



**TALVIVAARA Q4 AND FULL-YEAR 2011 RESULTS  
MANAGEMENT CHANGES**

**16 FEBRUARY 2012**

**TALVIVAARA**



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- 1. Highlights**
2. Operational review
3. Financial review
4. Outlook
5. Management changes

# HIGHLIGHTS – OPERATIONS

## Q4 2011

- Record quarterly metals production of 4,769t nickel and 10,524t zinc
- Significantly improved plant availability
  - Both hydrogen sulphide generators back on stream since mid-October
  - Run-rate output at the level required for 2012 production target
- European Commission approval for uranium off-take agreement with Cameco received

## FY 2011

- Nickel production 16,087t, up 55% from 2010
- Zinc output 31,815t, up 25% from 2010
- Metals production negatively impacted by an extended maintenance break in Q2 and hydrogen sulphide issues in Q3
- All processes proven to be capable of running at design capacities
- Acquisition of an additional 4% shareholding in Talvivaara Sotkamo Ltd



# HIGHLIGHTS – FINANCIALS

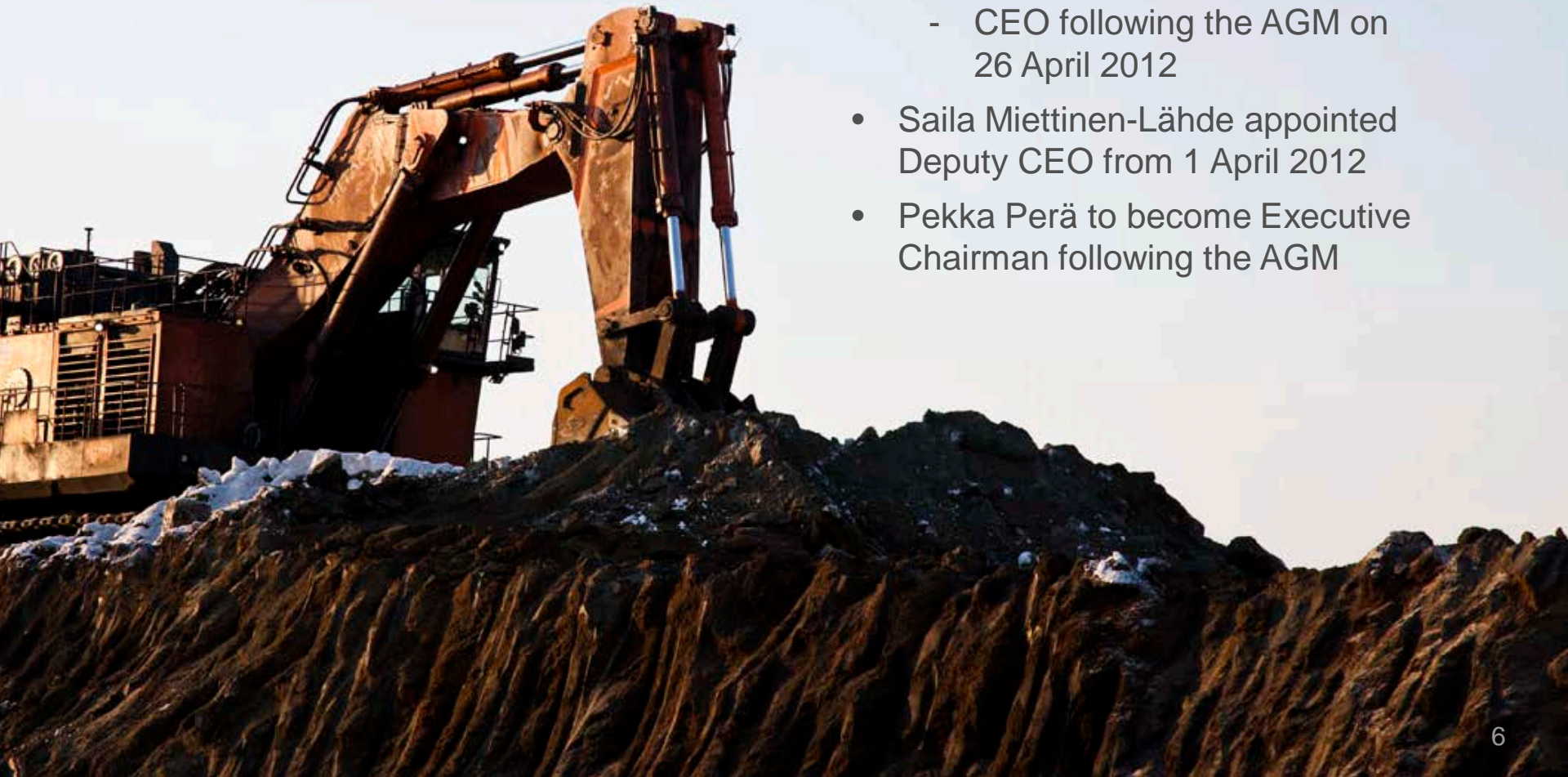
- Net sales of EUR 231.2m in 2011, with record quarterly sales of EUR 66.5m in Q4 2011
- Operating profit of EUR 30.9m in 2011 and EUR 14.9m in Q4 2011, representing operating margins 13.4% and 22.5% respectively
- RCF increased to EUR 130m and EUR 100m commercial paper programme established

EUR million	Q4 2011	Q4 2010	FY 2011	FY 2010
Net sales	66.5	60.2	231.2	152.2
EBITDA*	27.1	28.1	77.5	77.4
<i>EBITDA margin</i>	40.7%	46.6%	33.5%	50.9%
Operating profit	14.9	14.3	30.9	25.5
<i>Operating profit margin</i>	22.5%	23.8%	13.4%	16.7%
Capital expenditure	21.6	23.5	79.1	115.7
Net interest-bearing debt	455.7	315.0	455.7	315.0
Cash and cash equivalents	40.0	165.6	40.0	165.6

\* Operating profit before depreciation, amortization, depletion and impairment charges.

