231	(15,314)	(11,022)	(30,003)	(75,085)
Income tax expense	(8,874)	4,565	2,679	8,056	20,127
Profit (loss) for the period	25,357	(10,749)	(8,343)	(21,947)	(54,958)
Attributable to:					
Equity holders of the Company	19,802	(9,310)	(9,084)	(18,415)	(45,267)
Minority interest	5,555	(1,439)	741	(3,532)	(9,691)
	25,357	(10,749)	(8,343)	(21,947)	(54,958)
Earnings per share for profit (loss) attributable to the equity holders of the Company (expressed in € per share)					
Basic and diluted	0.08	(0.04)	(0.04)	(0.08)	(0.19)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 30 Sep 10	Unaudited three months to 30 Sep 09	Unaudited nine months to 30 Sep 10	Unaudited nine months to 30 Sep 09	Audited twelve months to 31 Dec 09
Profit (loss) for the period	25,357	(10,749)	(8,343)	(21,947)	(54,958)
Other comprehensive income, items net of tax					
Cash flow hedges	(2,696)	(16,461)	(8,572)	(63,828)	(69,705)
Other comprehensive income, net of tax	(2,696)	(16,461)	(8,572)	(63,828)	(69,705)
Total comprehensive income	22,661	(27,210)	(16,915)	(85,775)	(124,663)
Attributable to:					
Equity holders of the Company	17,645	(22,479)	(15,942)	(69,478)	(101,031)
Minority interest	5,016	(4,731)	(973)	(16,297)	(23,632)
	22,661	(27,210)	(16,915)	(85,775)	(124,663)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	Unaudited 30 Sep 10	Audited 31 Dec 09	Unaudited 30 Sep 09
ASSETS			
Non-current assets			
Property, plant and equipment	687,226	644,356	615,195
Biological assets	8,474	6,614	6,368
Intangible assets	7,758	7,846	7,609
Deferred tax assets	27,272	21,548	7,412
Derivative financial instruments	-	-	39,391
Other receivables	7 616	7,582	11,227
	738,346	687,946	687,202
Current assets			
Inventories	160,389	109,512	82,080
Trade receivables	33,716	3,913	981
Other receivables	6,189	15,477	10,609
Derivative financial instruments	-	50,244	30,413
Cash and cash equivalent	5,976	11,877	68,624
	206,270	191,023	192,707
Assets held for sale	39,391	-	-
Total assets	984,007	878,969	879,909
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	80	80	80
Share premium	8,086	8,086	8,086
Hedge reserve	9,709	16,567	21,269
Other reserves	439,784	417,448	416,554
Retained earnings	(80,452)	(71,368)	(44,516)
	377,207	370,813	401,473
Minority interest in equity	15,793	11,784	19,119
Total equity	393,000	382,597	420,592
Non-current liabilities			
Borrowings	239,769	384,301	412,852
Advance payments	230,235	-	-
Trade payables	29	-	-
Derivative financial instruments	1,553	3,110	3,487
Provisions	2,987	1,594	1,018
	474,573	389,005	417,357
Current liabilities			
Borrowings	29,601	53,810	9,912
Advance payments	32,764	-	19,401
Trade payables	31,361	29,669	11,305
Other payables	21,880	9,875	-
Derivative financial instruments	828	14,013	1,342
	116,434	107,367	41,960
Total liabilities	591,007	496,372	459,317
Total equity and liabilities	984,007	878,969	879,909

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

- A. Share capital
- B. Share premium
- C. Invested unrestricted equity
- D. Hedge reserve
- E. Other reserves
- F. Retained earnings
- G. Total
- H. Minority interest
- I. Total equity

(all amounts in EUR '000)

	A	B	C	D	E	F	G	H	I
1 Dec 09	80 8,086	320,607	72,332	13,412	(26,101)	388,416	35,470	423,886	
Profit (loss) for the period	-	-	-	-	-	(18,415)	(18,415)	(3,532)	(21,947)
Cash flow hedges	-	-	-	(51,063)	-	-	(51,063)	(12,765)	(63,828)
Total comprehensive income for the period	-	-	-	(51,063)	-	(18,415)	(69,478)	(16,297)	(85,775)
Share issue	-	-	82,691	-	-	-	82,691	-	82,691
External costs directly attributable to the issue of new shares	-	-	(2,047)	-	-	-	(2,047)	-	(2,047)
Acquisition of subsidiary, Hyena Holding AB	-	-	-	-	-	-	-	(54)	(54)
Employee share option scheme - value of employee services	-	-	-	-	1,891	-	1,891	-	1,891
30 Sep 09	80 8,086	401,251	21,269	15,303	(44,516)	401,473	19,119	420,592	
31 Dec 09	80 8,086	401,248	16,567	16,200	(71,368)	370,813	11,784	382,597	
1 Jan 10	80 8,086	401,248	16,567	16,200	(71,368)	370,813	11,784	382,597	
Profit (loss) for the period	-	-	-	-	-	(9,084)	(9,084)	741	(8,343)
Cash flow hedges	-	-	-	(6,858)	-	-	(6,858)	(1,714)	(8,572)
Total comprehensive income for the period	-	-	-	(6,858)	-	(9,084)	(15,942)	(973)	(16,915)
Realized stock options	-	-	364	-	-	-	364	-	364
Perpetual capital loan	-	-	-	-	19,925	-	19,925	4,982	24,907
Employee share option scheme - value of employee services	-	-	-	-	2,047	-	2,047	-	2,047
30 Sep 10	80 8,086	401,612	9,709	38,172	(80,452)	377,207	15,793	393,000	

