

STOCK EXCHANGE RELEASE

24 February 2010

Talvivaara Mining Company annual accounts review for year ended 31 December 2009**Highlights of 2009**

- Nickel sulphide deliveries to off-take partner Norilsk Nickel Harjavalta Oy commenced in February
- Secondary listing of Talvivaara's shares on the Helsinki Stock Exchange was obtained in May
- Equity placing of approximately 22.3 million shares with gross proceeds of EUR 82.7 million was successfully completed in July
- Decision to expand production capacity to up to 50,000 tonnes of nickel annually in 2012 was taken in July, funded by the equity placing
- A redesigned and upgraded crushing circuit was commissioned in September, alleviating previous crushing issues and increasing targeted crushing capacity to 22 million tonnes per annum
- The Talvivaara-Murtomäki railhead was permitted and commissioned for regular transport in September
- Safety at the mine site remained good with 6 relatively minor Lost Time Injuries (LTI's) to Talvivaara's personnel during the year
- Turnover for the year EUR 7.6 million (2008: 0)
- Operating loss EUR (54.8) million (2008: EUR (4.3) million)
- Capital expenditure EUR 118.5 million¹ (2008: EUR 429.1 million)
- Cash at year end EUR 11.9 million (2008: EUR 82.7 million)

Highlights since the end of the review period

- Zinc streaming agreement with Nyrstar NV for 1.25 million tonnes of zinc in concentrate was completed on 11 February 2010; initial purchase price received from Nyrstar of USD 335 million
- Project Term Loan Facility of USD 320 million was fully repaid on 11 February 2010 using the proceeds of the zinc streaming agreement
- All nickel, zinc and foreign exchange risk hedging positions associated with the Project Term Loan Facility were closed for net proceeds of EUR 45 million
- Talvivaara announced plans to recover uranium as a by-product with anticipated future production amounting to approximately 350 tonnes per annum
- Bioheapleaching is progressing above expectations with nickel grade in solution exceeding 2 g/l

¹ Includes EUR 11 million expenditure on the Talvivaara-Murtomäki railhead to be reimbursed by the State of Finland.

Key financial figures of the Group

		Q4 2009	Q4 2008	2009	2008
Turnover	EUR '000	4,967	-	7,571	-
Operating profit (loss)	EUR '000	(31,568)	5,280	(54,776)	(4,296)
Profit (loss) before taxes	EUR '000	(45,082)	5,419	(75,085)	(8,033)
Net profit (loss) for the period	EUR '000	(33,011)	21,179	(54,958)	5,832
Earnings per share	EUR	(0.11)	0.08	(0.19)	0.03
Return on equity		(13.7 %)	1.5 %	(13.6 %)	1.6 %
Equity-to-assets ratio		43.5 %	48.5 %	43.5 %	48.5 %
Net interest-bearing debt	EUR '000	426,234	285,467	426,234	285,467
Debt-to-equity ratio		111.4 %	67.3 %	111.4 %	67.3 %
Capital expenditure	EUR '000	36,462	156,056	118,514	429,086
Cash and cash equivalents at the end of the period	EUR '000	11,877	82,713	11,877	82,713
Number of employees at the end of the period		308	239	308	239

All reported figures in this release are unaudited.

CEO Pekka Perä comments: *“During the last twelve months our team has worked hard to put Talvivaara on a strong financial and operational footing as we grow into an internationally significant base metals producer. This goal has been reinforced by our decision to expand our metal production capacity to up to 50,000 tonnes of nickel per annum from 2012.*

Operationally, technical problems in the crushing process held us up during the early part of 2009, but were resolved with the installation of a redesigned circuit which is sized to handle the production expansion in crushing without further modification. During the fourth quarter our focus was on establishing a track record of steadily increasing production levels at our metals recovery plant. While the goal of uninterrupted operation was not quite achieved due to a series of minor hold ups at the plant, we nevertheless demonstrated our ability to operate the plant at large capacities, underpinning our commitment to our 2010 production targets.

Financially, our successful share placing in June supported our decision to pursue production expansion. Our shareholder base also grew significantly with our secondary listing in Helsinki in May, which allowed Finnish retail investors to more easily invest in our shares.

The early part of 2009 saw some continued turbulence in the international capital and commodities markets, but during the second half of the year a strong upward trend was seen in base metals prices from the lows experienced in the first quarter. Whilst we believe that a short term correction is still possible, in the long term we remain confident in the fundamental strength of base metals prices and demand.

Beyond the end of the year, we reached a significant milestone in Talvivaara's history, as we monetised our zinc by-product through a streaming agreement with Nyrstar and fully repaid our Project Term Loan Facility. This arrangement resulted in a materially enhanced capital structure for the Company, providing us greater flexibility and an outstanding platform from which to develop the Company further, one of the development targets being the recovery of uranium from the leach solution as announced earlier this month.

In production, year 2010 has started off with substantially better than budgeted performance of the bioheap leaching process, demonstrating that the development work carried out to improve leaching and to prevent and reverse re-precipitation of metals in the heap is bearing fruit. This is very encouraging news for the long term future of the operation.

I would like to thank our team for their ongoing hard work and dedication throughout the year. Continued ramp-up of production remains our main focus, and we continue to believe that we can deliver value for our shareholders in the year ahead.”

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Presentation and live webcast on 24 February 2010 at 11:00 GMT/13:00 EET

A combined presentation, conference call and live webcast on the Annual Results will be held on 24 February 2010 at 11:00 GMT/13:00 EET at Hotel Scandic Simonkenttä, Simonkatu 9, Helsinki, Finland. The presentation will be held in English.

http://qsb.webcast.fi/t/talvivaara/talvivaara_2010_0224_q4/

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

Europe & U.K Participants: +44 (0)20 7162 0025
US Participants: +1 334 323 6201
Conference ID: 858502

Further details on the event can be found on the Talvivaara website, www.talvivaara.com. The webcast will also be available for viewing on the Talvivaara website from shortly after the event until the end of December 2010.

Summary of stock exchange releases and announcements

Talvivaara has today released a summary of stock exchange releases and announcements made in 2009 in accordance with the Finnish Securities Market Act, Chapter 2 Section 10c. The summary is posted at www.talvivaara.com.

Talvivaara notes that some of the information given in the releases may be out of date.

From ramp-up challenges to pursuing production expansion

In 2009 Talvivaara focused on ramping up its production and generated its first sales revenues. However, technical challenges in materials handling, in particular fine crushing, delayed the production ramp-up substantially.