# MANAGEMENT CHANGES

- Harri Natunen appointed CEO of Talvivaara
  - Joins Company on 19 March 2012
  - CEO following the AGM on 26 April 2012
- Saira Miettinen-Lähde appointed Deputy CEO from 1 April 2012
- Pekka Perä to become Executive Chairman following the AGM



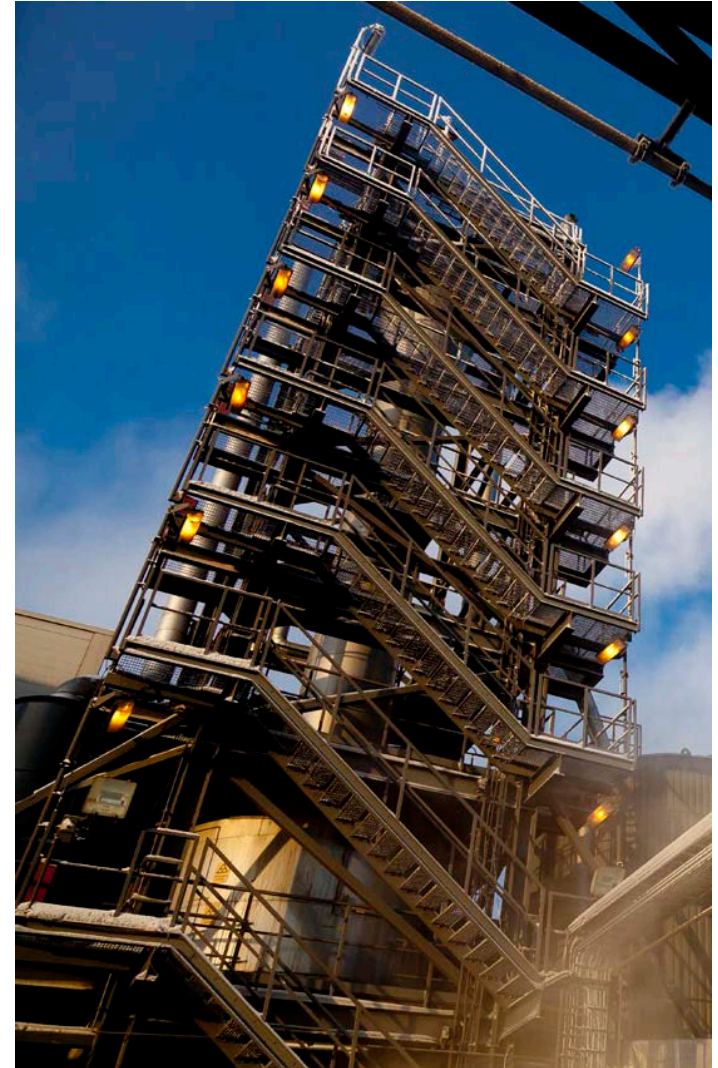
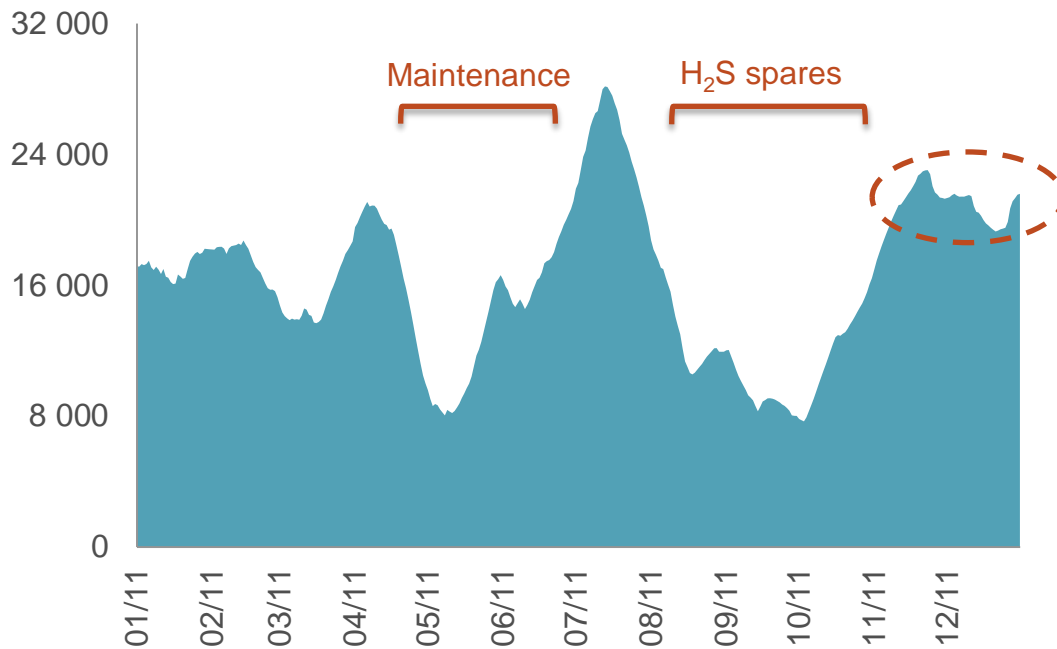
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# RAMP-UP CONTINUED