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited three months to 30 Sep 10	Unaudited three months to 30 Sep 09	Unaudited nine months to 30 Sep 10	Unaudited nine months to 30 Sep 09	Audited twelve months to 31 Dec 09
(all amounts in EUR '000)					
Cash flows from operating activities					
Profit (loss) for the period	25,357	(10,749)	(8,343)	(21,947)	(54,958)
Adjustments for Tax	8,874	(4,565)	(2,679)	(8,056)	(20,127)
Depreciation and amortization	13,159	9,458	38,191	25,677	37,061
Other non-cash income and expenses	(2,060)	603	(4,364)	3,327	845
Interest income	(29,365)	(8,026)	(6,892)	(15,039)	(11,526)
Fair value gains on financial assets at fair value through profit or loss	(3,638)	10,996	(20,280)	2,806	27,507
Interest expense	6,065	8,037	29,044	21,834	31,834
	18,392	5,754	24,677	8,602	10,636
Change in working capital					
Decrease(+)/increase(-) in other receivables	(10,030)	2,533	(19,774)	9,314	2,055
Decrease (+)/increase (-) in inventories	(23,566)	(16,404)	(50,878)	(51,122)	(77,820)
Decrease(-)/increase(+) in trade and other payables	(20,040)	1,783	14,253	(24,072)	(16,421)
Change in working capital	(53,636)	(12,088)	(56,399)	(65,880)	(92,186)
	(35,244)	(6,334)	(31,722)	(57,278)	(81,550)
Interest and other finance cost paid	(3,154)	(4,578)	(16,364)	(16,132)	(22,318)
Interest income	2,002	52	52,820	3,430	3,821
Net cash generated (used) in operating activities	(36,396)	(10,860)	4,734	(69,980)	(100,047)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	-	(54)	-	(54)	(54)
Purchases of property, plant and equipment	(36,721)	(24,182)	(91,899)	(81,842)	(117,738)
Purchases of biological assets	-	-	(7)	(35)	(35)
Purchases of intangible assets	(153)	(133)	(277)	(175)	(741)
Proceeds from sale of property, plant and equipment	-	-	-	9	9
Proceeds from sale of biological assets	-	104	76	104	273
Proceeds from sale of intangible assets	-	-	-	49	49
Proceeds from government grant related to tangible assets	-	-	-	5,000	5,000
Proceeds from government grant related to intangible assets	-	-	-	13	228
Net cash generated (used) in investing activities	(36,874)	(24,265)	(92,107)	(76,931)	(113,009)
Cash flows from financing activities					
Proceeds from share issue net of transaction costs	-	80,644	-	80,644	80,641
Realized stock options	13	-	364	-	-
Proceeds from interest-bearing liabilities	50,000	-	56,539	53,357	63,924
Proceeds from perpetual capital loan	-	-	24,875	-	-
Proceeds from advance payments	-	-	263,419	-	-
Payment of interest-bearing liabilities	(6,198)	(1,154)	(263,725)	(1,179)	(2,345)
Net cash generated (used) in financing activities	43,815	79,490	81,472	132,822	142,220
Net (decrease)/increase in cash and bank overdrafts	(29,455)	44,365	(5,901)	(14,089)	(70,836)
Cash and bank overdrafts at beginning of the period	35,431	24,259	11,877	82,713	82,713
Cash and bank overdrafts at end of the period	5,976	68,624	5,976	68,624	1,877

NOTES
1. Basis of preparation

This interim report 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 2009, added with the following changes.

Revenue recognition

When Talvivaara enters into long-term supply contracts with customers and receives advance payments for product to be delivered in future periods, the advance payments are recognised in long-term liabilities. A portion of the advance payments are recognized as short-term liabilities based on the expected production during the following 12 months. The advance payments are gradually recognized as revenues over the term of the contracts as shipments are made and title and risk of loss pass to the customer according to the terms of the relevant supply agreement.