Realising that the crushing circuit had to be redesigned and expanded in order to reach the targeted production levels, the Company also evaluated the feasibility of pursuing an overall production expansion concurrently with the materials handling upgrade. With the outcome of the evaluation positive, Talvivaara decided to expand its production capacity from 33,000 tonnes of nickel per annum to up to 50,000 tonnes in 2012. The ongoing investment programme relating to the expansion was funded by a successful equity placing of EUR 82.7 million in July 2009.

By the end of the year, the crushing issues had been largely overcome following the installation and commissioning of a redesigned and expanded crushing circuit in September. Also in September, the amount of stacked ore in the bioheap and hence the volume of leach solution was determined to be sufficient for continuous metals recovery. Subsequent to the start-up for continuous production, the metals recovery process suffered from some technical issues causing down time and hence affecting the production volumes negatively. The last quarter of 2009 nevertheless showed a clear upward trend in production, which the Company aims to maintain going forward.

Since the end of 2009, the performance of the bioheap leaching process has improved markedly, with nickel grade in the solution fed to metals recovery increasing from around 1.2 g/l in early January to more than 2.1 g/l at the time of this announcement. Going into 2010 the increase in grade supports the Company's view that it can obtain the higher rates of recovery required to reach the existing 2010 production target.

Base metal prices recover after multi-year lows seen in early 2009

As the global financial crisis unfolded, base metal prices reacted by dropping to multi-year lows in late 2008 and the first quarter of 2009, but recovered with the cautiously improving economic outlook during the latter half of the year. The London Metal Exchange ("LME") cash price for nickel was at its lowest for the year at USD 9,374/tonne in March, but reached a high of USD 20,533/tonne in August and averaged USD 14,711/tonne for the period. A similar development was seen in zinc prices with the 2009 low of USD 1,072/tonne in February and the high of USD 2,529/tonne at the end of December. The mean price for zinc in 2009 was USD 1,662/tonne.

The recovery in nickel prices during the second half of 2009 took place despite the LME stocks for the metal reaching record high levels, a phenomenon which has been largely attributed to Chinese buying activity in early 2009. Besides the increase in demand by the Chinese steel mills ramping up their production, the escalation in nickel prices between April and August 2009 can also be explained by the additional demand from Chinese speculators looking to capitalise on the low nickel prices prevailing in the first quarter. However, underlying nickel demand in western markets remained weak throughout the year, and the outlook for early 2010 is also still cautious.

Nickel supply was quickly affected by the economic downturn, with primary nickel production estimated to have fallen 9% from the year before to ca. 1,430,000 tonnes in 2009. Early in the year, almost twenty mine closures and production cutbacks were reported along with numerous new projects being postponed or cancelled. However, towards the end of the year several projects and mines were restarted following the recovery in prices that started during the summer months.

With Talvivaara's operations in the ramp-up phase and affected by technical problems in crushing for much of the year, the unit cost of production exceeded the prevailing market price in 2009. The Company anticipates its cash cost of production to fall substantially in 2010 and the operations to become cash flow generating during the latter half of the year. In the long term, Talvivaara expects its operations to be profitable throughout the price cycle.

Financial review

Fourth quarter 2009

Talvivaara's turnover during the three months ended 31 December 2009 amounted to EUR 5.0 million (Q4 2008: 0), equivalent to two thirds of the full year turnover and reflecting the start of continuous metals production and substantial progress in materials handling. However, some technical setbacks causing down time at the metals recovery plant were experienced during the quarter, which influenced the revenue development negatively.

The Group's other operating income from realised and unrealised gains on nickel, zinc and USD forwards amounted to EUR 6.0 million (Q4 2008: EUR 17.2 million). Other operating expenses, which in Q4 2009 amounted to EUR (28.6) million (Q4 2008: EUR (10.8) million), included unrealised fair value losses on biological assets (trees) and nickel and zinc forwards held for trading.

Operating loss for Q4 2009 was EUR (31.6) million (Q4 2008: profit of EUR 5.3 million). The loss for the period amounted to EUR (33.0) million (Q4 2008: profit of EUR 21.2 million).

Capital expenditure during the quarter totalled EUR 36.5 million (Q4 2008: EUR 156.1 million). The expenditure related primarily to the construction of heap foundations, and the design and installation of the second production line of the metals recovery plant. Approximately EUR 10 million of the expenditure was incurred ahead of schedule for contracts originally scheduled for 2010: earth works on heap foundations continued longer than expected due to a mild autumn, and some piping installations at the metals plant were brought forward from their original schedule in Q1 2010.

Full year 2009

Talvivaara's first sales revenues were generated in 2009 and totalled EUR 7.6 million (2008: 0). The turnover remained limited due to technical problems in crushing, which delayed the ramp-up of production.

The Group's other operating income totalled EUR 43.1 million (2008: EUR 29.8 million) and consisted of realised (EUR 31.5 million) and unrealised (EUR 11.6 million) gains on nickel, zinc and USD forward contracts. Other operating expenses, which amounted to EUR (61.1) million (2008: EUR (23.0) million), included unrealised fair value losses on biological assets (trees) and nickel and zinc forward contracts held for trading.

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (17.7) million (2008: EUR (8.9) million). The increase was attributable to the increased number of personnel.

Operating loss amounted to EUR (54.8) million (2008: EUR (4.3) million).

Finance income for the year was EUR 11.5 million (2008: EUR 9.2 million) and consisted mainly of exchange rate gains on the USD 320 million project loan facility and interest income on bank accounts. Finance costs of EUR (31.8) million (2008: EUR (13.0) million) related mostly to the Group's borrowings, in particular to the project loan facility and the EUR 84.9 million convertible bond. The transaction cost accrual of EUR 6.8 million pertaining to the project loan facility was cancelled and recognised in the income statement due to the early repayment of the facility in February 2010.

Loss for the year amounted to EUR (55.0) million (2008: profit of EUR 5.8 million).

The Company's total comprehensive income was EUR (124.7) million (2008: EUR 95.8 million), reflecting primarily a decrease in hedge reserves brought about by the increase in the nickel price during 2009.

Capital expenditure during the year totalled EUR 118.5 million (2008: EUR 429.1 million). The expenditure related primarily to continued construction of the mine and related infrastructure according to the original development plan, including heap foundations, second production line at the metals recovery plant, and the Talvivaara-Murtomäki railroad. The expenditure also included costs relating to the redesign and expansion of the crushing circuit and other

investments relating to the overall production expansion. Net of the approximately EUR 11 million expenditure on the railroad which will be reimbursed by the State of Finland, the total capital expenditure for the year exceeded the budgeted figure by approximately EUR 18 million. Of this, some EUR 10 million were costs originally planned for 2010 but incurred ahead of schedule in 2009.