## TECHNICAL CHALLENGES OVERCOME

- Focus on metals recovery in 2011 – improved reliability achieved in Q4
- Extended maintenance break in Q2 and hydrogen sulphide issues in Q3 restricted production in 2011

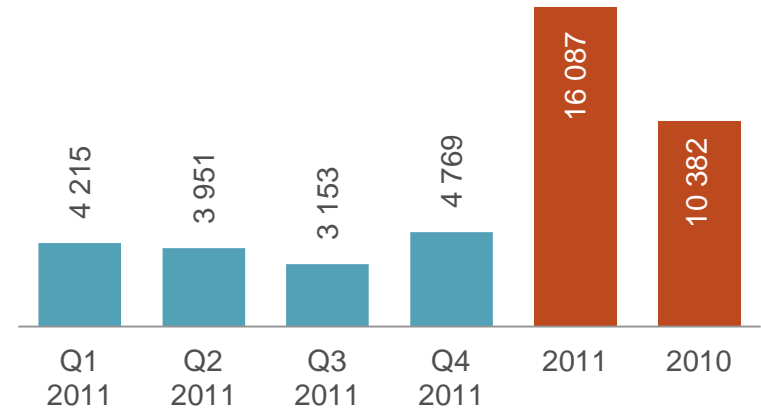
Annualised monthly Ni precipitation in 2011 (t)



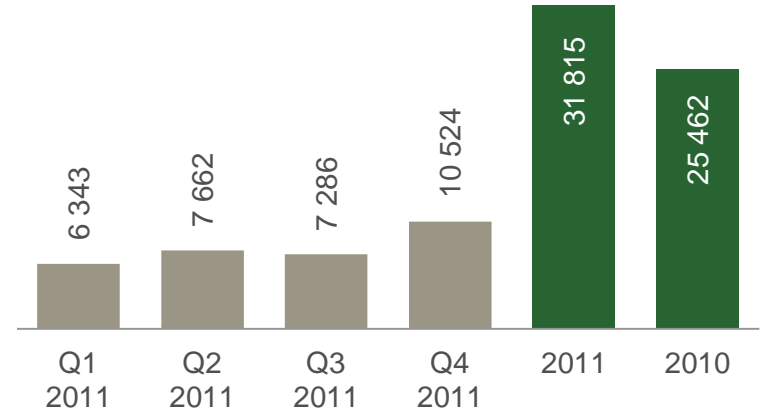
# METALS RECOVERY – RECORD QUARTERLY PRODUCTION IN Q4

- Full-year 2011 production at 16,087t of nickel and 31,815t of zinc
- Record quarterly production achieved in Q4, with 4,769t of nickel and 10,524t of zinc
- December monthly production at 1,924t of nickel and 4,653t of zinc, essentially at the level required for 2012 production targets
- Significantly improved plant availability in Q4, with both hydrogen sulphide generators on stream since mid-October
- 2012 focus on maintaining stability at the plant and steadily increasing production

Nickel production (t)

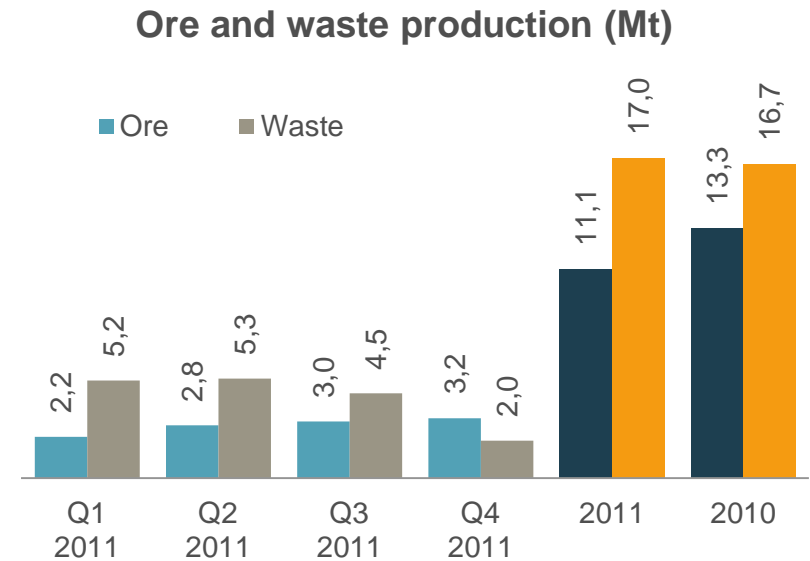


Zinc production (t)