2. Property, plant and equipment

(all amounts in EUR '000)	Machinery and equipment	Construction in progress	Land and buildings	Other tangible assets	Total
Gross carrying amount at 1 Jan 10	209,907	51,671	223,036	202,791	687,405
Additions	28,598	91,458	152	29	120,237
Transfer to assets held for sale	-	-	-	(40,629)	(40,629)
Disposals	-	-	(149)	-	(149)
Transfers	56,161	(86,228)	15,211	14,856	-
Gross carrying amount at 30 Sep 10	<u>294,666</u>	<u>56,901</u>	<u>238,250</u>	<u>177,047</u>	<u>766,864</u>
Accumulated depreciation and impairment losses at 1 January 2010	16,949	-	10,230	15,870	43,049
Transfer to assets held for sale	-	-	-	(1,238)	(1,238)
Depreciation for the year	16,923	-	7,703	13,201	37,827
Accumulated depreciation and impairment losses at 30 Sep 10	<u>33,872</u>	<u>-</u>	<u>17,933</u>	<u>27,833</u>	<u>79,638</u>
Carrying amount at 1 Jan 10	<u>192,958</u>	<u>51,671</u>	<u>212,806</u>	<u>186,921</u>	<u>644,356</u>
Carrying amount at 30 Sep 10	<u>260,794</u>	<u>56,901</u>	<u>220,317</u>	<u>149,214</u>	<u>687,226</u>

3. Trade receivables

	<u>30 Sep 10</u>	<u>31 Dec 09</u>
Nickel-Cobalt sulphide	32,855	3,096
Zinc sulphide	861	817
	<u>33,716</u>	<u>3,913</u>

4. Inventories

	<u>30 Sep 10</u>	<u>31 Dec 09</u>
Raw materials and consumables	7,699	9,919
Ore on leach pads	80,154	57,726
Work in progress	64,212	39,403
Finished products	8,324	2,464
Inventories total	<u>160,389</u>	<u>109,512</u>

5. Assets held for sale

During 2008-2009, Talvivaara Infrastructure Oy constructed a new railhead connecting the mine site with the national railway grid. The Finnish State has committed to reimburse the construction expenses to Talvivaara Infrastructure Oy up to an amount of EUR 40.0 million (VAT 0%) in two instalments in 2010-2011, provided that agreed criteria for minimum transportation volumes on the railroad have been fulfilled. The first agreed transportation milestone was reached in May 2010 and subsequently the Finnish State paid the first EUR 20 million instalment in June 2010. The remaining minimum transportation volumes are anticipated to be achieved within the next 12 months. The railway has been classified to assets held for sale from 30 June 2010.

Assets held for sale	<u>30 Sep 10</u>	<u>31 Dec 09</u>
Railway	39,391	-

6. Borrowings

(all amounts in EUR '000)

Non-current	30 Sep 10	31 Dec 09
Capital loans	1,405	1,405
Investment and Working Capital loan	56,332	45,417
Project Term Loan Facility ¹	-	189,505
Senior Unsecured Convertible Bonds	77,450	75,477
Revolving credit facility	39,292	-
Railway Term Loan Facility	-	19,861
Finance lease liabilities	35,718	15,306
Interest Subsidy Loans	-	4,187
Other	29,572	33,143
	239,769	384,301
Current		
Project Term Loan Facility ¹	-	32,625
Railway Term Loan Facility	18,474	19,898
Finance lease liabilities	6,934	1,287
Interest Subsidy Loans	4,193	-
	29,601	53,810
Total borrowings	269,370	438,111

¹⁾ The Project Term Loan has been reclassified to long-term borrowings in comparative information for 2009, because the decision to repay the Project Term Loan was made after the financial year ended.

7. Advance payments

(all amounts in EUR '000)

Non-current	30 Sep 10	31 Dec 09
Deferred zinc sales revenue	230,235	-
	230,235	-
Current		
Deferred zinc sales revenue	12,764	-
Advance payment on railway	20,000	-
	32,764	-
Total	262,999	-

During the first quarter of 2010, Talvivaara received an advance payment of USD 335 million from Nyrstar NV relating to a long-term zinc supply agreement between the companies. During the term of the agreement, Talvivaara is to deliver 1.25 million tonnes of zinc in concentrate to Nyrstar NV. The deliveries commenced in March 2010 and by 30 September 2010 Talvivaara had delivered 12,519 tonnes of zinc to Nyrstar. Accordingly, the advance payment had decreased by approximately USD 3.4 million based on the delivered zinc.