On the consolidated statement of financial position as at 31 December 2009, property, plant and equipment totalled EUR 644.4 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. During the financial year, the construction of the Talvivaara-Murtomäki railroad was completed and the expansion of the crushing circuit was installed and commissioned. Other notable changes in the Group's assets include a substantial decrease in the fair value of derivative financial instruments, in particular nickel and zinc forward swaps. The change was caused by the increase in nickel and zinc prices during the reporting period as well as the maturity of some of the forward contracts. As at 31 December 2009, the derivative financial instruments were valued at EUR 33.1 million (31 December 2008: EUR 152.5 million).

Deferred tax assets were EUR 21.5 million (31 December 2008: liabilities of EUR 23.1 million). The change was caused by the tax losses of 2009 and the decrease in fair value of derivative financial instruments during the reporting period.

Inventories amounted to EUR 109.5 million (31 December 2008: EUR 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 11.9 million (31 December 2008: EUR 82.7 million).

In equity and liabilities, the invested unrestricted equity increased from EUR 320.6 million on 31 December 2008 to EUR 401.2 million on 31 December 2009 due to an equity placing of approximately 22.3 million shares completed in July. The hedge reserve related to nickel cash flow hedges decreased from EUR 72.3 million on 31 December 2008 to EUR 16.6 million on 31 December 2009 due to the increase in the market price of nickel.

Borrowings increased from EUR 368.2 million to EUR 438.1 million, reflecting draw down of a EUR 45 million investment and working capital loan from Finnvera Plc, draw downs of a term loan obtained for the financing of rail road construction, and new finance lease agreements. The USD 320 million project term loan facility was recognised in short-term liabilities because of the early repayment of the loan in February 2010. In short-term liabilities, accounts payable decreased by EUR 15.6 million to EUR 29.7 million reflecting the reduced capital expenditure in 2009 compared to the year before.

Total equity and liabilities as at 31 December 2009 amounted to EUR 879.0 million (31 December 2008: EUR 874.0 million).

Currency and commodity hedges and hedge accounting

In April 2009, the Group entered into a currency hedging programme comprising USD forwards for seven quarters from Q2 2009 through Q4 2010. The hedged amount was EUR 175 million in total, with EUR 25 million maturing each quarter. The forwards were executed at EUR/USD rates ranging from 1.26 to 1.28, and the realised gain from these hedges amounted to EUR 8.0 million in 2009.

As at 31 December 2009, the Company had 12,128 tonnes of nickel and 30,559 tonnes of zinc forward swaps remaining in its commodity hedging programme executed in 2007 and 2008 and extending through 2011. The volume weighted average prices of the outstanding positions were USD 23,333 per tonne for nickel and USD 1,948 per tonne for zinc.

Talvivaara applied hedge accounting to nickel hedges maturing in Q1 2010 through Q4 2011 until 31 December 2009, when management decided to discontinue hedge accounting. However, the underlying nickel sales forecast for the period continue to be regarded highly probable and the cash flow hedge was considered effective at the end of the year. Therefore, the amounts taken to hedge reserve remain there until the hedged item impacts the income statement.

Financing

During the second quarter of 2009, Talvivaara drew down a EUR 45 million investment and working capital loan granted by Finnvera Plc. The total commitment of the facility is EUR 50 million, allowing capitalisation of interest until the full commitment is utilised. In 2009, the capitalisation of accrued interest amounted to EUR 1.2 million. The loan carries an interest of EURIBOR 6 months + 3.00% and is repaid over a six-year period of 2013 to 2018.

Talvivaara Infrastructure Ltd drew down EUR 14.7 million, including capitalised interest, of a EUR 45 million term loan committed to finance the construction of the Talvivaara-Murtomäki railroad. At the end of 2009, the total drawn down amount, including capitalised interest, was EUR 40.4 million and the railroad had been completed and permitted for regular transport. The State of Finland is anticipated to reimburse the cost of the railroad up to EUR 40 million (0% VAT) in two equal instalments in 2010 and 2011.

In June 2009, the Company received a EUR 5 million reimbursement from the Finnish Government of infrastructure investments relating to power supply and electrification. The reimbursement was part of the overall decision by the Finnish Parliament in 2007 to grant EUR 52 million in subsidies to support the construction of necessary infrastructure to the Talvivaara mine, covering also the above mentioned railroad expenses.

In July, the Company successfully closed an equity placing of 22,280,000 shares, representing approximately 10 per cent of the number existing shares, to new and existing institutional investors. 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). The share issue was approved by the shareholders of the Company in the Extraordinary General Meeting held on 6 July 2009.

Production summary

Early in 2009 it became apparent that the problems with the crushing process would prevent Talvivaara from reaching its production targets for the year and that giving new guidance would be difficult given the uncertainties relating to the operating capacity of the existing crushing circuit and the commissioning and ramp-up of the redesigned circuit. Accordingly, guidance for the year was withdrawn and the Company focused on fixing the crushing system and preparing for the production expansion as decided in July 2009.

The overall production figures as presented in the table below reflect the ramp-up, which saw the last quarter showing a marked improvement over the previous quarters and thereby establishing a clear upward trend in production volumes which the Company aims to maintain going into 2010.

		Q4 2009	Q1-Q3 2009	2009	2008
Mining					
Blasted ore	Mt	3,5	7,3	10,8	3,0
Excavated waste	Mt	1,5	2,9	4,3	1,4
Materials handling					
Stacked ore	Mt	3,0	5,5	8,5	2,5
Bioheapleaching					
Ore in primary heap at the end of period	Mt	11,0	8,0	11,0	2,5
Metals recovery					
Nickel sulphide production	DMT	857	668	1,525	-
Nickel metal content	t	410	325	735	-
Zinc sulphide production	DMT	3,827	1,444	5,271	-
Zinc metal content	t	2,313	820	3,133	-

The mining department performed well throughout the year, blasting 3.5 million tonnes of ore in the last quarter and a total of 10.8 million tonnes for the year. The corresponding figures for waste were 1.5 million tonnes and 4.3 million tonnes, respectively, bringing the strip ratio for the year to 0.4. The mining volumes were limited through most of the year by the bottle neck in crushing. Only during the last quarter was the mining department able to run production at full capacity, which was further increased by the delivery and commissioning of two additional dump trucks. For the expanded capacity of 22-24 million tonnes of ore per annum, the mining fleet will be further increased by two dump trucks and an excavator in 2010.