# MINING – CONTINUED UNEVENTFUL OPERATION

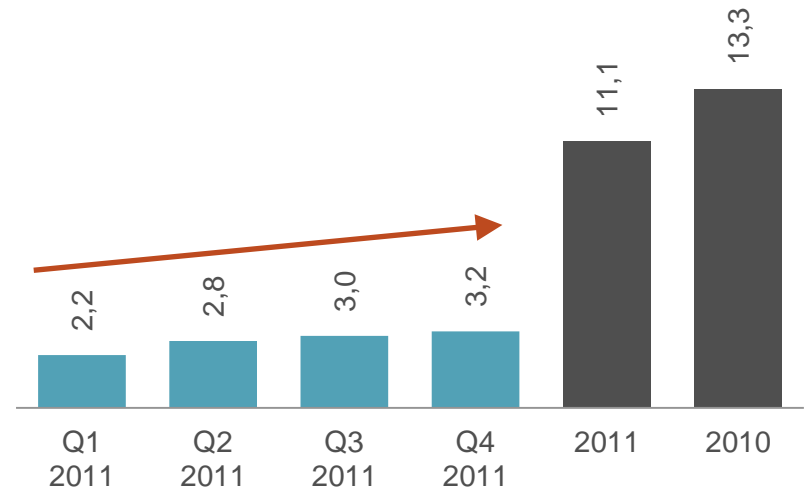
- Ore: 11.1Mt in 2011 and 3.2Mt in Q4
- Waste: 17.0Mt in 2011 and 2.0Mt in Q4
- Waste mining necessary for secondary heap foundations
- Some mobile equipment assisting in primary heap reclaiming in Q4
- Emphasis shifting increasingly towards ore mining; 2012 budget at 18Mt of ore



# MATERIALS HANDLING – PRIMARY HEAP RECLAIMING IN FOCUS

- Primary heap reclaiming restricted ore production in 2011
  - New measures on loading being implemented to increase capacity
  - Contractor involvement being reduced
- Ore stacked: 11.1Mt in 2011 and 3.2Mt in Q4
- 2012 focus on further increasing capacity utilisation

Ore stacked to primary heap (Mt)

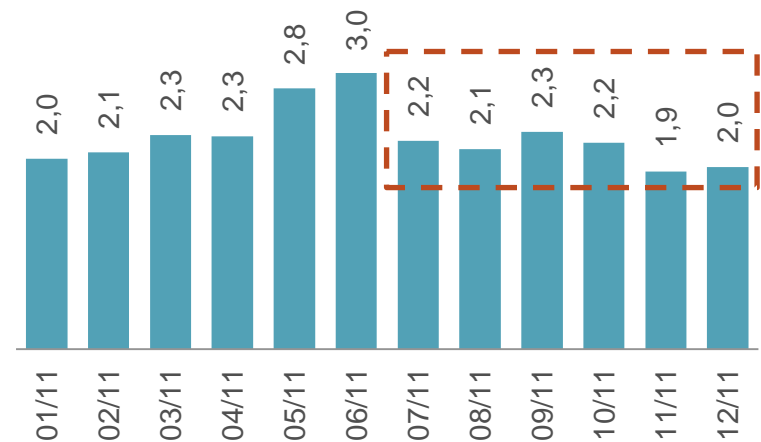


# BIOHEAPLEACHING – GRADES CONTINUE TO DEVELOP AS EXPECTED

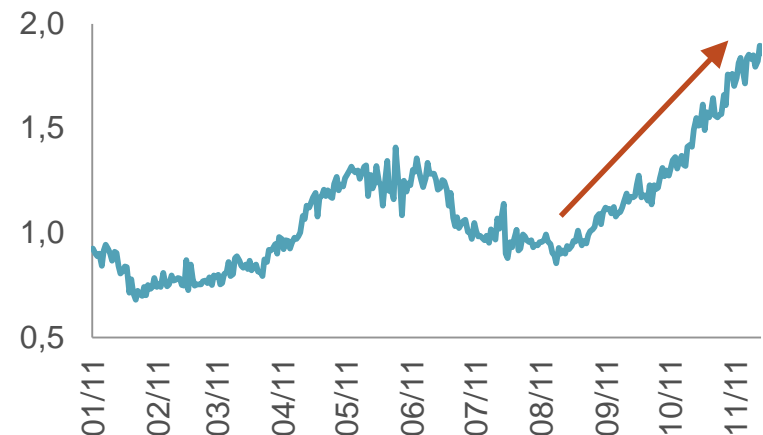
- Nickel grade in PLS pumped to metals recovery stable at around 2 g/l
  - Expected to increase during the spring upon completion of new heaps and reduction of excess water from circulation
- New primary heap 1 developing as expected; grade up to around 2 g/l by the year-end
- New primary heap 2 under construction; completion expected in February 2012



Avg. monthly Ni grade to metals recovery (g/l)



Ni grade in new primary heap 1 (g/l)