Talvivaara Mining Company Plc
Key financial figures of the Group

		Three months to 30 Sep 10	Three months to 30 Sep 09	Nine months to 30 Sep 10	Nine months to 30 Sep 09	Twelve months to 31 Dec 09
Net sales	EUR '000	45,091	826	91,945	2,604	7,571
Operating profit (loss)	EUR '000	10,931	(15,303)	11,130	(23,208)	(54,776)
Operating profit (loss)percentage		24.2 %	(1852.7 %)	12.1 %	(891.2 %)	(723.5 %)
Profit (loss) before tax	EUR '000	34,231	(15,314)	(11,022)	(30,003)	(75,085)
Profit (loss) for the period	EUR '000	25,357	(10,749)	(8,343)	(21,947)	(54,958)
Return on equity		6.6 %	(2.7 %)	(2.2 %)	(5.2 %)	(13.6 %)
Equity-to-assets ratio		39.9 %	47.8 %	39.9 %	47.8 %	43.5 %
Net interest-bearing debt	EUR '000	263,394	354,130	263,394	354,130	426,234
Debt-to-equity ratio		67.0 %	84.2 %	67.0 %	84.2 %	111.4 %
Capital expenditure	EUR '000	36,874	24,315	92,183	82,052	118,514
Research & development expenditure	EUR '000	-	-	63	-	261
Property, plant and equipment	EUR '000	687,226	615,194	687,226	615,194	644,356
Derivative financial instruments	EUR '000	2,381	64,975	2,381	64,975	33,121
Borrowings	EUR '000	269,370	422,764	269,370	422,764	438,111
Cash and cash equivalents at the end of the period	EUR '000	5,976	68,624	5,976	68,624	11,877

Share-related key figures

		Three months to 30 Sep 10	Three months to 30 Sep 09	Nine months to 30 Sep 10	Nine months to 30 Sep 09	Twelve months to 31 Dec 09
Earnings per share	EUR	0.08	(0.04)	(0.04)	(0.08)	(0.19)
Equity per share	EUR	1.54	1.75	1.54	1.75	1.51
Development of share price at London Stock Exchange						
Average trading price ¹	EUR	4.98	4.27	4.59	3.39	3.57
	GBP	4.15	3.72	3.94	3.00	3.18
Lowest trading price ¹	EUR	4.32	3.70	3.99	1.45	1.45
	GBP	3.60	3.23	3.42	1.29	1.29
Highest trading price ¹	EUR	5.90	4.78	5.74	4.71	4.68
	GBP	4.92	4.17	4.92	4.17	4.17
Trading price at the end of the period ²						
	EUR	5.72	4.18	5.72	4.18	4.35
	GBP	4.92	3.80	4.92	3.80	3.86
Change during the period		34.7 %	11.7 %	27.3 %	219.1 %	224.6 %
Market capitalization at the end of the period ³						
	EUR '000	1,402,951	1,023,794	1,402,951	1,023,794	1,066,454
	GBP '000	1,206,468	930,936	1,206,468	930,936	947,118
Development in trading volume						
Trading volume	1000 shares	11,247	35,736	77,074	119,239	153,421
In relation to weighted average number of shares		4.6 %	15.5 %	31.4 %	51.9 %	65.6 %
Development of share price at OMX Helsinki						
Average trading price ¹	EUR	5.09	4.38	4.66	4.19	4.21
Lowest trading price ¹	EUR	4.35	3.75	3.99	3.05	3.05
Highest trading price ¹	EUR	5.72	4.86	5.72	4.86	4.86
Trading price at the end of the period ²						
	EUR	5.68	4.18	5.68	4.18	4.33
Change during the period		27.6 %	3.2 %	31.2 %	33.5 %	38.3 %
Market capitalization at the end of the period ³						
	EUR '000	1,392,829	931,708	1,392,829	931,708	1,061,615
Development in trading volume						
Trading volume	1000 shares	21,058	45,054	97,450	86,452	113,077
In relation to weighted average number of shares		8.6 %	19.6 %	39.7 %	37.6 %	48.4 %
Adjusted average number of shares		245,216,366	229,915,326	245,216,366	229,915,326	233,762,033

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

Other figures

	Three months to 30 Sep 10	Three months to 30 Sep 09	Nine months to 30 Sep 10	Nine months to 30 Sep 09	Twelve months to 31 Dec 09
Share options outstanding at the end of the period	5,065,100	4,334,500	5,065,100	4,334,500	5,352,500
Number of shares to be issued against the outstanding share options	5,065,100	4,334,500	5,065,100	4,334,500	5,352,500
Rights to vote of shares to be issued against the outstanding share options	2.0 %	1.7 %	2.0 %	1.7 %	2.1 %

Employee-related key figures

		Three months to 30 Sep 10	Three months to 30 Sep 09	Nine months to 30 Sep 10	Nine months to 30 Sep 09	Twelve months to 31 Dec 09
Wages and salaries	EUR '000	3,828	3,062	12,209	9,912	14,876
Average number of employees		379	277	356	266	272
Number of employees at the end of the period		370	283	370	283	308

**Talvivaara Mining Company Plc
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