In materials handling, the volume of crushed and stacked ore during the year amounted to 8.5 million tonnes, of which 3.0 million tonnes, representing 35%, was crushed during the last quarter. The improved performance during the last few months of the year reflected the commissioning of the redesigned and expanded fine crushing circuit in September. The new circuit continued to ramp up through the end of the year and also demonstrated significantly improved availability compared to the previous system. The full expanded crushing volume of approximately 60,000 tonnes per day was not yet consistently achieved by the end of the year, though, leaving some further ramp-up to be accomplished during the first part of 2010. If the targeted full capacity on a consistent basis is not achieved during the first quarter of 2010, two additional tertiary crushers are likely to be installed in the circuit during the spring.

The primary crusher, which also suffered from design problems and poor availability during the second and third quarters after having been commissioned in February, was fitted with a new mantle in October. The new mantle with a reduced nib angle proved to be functional and allowed discontinuation of contractor crushing.

In bioheapleaching, heat generation throughout the summer was high, which resulted in some of the leached nickel precipitating back in the heap. The re-precipitated nickel was however found to be in a readily soluble form, allowing it to be returned to circulation by flushing the heap with water. The first section of the heap was also found to have suffered from insufficient aeration, which contributed to the re-precipitation. Based on the findings, the aeration system in the second section of the heap was improved, and results already at year end were promising. During the first two months of 2010, the leaching performance has further improved, increasing the nickel grade in solution from around 1.2 g/l at the end of the year to above 2.1 g/l at the time of this release.

The metals recovery process was run in campaigns until mid September, when the amount of leach solution available for metals precipitation was determined to be sufficient for continuous production. However, the goal of uninterrupted production in the last quarter was not yet achieved due to technical issues discovered at the plant during steady state operation. Although not serious, these problems caused down time that affected the Q4 output. At 410 tonnes of contained nickel, the last quarter production represented 56% of the full year figure of 735 tonnes, which established a clear upward trend, albeit that the absolute production volumes still remained low. The quality of the products was good throughout and towards the end of the year approached target specifications for steady state operation.

Geology – building up data for further resource increases

In 2009 the main target of the drilling campaign was the Kuusilampi open pit, where an infill drilling programme in the southern part of the deposit was completed during the third quarter. In the western part of Kuusilampi a geotechnical drilling campaign was carried out in order to confirm the ground conditions for the final pit design.

The second target for geological work was the Kolmisoppi deposit where a resource definition drilling programme was initiated during the fourth quarter. Based on previous diamond drilling by the Geological Survey of Finland and Outokumpu Plc, the potential to increase the Kolmisoppi resources looked excellent. By the year end, 13 new holes totalling 6,000 metres were completed and preliminary results were found to be very encouraging.

In the beginning of 2009 Talvivaara set up its own drill crew which successfully drilled approximately 11,000 metres at Kuusilampi during the year. Contractors drilled about 5,500 metres at Kuusilampi, bringing the total metres drilled in 2009 to 22,500.

By the end of 2009, a total of 552 diamond drill holes with a total length of approximately 105,800 metres had been drilled at Talvivaara. The area has excellent exploration potential and diamond drilling will continue at an annual rate of some 20,000 metres.

Research and development

Talvivaara's research and development activities focused on further optimisation of bioheapleaching, biological iron removal from leach solution, and recovery of additional metals from the leach solution.

Work on bioheapleaching centered on studies relating to the microbiological, chemical and physical characteristics of the production heap, where the effects of temperature, aeration rate, heap height, irrigation rate, irrigation solution composition and other factors on the leaching behaviour were systematically studied. Already, many new phenomena specific to the production scale process have been identified and are being applied in production with promising results.

Biological iron removal from leach solution is being developed as a cost saving enhancement to traditional iron removal using limestone. The biological method utilises locally occurring bacteria in a fluid bed reactor and has shown capacity to reduce limestone consumption in iron removal substantially. During the second half of 2009, the method was successfully tested in pilot scale and further upscaling of the process is being planned.

As announced on 9 February 2010, Talvivaara is developing a solvent extraction method to recover uranium from the leach solution. Results of the work carried out in 2009 have led to the conclusion that uranium can be recovered economically and safely as yellow cake. Further process development and plant design are being conducted in cooperation with Outotec Oyj and Norilsk Nickel Harjavalta Oy. Subject to the necessary permits for the process being obtained, Talvivaara intends to produce around 350 tonnes of uranium per annum in the years to come.

Feasibility studies on manganese extraction from the leach solution continued. Electrowinning technology was successfully employed to recover manganese metal, manganese oxide and manganese sulphate. Any decisions on potential investment in commercial scale manganese production are pending a partnering arrangement relating to the production and marketing of the potential manganese products.

Permitting

Talvivaara's environmental and water permit issued in March 2007 became final and binding through a ruling by the Supreme Administrative Court ("SAC") of Finland in November 2008. Under the terms of the permit, compensations for loss of property value were payable to local landowners in 2009 amounting to approximately EUR 0.2 million.

Talvivaara's application for the extension of the area covered by the existing mining license was approved by the Ministry of Employment and Economy in October 2006 and the decision was subsequently upheld by the SAC in October 2007. The land surveying and redemption proceedings regarding the extension were however appealed both on the compensations awarded and on the proceedings themselves. The appeal on the compensations was later cancelled and the decision by Kainuu-Koillismaa District Survey Office concerning compensations to land owners, as paid by the Company in 2008, became final and binding on 16 April 2009.

The Ministry of Employment and Economy, the competent appeal authority on procedural issues, gave its ruling in August 2008, dismissing all the claims and demands asserted by the claimants. The decision by the Ministry was appealed to the SAC, but this appeal was also cancelled in spring 2009. Consequently, the decision concerning the extension of the mining concession became final and binding on 14 April 2009.

During 2008-2009, Talvivaara Infrastructure Oy, a wholly-owned subsidiary of the Company, constructed a new railhead connecting the mine site with the national railway grid. Talvivaara Infrastructure Oy received the operating permits allowing regular transport on the railroad from the Finnish Rail Agency on 15 September 2009 and the operating permit for an electric railroad on 27 November 2009.

Talvivaara's products are all high volume chemicals, which have to be registered under the European Union chemicals policy REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) by the end of 2010. Talvivaara is currently working with several chemical consortia to have the relevant metals and chemical industry registered within the given time limit. Talvivaara is also actively monitoring new developments relating to EU legislation and relevant guidelines promoting the safe handling of chemicals.

Environment, health and safety

Talvivaara continued to observe its environmental management policy based on responsibility, transparency, and continuous improvement and assessment.