# T3+ = *TALVIVAARAN TAPA TOIMIA* (*TALVIVAARA WAY OF WORKING*)

## *T3+ – Talvivaara Way of Working*

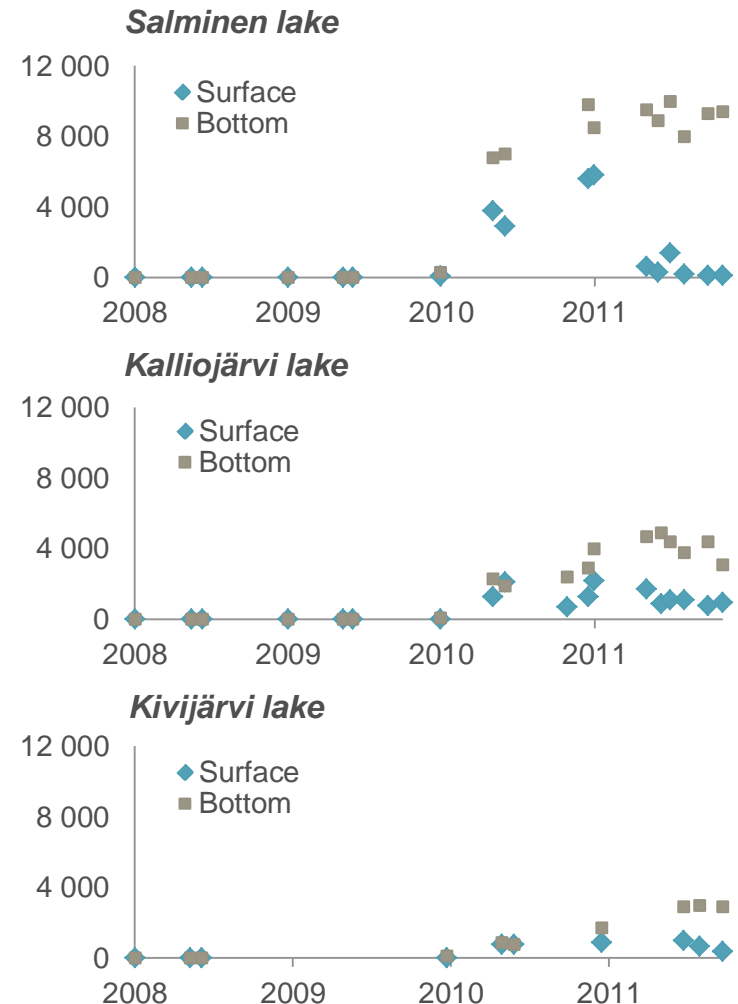
- Operational stability and processes for full-scale production
- Shared and consistent working environment
- KPIs defined at all organisational levels
- Initial results promising – T3+ has already resulted in visible efficiency improvements
- Work expands and continues in 2012



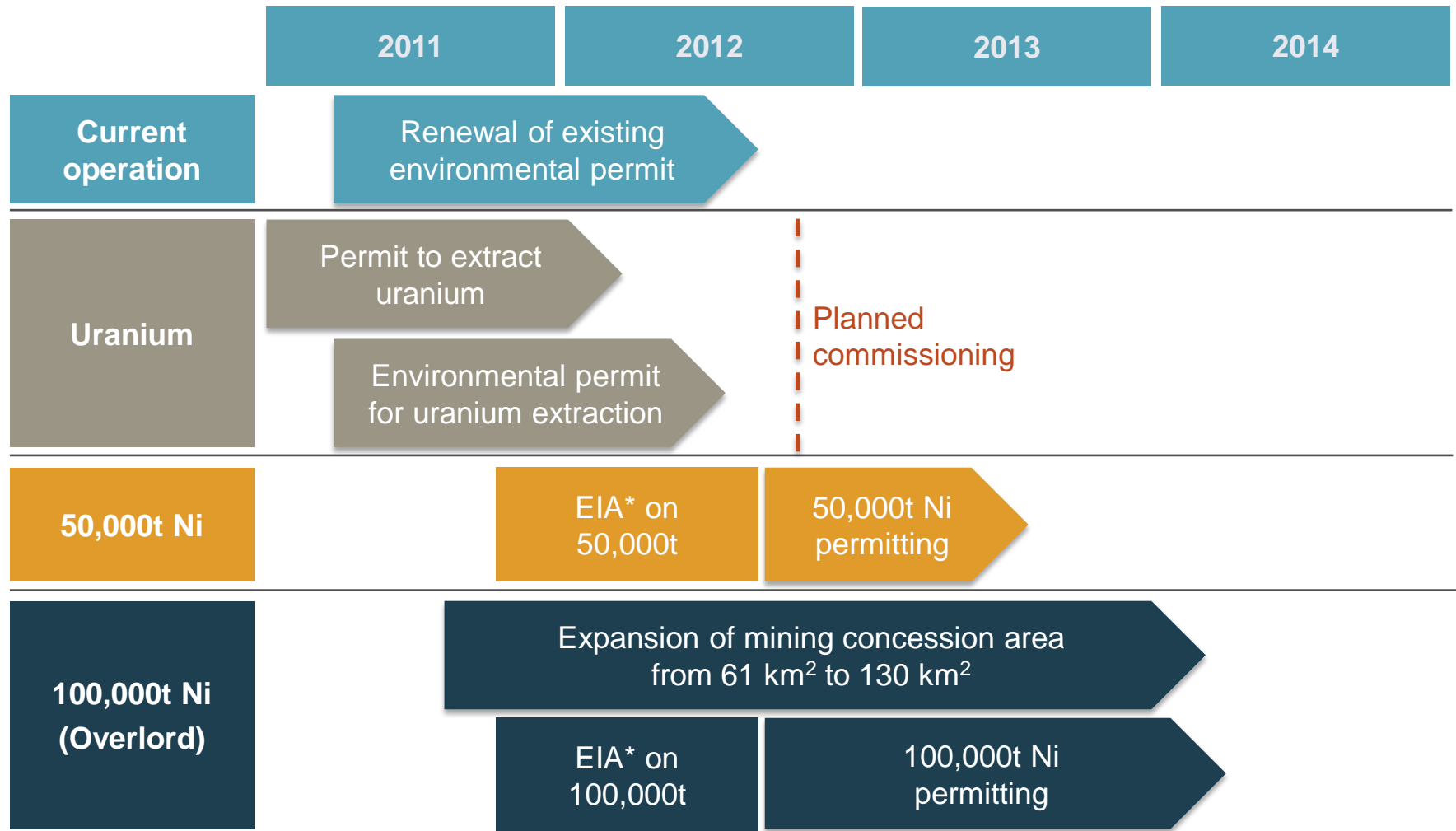
# CONTINUED SIGNIFICANT PROGRESS ON REDUCING ENVIRONMENTAL IMPACT

- Sustainability is a key component of Talvivaara's strategy
- Discharges into water
  - Discharges of harmful substances (metals) well below permit limits
  - Manganese discharges no longer an issue
  - Sulphate and sodium discharges significantly reduced through process changes
  - Water quality in nearby lakes already improving, also in deep sections
  - Recycling of process waters further increased in January 2012; allows 50% reduction in raw water intake
  - Pilot-testing of a new water treatment facility during H1 2012
- Catalytic burning of hydrogen sulphide in 2012; will reduce caustic soda consumption
- Investments to address remaining environmental issues expected to total EUR 5-10m until 2015
- Positive response to [www.paikanpaalla.fi](http://www.paikanpaalla.fi) website, launched to further improve local communication and interaction

## Declining SO<sub>4</sub> concentrations in nearby lakes (SO<sub>4</sub> mg/l)



# OVERVIEW OF KEY PERMITTING PROCESSES



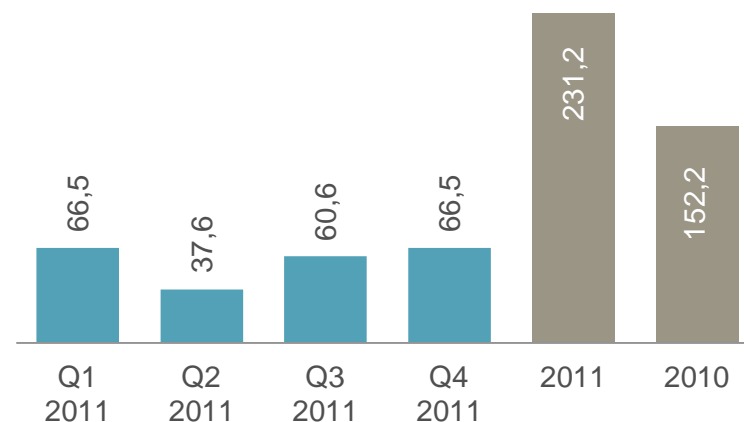
\* Environmental Impact Assessment

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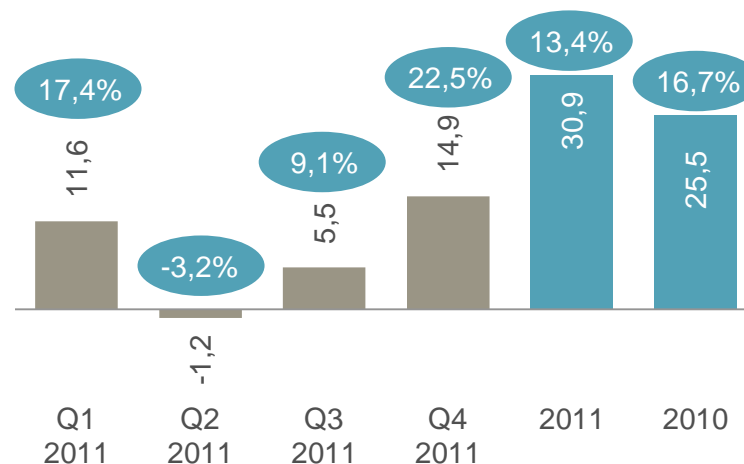
# PROFITABLE Q4 2011

- Net sales of EUR 231.2m in 2011 and EUR 66.5m in Q4, reflecting:
  - Production constraints in Q2 and Q3; production back on track in Q4
  - Weak commodity price environment throughout the second half of 2011
- Operating profit of EUR 30.9m in 2011 and EUR 14.9m in Q4
  - Operating margin of 13.4% in 2011 and 22.5% in Q4
- Net loss of EUR (5.2)m in 2011 and net profit of EUR 3.7m in Q4
- Capex of EUR 79.1m in 2011 and EUR 21.6m in Q4
  - Primarily secondary heap foundations, secondary leaching and the uranium extraction facility

Net sales (EURm)