In 2009, the environmental effects of Talvivaara’s operations were local and minor. The most significant effects seen in the early part of the year were the dust emissions generated by temporary contractor crushing arrangements. Since the discontinuation of contractor crushing in March, the dust emissions have substantially decreased, but the Company continues to focus on decreasing the dust levels further. During the autumn, the smell of hydrogen sulphide occasionally spread into the neighbouring communities due to insufficient gas scrubbing capacity at the metals recovery plant. As with any unwanted or harmful effect discovered, Talvivaara has actively monitored the smell and taken corrective actions to eliminate or substantially reduce the effect.

Environmental monitoring under the environmental permit continued at an extensive, yet slightly reduced level compared to the year before when the effects of construction were under intensive scrutiny. Talvivaara’s compliance under the environmental permit was actively monitored by the Environmental Centre of Kainuu as the supervising authority.

The environmental security placed for future restoration of the area and monitoring obligations amounted to EUR 13.8 million by the end of the year.

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

Safety is of key importance to Talvivaara and its contractors. Safety practices at the mine site are based on instructions and guidelines approved by the management and are in accordance with the Finnish industrial safety legislation. Safety training is provided to all Talvivaara personnel as well as to employees of contractors.

In line with its aim to continuously improve its safety record, Talvivaara established a work group safety challenge in February 2009. The challenge has proven effective in promoting a safe working environment and safety awareness amongst the employees, with only three relatively minor Lost Time Injuries (LTI’s) to Talvivaara personnel since the start of the challenge and six in total LTI’s during the year. The safety rating at the end of 2009 was 11 LTI’s per million man hours.

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 may still be subject to risk factors that are currently unknown or beyond the Company’s control.

The market price of nickel has remained relatively stable at USD 17,000 – 20,000 per tonne for the last six months. In view of the historical volatility in nickel price and the relatively modest industrial demand for nickel in the western economies for the time being, there may in the Company’s view still be downward pressure on the prices in the short term. Talvivaara is, as of February 2010, unhedged against variations in metal prices. 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 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 is, as of January 2010, unhedged against the currency exchange risk relating to the US dollar. In view of the recent weakness in Euro, the Company considers its unhedged position justified for the time being. However, the Company anticipates hedging against currency exchange volatility at least on a case by case basis going forward.

Personnel

Recruitment of new qualified personnel continued to be Human Resources' main focus during the financial year, with the total number of employees increasing from 239 to 308. As in the previous year, recruitment focused on production personnel. Towards the end of 2009, a production driller's training programme was initiated in cooperation with the Kainuu Employment and Economic Development Centre and North Karelia College. Persons completing the course will be hired as drillers in the mining department during the spring of 2010.

The average age of Talvivaara's personnel is 38.5 years, and the age distribution of employees is comparable to the industry average in Finland. In its recruitment process, Talvivaara has sought to maintain a healthy staff age structure, in spite of the exceptionally vigorous rate of recruitment. Although the mining industry has conventionally been male-dominated, Talvivaara seeks to hire employees representing both genders, where possible.

Personnel turnover grew during the reporting year. Turnover mainly affected newly recruited employees and did not disturb the Company's operations. Turnover was 10.6% (2008: 2.8%) in the Talvivaara Mining Company and 8.4% (2008: 4.6%) in Talvivaara Sotkamo Ltd.

Social and economic impact of the project

Talvivaara's positive economic impact on the Kainuu region continued in 2009. Currently, more than 450 people work daily in the mine area, and the number was substantially higher during the summer months, when the expanded crushing circuit was being constructed. Talvivaara's indirect impact on employment can be seen in the form of increased demand for various services in the region.

At the end of the financial year, the unemployment rate in the entire Kainuu region was 16.2%. In Sotkamo, where the mine is located, the unemployment rate was 12.0%. Overall, Kainuu was the only Finnish region whose level of unemployment did not rise in 2009.

Talvivaara continued to enjoy good cooperation with local and national authorities relating, amongst others, to recruiting and training.

Shares and shareholders

The number of shares issued and outstanding in 2009 was 245,176,718, increased by 22,280,000 since 2008 as a result of an equity issue completed on 6 July 2009. 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 2009.

As at 31 December 2009, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.29 %), Varma Mutual Pension Insurance Company (8.61%) and BlackRock Investment Management Ltd (6.31%).

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

Share options

By resolution passed at the general meeting of shareholders on 28th February 2007, the Company resolved to issue free stock options to the key personnel of the Company and its subsidiaries entitling them, after the split of the Company's shares 1:70, to subscribe for a maximum of 6,999,300 new shares in the Company (2007 Option Scheme). Pursuant to the terms and conditions of the 2007 Option Scheme, the Board of Directors shall decide upon the distribution of the stock options.

During 2009, the Board of Directors, based on the recommendation of the Remuneration Committee, allocated 30,000 2007B options and 988,000 2007C Options, giving an entitlement to subscribe for a total of 1,018,000 new shares in the Company, to the personnel of Talvivaara and its subsidiaries. Of the options allocated since 2007, 108,000 2007B Options entitling to subscribe for 108,000 shares were returned back to the Company during 2009. At the end of 2009, the number of options available for allocation under the 2007 Option Scheme was as follows: 104,600 2007A Options, 197,100 2007B Options and 1,345,100 2007C Options. The voting rights of the shares to be issued against the outstanding share options amount to 2.1% of the total share capital.

Events after the review period

Talvivaara Sotkamo Ltd issued on 22 January 2010 a EUR 5 million convertible loan to Outokumpu Mining Oy, the 20% minority shareholder in the company. The lender has agreed to fully convert the loan into shares in Talvivaara Sotkamo Oy unless the borrower has repaid the facility prior to the conversion period which starts on 22 January 2012 and ends on 21 January 2013. In the event the loan is converted, Talvivaara Mining Company will simultaneously convert a pro rata amount of EUR 20 million in existing intragroup loans granted to Talvivaara Sotkamo Oy, thereby making the conversion non-dilutive to both shareholders. The loan carries a stepwise increasing interest of 5.0% to 12% until maturity on 21 January 2013.

Talvivaara Sotkamo Ltd issued on 1 February 2010 a hybrid capital loan of EUR 25 million to Varma Mutual Pension Insurance Company. The unsecured perpetual step-up hybrid facility carries an interest of 12.0% until the first anniversary of the issue date, thereafter 15.0% until the third anniversary of the issue date, and 18.0% after the third anniversary until redemption. The borrower is entitled to fully or partially redeem the facility at any time after six months has passed from the issue date. The facility is recognised in the issuer's equity under IFRS.