Operating profit (EURm) and margin



# FINANCIAL FLEXIBILITY MAINTAINED

## Maturities

- No significant maturities in 2012
- EUR 85m convertible bond in May-2013

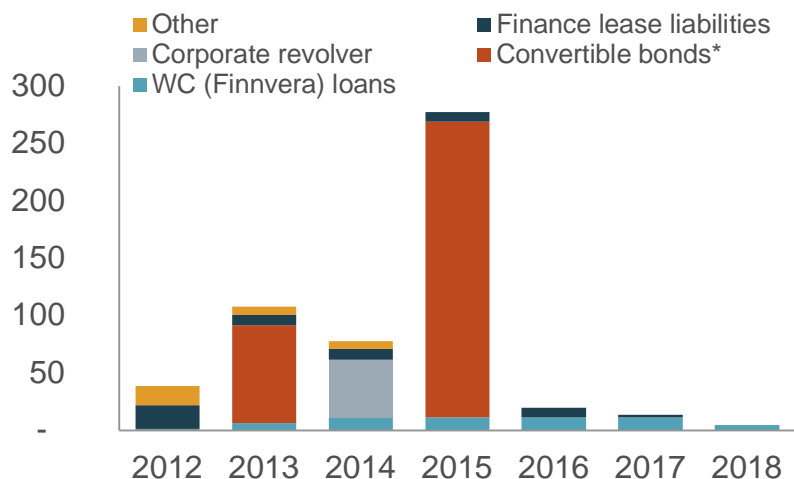
## Liquidity

- Cash at year-end EUR 40m
- EUR 130m committed RCF; EUR 50m drawn
- EUR 100m CP programme

## Operational flexibility

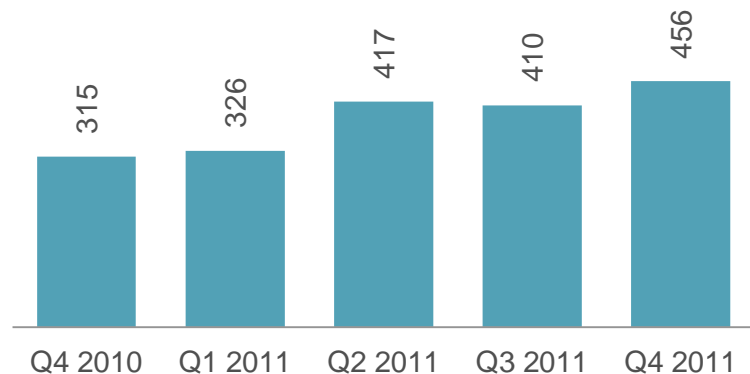
- 2012 estimated Opex at approximately EUR 250m
- 2012 estimated Capex at EUR 40-50m (ex. uranium)
- >50,000t nickel inventory in heaps

## Debt maturity profile as at Dec-2011 (EURm)



\* 2015 convertible bond maturity reflects accreted principal

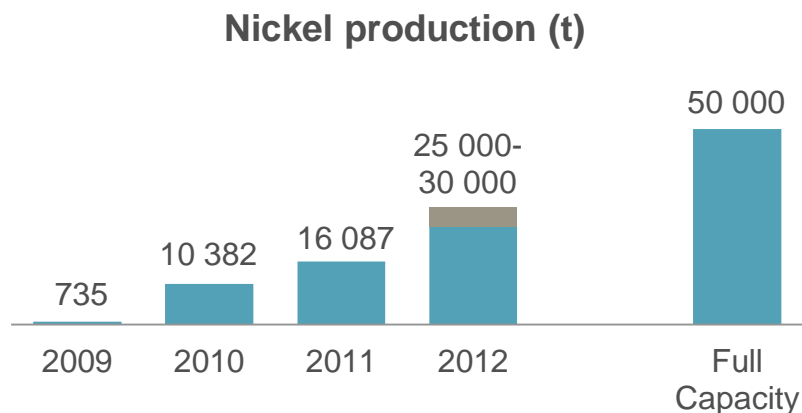
## Net interest-bearing debt (EURm)



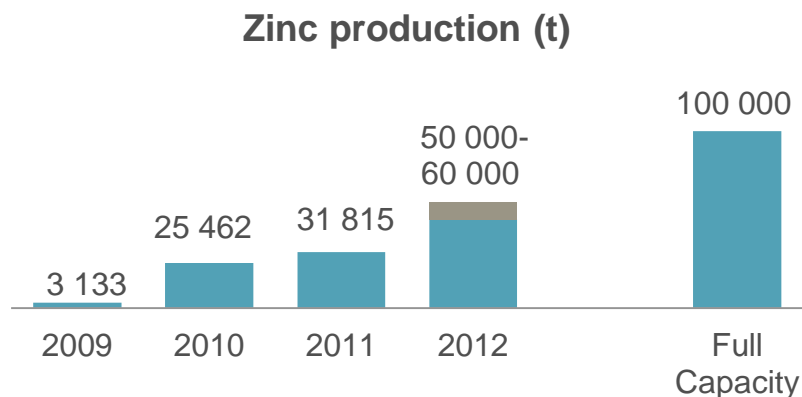
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# 2012 PRODUCTION GUIDANCE