The Company announced on 9 February 2010 that it is planning to initiate the recovery and exploitation of uranium, obtained as a by-product of other metals, in the form of a uranium intermediate, yellow cake. Talvivaara plans to recover uranium from its main leaching process by using a safe and technically simple solvent extraction process which is widely applied to metals recovery. The planned investment in the solvent extraction plant is estimated at approximately EUR 30 million. Annual production costs are estimated at approximately EUR 2 million and the annual production volume is estimated at approximately 350 tonnes. Talvivaara is currently in discussions with leading companies in the industry regarding a potential cooperation for this project, after which its final financing and operating model will be determined. The planned uranium production is subject to necessary permits, including an approval by the Government of Finland. Permit applications are currently being prepared.

Talvivaara Sotkamo Oy completed a long-term zinc streaming agreement with Nyrstar NV ("Nyrstar") on 11 February 2010. Under the terms of the agreement, Talvivaara will deliver all of its zinc in concentrate production to Nyrstar until a total of 1,250,000 metric tonnes of zinc in concentrate has been delivered. Nyrstar has paid a purchase price of USD 335 million for the zinc stream. In addition, Nyrstar will pay Talvivaara an extraction and processing fee of ERU 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.

Using the USD 335 million proceeds of the zinc streaming agreement, Talvivaara Sotkamo Ltd completed early repayment of its USD 320 million Project Term Loan to the Facility. In addition, Talvivaara closed all of its commodity and foreign exchange risk hedging positions, realising additional net proceeds of EUR 45 million. The Company discontinued hedge accounting relating to its nickel forward swaps effective 31 December 2009.

Short-term outlook

With all production processes operational and developing positively, Talvivaara looks into continuing its production ramp-up according to plan. The recent increase in nickel grade in leach solution supports the Company's view that it can obtain the higher rates of recovery required to reach its existing 2010 production target.

While some uncertainty relating to the development of nickel price in the short term remains, the risk of the price falling substantially from its present level is in the Company's view relatively limited. Provided the nickel price stays in the recent USD 17,000 – 20,000 per tonne range, Talvivaara expects to turn cash flow positive during the second half of 2010.

Board of Directors proposal for profit distribution

The Board of Directors is proposing to the Annual General Meeting to be held on 15 April 2010 that no dividend is declared in respect of the year 2009.

CONSOLIDATED INCOME STATEMENT

	Unaudited three months to	Unaudited three months to	Unaudited twelve months to	Audited twelve months to
(all amounts in EUR '000)	<u>31 December 2009</u>	<u>31 December 2008</u>	<u>31 December 2009</u>	<u>31 December 2008</u>
Turnover	4 967	-	7 571	-
Other operating income	5 966	17 242	43 118	29 810
Changes in inventories of finished goods and work in progress	28 410	20 233	75 587	24 006
Materials and services	(24 889)	(14 497)	(65 156)	(20 407)
Employee benefit expenses	(6 064)	(1 624)	(17 695)	(8 910)
Depreciation, amortization, depletion and impairment charges	(11 384)	(5 294)	(37 061)	(5 756)
Other operating expenses	(28 574)	(10 780)	(61 140)	(23 039)
Operating profit (loss)	(31 568)	5 280	(54 776)	(4 296)
Finance income	82	6 420	11 526	9 219
Finance cost	(13 596)	(6 281)	(31 835)	(12 956)
Finance cost (net)	(13 514)	139	(20 309)	(3 737)
Loss before income tax	(45 082)	5 419	(75 085)	(8 033)
Income tax expense	12 071	15 760	20 127	13 865
Profit (loss) for the period	(33 011)	21 179	(54 958)	5 832
Attributable to:				
Equity holders of the Company	(26 852)	18 017	(45 267)	7 042
Minority interest	(6 159)	3 162	(9 691)	(1 210)
	(33 011)	21 179	(54 958)	5 832
Earnings per share for profit (loss) attributable to the equity holders of the Company (expressed in €per share)				
Basic and diluted	(0,11)	0,08	(0,19)	0,03

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 31 December 2009	Unaudited three months to 31 December 2008	Unaudited twelve months to 31 December 2009	Audited twelve months to 31 December 2008
Profit (loss) for the period	(33 011)	21 179	(54 958)	5 832
Other comprehensive income, items net of tax				
Available-for-sale financial assets	-	-	-	(451)
Cash flow hedges	(5 877)	47 777	(69 705)	90 414
Other comprehensive income, net of tax	(5 877)	47 777	(69 705)	89 963
Total comprehensive income	(38 888)	68 956	(124 663)	95 795
Attributable to:				
Equity holders of the Company	(31 553)	56 237	(101 031)	78 922
Minority interest	(7 335)	12 719	(23 632)	16 873
	(38 888)	68 956	(124 663)	95 795

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	Unaudited 31 December 2009	Audited 31 December 2008
ASSETS		
Non-current assets		
Property, plant and equipment	644 356	552 459
Biological assets	6 614	8 152
Intangible assets	7 846	7 774
Deferred tax assets	21 548	-
Derivative financial instruments	-	116 004
Other receivables	7 582	9 635
	687 946	694 024
Current assets		
Inventories	109 512	31 691
Trade receivables	3 913	-
Other receivables	15 477	24 721
Derivative financial instruments	50 244	40 805
Cash and cash equivalent	11 877	82 713
	191 023	179 930
Total assets	878 969	873 954
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80	80
Share premium	8 086	8 086
Hedge reserve	16 567	72 332
Other reserves	417 448	334 019
Retained earnings	(71 368)	(26 101)
	370 813	388 416
Minority interest in equity	11 784	35 470
Total equity	382 597	423 886
Non-current liabilities		
Borrowings	194 796	367 955
Derivative financial instruments	3 110	1 985
Deferred tax liabilities	-	23 070
Provisions	1 594	944
	199 500	393 954
Current liabilities		
Borrowings	243 315	224
Trade payables	29 669	45 283
Other payables	9 875	8 294
Derivative financial instruments	14 013	2 279
Provisions	-	34
	296 872	56 114
Total liabilities	496 372	450 068
Total equity and liabilities	878 969	873 954

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(all amounts in EUR '000)

	Share capital	Share premium	Invested unrestricted equity	Hedge reserve	Other reserves	Retained earnings	Total	Minority interest	Total equity
1.1.2008	16	8 086	320 671	-	1 106	(33 423)	296 456	18 591	315 047
Total comprehensive income for 2008	-	-	-	72 332	(451)	7 043	78 924	16 872	95 796
Transfers within equity, change of the corporate form	64	-	(64)	-	-	-	-	-	-
Employee share option scheme - value of employee services	-	-	-	-	1 863	-	1 863	-	1 863
Convertible bond, equity component	-	-	-	-	10 894	-	10 894	-	10 894
Restatement to capital expenditure, which relates to previous year	-	-	-	-	-	278	278	-	278
Minority interest arising from subsidiary	-	-	-	-	-	1	1	7	8
31.12.2008	80	8 086	320 607	72 332	13 412	(26 101)	388 416	35 470	423 886
1.1.2009	80	8 086	320 607	72 332	13 412	(26 101)	388 416	35 470	423 886
Total comprehensive income for 2009	-	-	-	(55 765)	-	(45 267)	(101 032)	(23 632)	(124 664)
Share issue, net of transaction costs	-	-	82 691	-	-	-	82 691	-	82 691
External costs directly attributable to the issue of new shares	-	-	(2 050)	-	-	-	(2 050)	-	(2 050)
Acquisition of subsidiary, Hyena Holding AB	-	-	-	-	-	-	-	(54)	(54)
Employee share option scheme - value of employee services	-	-	-	-	2 788	-	2 788	-	2 788
31.12.2009	80	8 086	401 248	16 567	16 200	(71 368)	370 813	11 784	382 597

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 31 December 2009	Unaudited three months to 31 December 2008	Unaudited twelve months to 31 December 2009	Audited twelve months to 31 December 2008
Cash flows from operating activities				
Profit (loss) for the period	(33 011)	21 179	(54 958)	5 832
Adjustments for				
Tax	(12 071)	(15 760)	(20 127)	(13 865)
Depreciation and amortization	11 384	5 294	37 061	5 756
Other non-cash income and expenses	(2 482)	2 350	845	4 780
Interest income	(82)	(6 420)	(11 526)	(9 219)
Fair value gains on financial assets at fair value through profit or loss	24 701	(17 192)	27 507	(24 796)
Interest expense	13 596	6 281	31 835	12 956
	<u>2 035</u>	<u>(4 268)</u>	<u>10 637</u>	<u>(18 556)</u>
Change in working capital				
Decrease(+)/increase(-) in other receivables	(7 259)	(6 955)	2 055	5 582
Decrease (+)/increase (-) in inventories	(26 699)	(26 888)	(77 821)	(31 691)
Decrease(-)/increase(+) in trade and other payables	7 651	5 103	(16 421)	23 773
Change in working capital	<u>(26 307)</u>	<u>(28 740)</u>	<u>(92 187)</u>	<u>(2 336)</u>
	<u>(24 272)</u>	<u>(33 008)</u>	<u>(81 550)</u>	<u>(20 892)</u>
Interest and other finance cost paid	(6 186)	(2 613)	(22 318)	(7 468)
Interest income	391	8 625	3 821	9 581
Net cash used in operating activities	<u>(30 067)</u>	<u>(26 996)</u>	<u>(100 047)</u>	<u>(18 779)</u>
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	-	-	(54)	-
Purchases of property, plant and equipment	(35 896)	(155 385)	(117 738)	(427 187)
Purchases of biological assets	-	-	(35)	(26)
Purchases of intangible assets	(566)	(671)	(741)	(1 873)
Proceeds from sale of property, plant and equipment	-	-	9	-
Proceeds from sale of biological assets	169	456	273	707
Proceeds from sale of intangible assets	-	-	49	-
Proceeds from government grant related to tangible assets	-	-	5 000	-
Proceeds from government grant related to intangible assets	215	(1)	228	203
Proceeds from sale of available for sale financial assets	-	-	-	26 356
Purchases of derivative financial instruments	-	-	-	(1 371)
Proceeds from sale of financial assets at fair value through profit or loss	-	-	-	1 440
Net cash used in investing activities	<u>(36 078)</u>	<u>(155 601)</u>	<u>(113 009)</u>	<u>(401 751)</u>
Cash flows from financing activities				
Proceeds from share issue net of transaction costs	(3)	-	80 641	-
Proceeds from interest-bearing liabilities	10 567	192 274	63 924	396 734
Payment of interest-bearing liabilities	(1 166)	(20 000)	(2 345)	(20 000)
Capital investment by minority shareholders	-	8	-	8
Net cash generated in financing activities	<u>9 398</u>	<u>172 282</u>	<u>142 220</u>	<u>376 742</u>
Net (decrease)/increase in cash and bank overdrafts	<u>(56 747)</u>	<u>(10 315)</u>	<u>(70 836)</u>	<u>(43 788)</u>
Cash and bank overdrafts at beginning of the period	<u>68 624</u>	<u>93 028</u>	<u>82 713</u>	<u>126 501</u>
Cash and bank overdrafts at end of the period	<u>11 877</u>	<u>82 713</u>	<u>11 877</u>	<u>82 713</u>

NOTES**1. Basis of preparation**

This annual accounts bulletin 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.

Trade receivables

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost reduced by any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due. Any impairment is recognised in the income statement within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Revenue recognition

Revenue is recognised, 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 (DDU).

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.

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 2008	440	121,626	4,937	3,481	130,484
Additions	5,143	412,651	5,027	5,579	428,400
Disposals	-	-	-	-	-
Transfers	126,715	(404,866)	155,101	123,050	-
Gross carrying amount at 31 Dec 2008	132,297	129,412	165,065	132,111	558,884
Accumulated depreciation and impairment losses at 1 Jan 2008	66	-	700	-	766
Depreciation for the year	2,102	-	1,333	2,224	5,659
Accumulated depreciation and impairment losses at 31 Dec 2008	2,168	-	2,033	2,224	6,425
Carrying amount at 1 January 2008	374	121,626	4,237	3,481	129,718
Carrying amount at 31 Dec 2008	130,129	129,412	163,031	129,887	552,458
Gross carrying amount at 1 Jan 2009	132,297	129,412	165,065	132,111	558,884
Additions	20,049	101,709	820	11,045	133,623
Disposals	-	-	(57)	(45)	(102)
Government grants	(2,494)	-	(480)	(2,025)	(5,000)
Transfers	60,056	(179,449)	57,689	61,705	-
Gross carrying amount at 31 Dec 2009	209,907	51,671	223,036	202,791	687,405
Accumulated depreciation and impairment losses at 1 Jan 2009	2,168	-	2,033	2,224	6,425
Depreciation for the year	14,781	-	8,197	13,646	36,623
Accumulated depreciation and impairment losses at 31 Dec 2009	16,949	-	10,230	15,870	43,048
Carrying amount at 1 Jan 2009	130,129	129,412	163,031	129,887	552,458
Carrying amount at 31 Dec 2009	192,958	51,671	212,806	186,921	644,356

3. Inventories

(all amounts in EUR '000)