## 25,000-30,000t of nickel in 2012



- 2011: 16,087t
- 2012: 25,000-30,000t
- Full capacity at 50,000t reiterated



- 2011: 31,815t
- 2012: 50,000-60,000t
- Full capacity at 100,000t

- Approx. 500-600t of cobalt in NiCo sulphide in 2012
- Copper from H1 2012 onwards
- Potentially minor amounts of uranium (yellow cake) in Q4 2012

# BUSINESS DEVELOPMENT

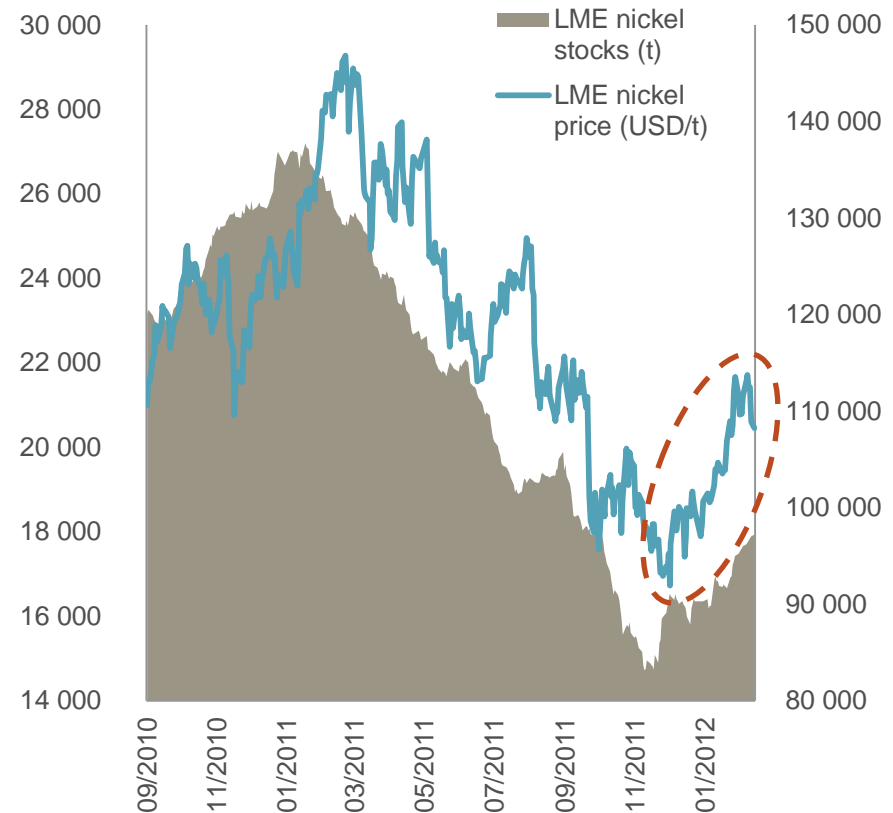
- Environmental investments
  - Ongoing and continuing through H1 2012
  - Increased recycling of process waters
  - Reduction of caustic soda consumption
- Uranium
  - Facility construction work ongoing
  - Commissioning, subject to receiving necessary permits and authorizations, expected during H2 2012
  - Government permit to extract uranium expected Q1 2012; environmental permit Q2 2012
    - » EC off-take approval Nov-2011; EC positive opinion on recovery process Jan-2012
- Operation Overlord
  - Baseline studies of the environment ongoing since spring of 2011
  - Environmental Impact Assessment Q1-Q3 2012
  - Submission of the environmental permit application expected in late 2012



# MACRO ENVIRONMENT DRIVING SHORT-TERM NICKEL MARKET OUTLOOK

- Commodity market activity during H2 2011 volatile and macro-driven
- Nickel price bottomed out at around USD 17,000/t at the turn of Nov/Dec
- 2012 has begun with positive momentum; nickel has traded up to USD 21,000-22,000/t during January and February
- Supply cuts reported at nickel prices around USD 19,000/t, especially from NPI
- **Short-term outlook:**
  - Volatility likely to remain elevated
  - Barring a severe global recession, marginal cost levels expected to cap further significant downside beyond levels seen in late 2011
  - Longer-term support level seen at around USD 20,000/t

LME nickel price (USD/t) and stocks (t)



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# HARRI NATUNEN, CEO FROM 26 APRIL 2012

- Over thirty-year successful career in mining and metallurgical operations internationally
- Joined Outokumpu in 1981; early career in Finnish projects, including two years at the Talvivaara project in 1982-1983
- Several assignments abroad in Norway and South America, where his experience ranged from building management systems to supervising the ramp-up of processes in early stage operations, such as the Zaldivar copper bioheapleaching and hydrometallurgical project in Chile
- Management responsibility of large operations in full production, such as Outokumpu's zinc division and ferrochrome operation including the Kemi mine
- Led the successful modernization of the Outokumpu Kokkola zinc plant, focusing on streamlining the organization and improving cost control, and almost doubling production
  - Second biggest zinc plant in Europe and the fifth biggest in the world
- Latest position as Director, Zinc Production and Business Development at Boliden AB in Sweden 2008-2012
  - Responsibility over the Kokkola, Finland, and Odda, Norway, zinc operations



**THANK YOU!**

**Q & A**