	2009	2008
Raw materials and consumables	9,919	6,655
Ore on leach pads	57,727	22,965
Work in progress	39,403	1,041
Finished products	2,464	-
Advance payments	-	1,030
Inventories total	109,512	31,691

4. Trade receivables

(all amounts in EUR '000)

	2009	2008
Trade receivables	3,913	-
Less: provision for impairment of trade receivables	-	-
	3,913	-

5. Derivative financial instruments

(all amounts in EUR '000)

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Nickel forwards - cash flow hedges	38,213	-	135,355	-
Nickel forwards - held for trading	953	-	3,301	-
Zinc forwards - held for trading	-	14,013	18,153	-
Interest rate swaps - held for trading	-	3,110	-	1,985
Currency forwards - held for trading	11,078	-	-	-
Currency options - held for trading	-	-	-	2,279
Total	50,244	17,123	156,809	4,264

	2009		2008	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	50,244	17,123	156,809	4,264
Total	50,244	17,123	156,809	4,264

Less non-current portion

Nickel forwards - cash flow hedges	-	-	101,797	-
Zinc forwards - held for trading	-	-	14,207	-
Interest rate swaps - held for trading	-	3,110	-	1,985
Current portion	50,244	14,013	40,805	2,279

6. Borrowings

(all amounts in EUR '000)

	Carrying amount		Fair value	
	2009	2008	2009	2008
Non-current				
Capital loans	1,405	1,405	1,405	1,405
Investment and Working Capital loan	45,417	-	45,417	-
Project Term Loan Facility Senior Unsecured	-	229,935	-	229,935
Convertible Bonds	75,477	72,842	75,477	72,842
Railway Term Loan Facility	19,861	25,461	19,861	25,461
Finance lease liabilities	15,305	1,694	15,305	1,694
Interest Subsidy Loans	4,187	4,182	4,187	4,182
Other	33,143	32,436	33,143	32,436
	194,796	367,955	194,796	367,955
Current				
Project Term Loan Facility	222,130	-	222,130	-
Railway Term Loan Facility	19,898	-	19,898	-
Finance lease liabilities	1,287	200	1,287	200
Other	-	25	-	25
	243,315	224	243,315	224
Total borrowings	438,111	368,179	438,111	368,179

KEY FIGURES OF THE GROUP

		Three months to 31 Dec 09	Three months to 31 Dec 08	Twelve months to 31 Dec 09	Twelve months to 31 Dec 08
Turnover	EUR '000	4,967	0	7,571	0
Operating profit (loss)	EUR '000	(31,568)	5,280	(54,776)	(4,296)
Profit(loss) before tax	EUR '000	(45,082)	5,419	(75,085)	(8,033)
Profit(loss) for the period	EUR '000	(33,011)	21,179	(54,958)	5,832
Return on equity		(13.7%)	1.5%	(13.6%)	1.6 %
Equity-to assets ratio		43.5%	48.5%	43.5%	48.5 %
Net interest bearing debt	EUR '000	426,234	285,467	426,234	285,467
Debt-to equity ratio		111.4%	67.3%	111.4%	67.3 %
Capital expenditure	EUR '000	36,462	156,056	118,514	429,086
Research & development expenditure	EUR '000	261	181	261	181
Property, plant and equipment	EUR '000	644,356	552,458	644,356	552,458
Derivative financial instruments	EUR '000	33,121	152,545	33,121	152,545
Borrowings	EUR '000	438,111	368,179	438,111	368,179
Cash and cash equivalents at the end of the period	EUR '000	11,877	82,713	11,877	82,713
		Three months to 31 Dec 09	Three months to 31 Dec 09	Twelve months to 31 Dec 09	Twelve months to 31 Dec 08
Share-related key figures					
Earnings per share	EUR	(0.11)	(0.03)	0.08	0.03

Equity per share	EUR	1.51	1.74	1.51	1.74
Development of share price at London Stock Exchange					
Average trading price ¹	EUR	4.21	1.91	3.57	3.64
	GBP	3.81	1.61	3.18	2.90
Lowest trading price ¹	EUR	3.89	1.16	1.45	1.22
	GBP	3.52	0.98	1.29	0.98
Highest trading price ¹	EUR	4.54	2.86	4.68	5.64
	GBP	4.11	2.40	4.17	4.49
Trading price at the end of the period ²	EUR	4.35	1.25	4.35	1.25
	GBP	3.86	1.19	3.86	1,190
Change during the period		1.7 %	(49.4 %)	224.6 %	(60.3 %)
Market capitalization at the end of the period ³					
	EUR '000	1,066,454	278,475	1,066,454	278,475
	GBP '000	947,118	265,247	947,118	265,247
Development in trading volume					
Trading volume	1000 shares	34,182	21,317	153,421	84,780
In relation to weighted average number of shares		14.6 %	9.6 %	65.6 %	38.0 %
Development of share price at OMX Helsinki					
Average trading price	EUR	4.24		4.21	
Lowest trading price	EUR	3.95		3.05	
Highest trading price	EUR	4.50		4.86	
Trading price at the end of the period	EUR	4.33		4.33	
Change during the period		3.6 %		38.3 %	
Market capitalization at the end of the period					
	EUR '000	1,061,615		1,061,615	
Development in trading volume					
Trading volume	1000 shares	26,626		113,077	
In relation to weighted average number of shares		11.4 %		48.4 %	
Adjusted average number of shares		233 762 033	222 896 718	233 762 033	222 896 718
Fully Diluted average number of shares		233 762 033	222 896 718	233 762 033	223 045 994
Number of shares at the end of the period		245 176 718	222 896 718	245 176 718	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 31 Dec 09	Three months to 31 Dec 08	Twelve months to 31 Dec 09	Twelve months to 31 Dec 08
EUR'000				
Wages and salaries	4,964	1,372	14,876	7,619
Average number of employees	287	237	272	178
Number of employees at the end of the period	308	239	308	239
Other figures				
Share options outstanding at the end of the period	5,352,500	4,442,500	5,352,500	4,442,500
Number of shares to be issued against the outstanding share options	5,352,500	4,442,500	5,352,500	4,442,500
Rights to vote of shares to be issued against the outstanding share options	2.1 %	2.0 %	2.1 %	2.0 %

Key financial figures of the Group

Return on equity	$\frac{\text{Profit (loss) for the period/}}{\text{(Total equity at the beginning of period + Total equity at the end of period)/2}}$
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	$\frac{\text{Profit (loss) attributable to equity holders of the}}{\text{Total equity}}$
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	<u>Company/</u> Adjusted average number of shares
Equity per share	<u>Equity attributable to equity holders of the Company/</u> 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