

Talvivaara Mining Company Plc

Interim Report
January - March 2011

28 April 2011

TALVIVAARA

STOCK EXCHANGE RELEASE

28 April 2011

Talvivaara Mining Company Interim Report for January-March 2011
New production record despite technical challenges at the metals recovery plant

Highlights of the first quarter of 2011

- Nickel production 4,215t, up 10% from Q4 2010 and a new quarterly record
- Net sales EUR 66.5m and operating profit EUR 11.6m
- Uranium off-take agreement signed with Cameco Corporation in February

Production guidance for 2011

- Production guidance for 2011 revised to 22,000-28,000t of nickel on 7 April 2011
- Zinc production expected to amount to 44,000-50,000t
- Modification and maintenance programmes at the metals recovery plant commenced in order to improve plant availability and to remove bottlenecks

Key figures

EUR million	Q1 2011	Q4 2010	Q1 2010	FY 2010
Net sales	66.5	60.2	11.6	152.2
Operating profit (loss)	11.6	14.3	(2.3)	25.5
% of net sales	17.5%	23.8%	(20.2%)	16.7%
Profit (loss) for the period	12.8	(4.7)	(16.9)	(13.1)
Earnings per share, EUR	0.03	(0.02)	(0.06)	(0.06)
Equity-to-assets ratio	33.0%	31.3%	42.8%	31.3%
Net interest bearing debt	325.8	315.0	176.3	315.0
Debt-to-equity ratio	81.6%	82.8%	45.4%	82.8%
Capital expenditure	10.4	23.5	19.0	115.7
Cash and cash equivalents at the end of the period	144.7	165.6	55.9	165.6
Number of employees at the end of the period	413	389	336	389

All reported figures in this release are unaudited.

CEO Pekka Perä comments: *"I am pleased to report yet another record quarterly nickel production, especially as it was achieved despite a series of technical issues resulting in low availability of the metals recovery plant. Going forward, we aim to secure successful continuation of our ramp-up through an upgrade and maintenance programme at the plant, which has now commenced and should boost production capacity and improve resilience during difficult weather conditions.*

We also posted record revenues in the first quarter, helped in part by the increased product deliveries, but also by nickel prices that held up strong at around USD 24,000-28,000 per tonne throughout the period."

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Webcast and conference call on 28 April 2011 at 11:00 GMT/13:00 EET

A combined webcast and conference call on the Q1 2011 result will be held on 28 April 2011 at 11:00 GMT/13:00 EET. The call will be held in English.

The webcast can be accessed through the following link:

http://gsb.webcast.fi/t/talvivaara/talvivaara_2011_0428_Q1/

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

Finland: +358 (0)9 2313 9201

UK: +44 (0)20 7131 2799

US: +1 334 323 6201

Conference id: 891445

The webcast will also be available for viewing on the Talvivaara website from shortly after the event until the end of December 2011.

Financial review

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 31 March 2011 increased by 10% from the previous quarter and totalled EUR 66.5 million (Q1 2010: EUR 11.6 million). The product deliveries amounted to 3,846 tonnes of nickel, 76 tonnes of cobalt and 8,736 tonnes of zinc.

The Group's other operating income of EUR 0.3 million (Q1 2010: EUR 15.4 million) consisted mainly of fair value gains on interest rate and currency exchange derivatives.

Materials and services amounted to EUR (36.3) million (Q1 2010: EUR (19.9) million). The costs increased by 18% from EUR (30.7) million in the previous quarter, reflecting the growth in production volumes and related use of production chemicals, particularly propane. Use of maintenance services and spare parts was also higher during the period, and the price of many high volume process chemicals such as propane and caustic soda increased compared to Q4 2010.

Personnel expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (6.8) million (Q1 2010: EUR (4.9) million). The increase was attributable to the increased number of personnel.

Other operating expenses amounted to EUR (13.7) million (Q1 2010: EUR (11.4) million) and remained at the same level as in the previous quarter. The other operating expenses were mainly due to accruals in maintenance costs, higher cost and consumption of electricity during the colder winter season, and freight.

The operating profit for Q1 2011 was EUR 11.6 million (Q1 2010: loss of EUR (2.3) million). The operating margin of 17.5% decreased from that reported for the fourth quarter partly due to technical issues and related maintenance expenses in materials handling and in metals recovery. The operating margin was also negatively affected by the fact that some March production was delivered just after the end of the reporting period and hence not included in the first quarter revenues.

Finance income amounted to EUR 15.7 million (Q1 2010: EUR (1.2) million). It consisted primarily of non-cash exchange rate gains of approximately EUR 14.6 million on the USD 335 million Nyrstar advance payment. Finance cost amounted to EUR (9.4) million (Q1 2010: EUR (21.3) million). It consisted primarily of interests on borrowings of approximately EUR (8.1) million.

Profit for the period amounted to EUR 12.8 million (Q1 2010: loss of EUR (16.9) million).

The total comprehensive income for the first quarter of 2011 was EUR 10.2 million (Q1 2010: EUR (20.0) million), including a reduction in hedge reserves resulting from the occurrence of the hedged sales.

Balance sheet

Capital expenditure during the first quarter totalled EUR 10.4 million (Q1 2010: EUR 19.0 million). The expenditure related primarily to dust removal systems for crushing and screening, the secondary heap stacker and the secondary heap foundations. On the consolidated statement of financial position as at 31 March 2011, property, plant and equipment totalled EUR 727.5 million (31 December 2010: EUR 728.2 million).

In the Group's assets, inventories amounted to EUR 190.9 million on 31 March 2011 (31 December 2010: EUR 175.4 million). The increase in inventories reflected the ramp-up of production and the consequent increase in the amount of ore stacked on heaps, valued at cost.

Trade receivables amounted to EUR 61.3 million on 31 March 2011 (31 December 2010: EUR 52.4 million). The increase in trade receivables reflected the ramp-up of production and increase in nickel price compared to the previous quarter.

On 31 March 2011, cash and cash equivalents totalled EUR 144.7 million (31 December 2010: EUR 165.6 million).

In equity and liabilities, the total equity amounted to EUR 399.2 million on 31 March 2011 (31 December 2010: EUR 380.3 million), including approximately EUR 25 million from a perpetual capital loan. An equity component of EUR 9.0 million for the senior unsecured convertible bonds issued in December 2010 and due 2015 was recognised in equity during the first quarter. At year-end 2010, the equity component was not recognised, as the shareholder resolution allowing the conversion of the bonds had not yet been obtained. A total of 13,000 new shares were subscribed and paid for during the first quarter of 2011 under the company's stock option rights 2007A and the entire subscription price was recognised in equity.

Borrowings decreased from EUR 480.6 million on 31 December 2010 to EUR 470.5 million at the end of March 2011. The changes in borrowings during the period included determination of the equity component for senior unsecured convertible bonds due 2015 after an Extraordinary General Meeting of Talvivaara resolved to approve the issue of special rights in January 2011.

Total advance payments as at 31 March 2011 amounted to EUR 257.7 million (31 December 2010: EUR 267.1 million). The changes in advance payments during the period included non-cash exchange rate gains of approximately EUR 14.6 million for the Nyrstar advance payment. In addition, Talvivaara received EUR 7.0 million in advance payments during the first quarter based on a uranium off-take agreement with Cameco Corporation.

Total equity and liabilities as at 31 March 2011 amounted to EUR 1,208.0 million (31 December 2010: EUR 1,216.3 million).

Financing

In January, a Talvivaara Extraordinary General Meeting resolved to approve the proposal of the Board of Directors for the issue of special rights in relation to EUR 225 million senior unsecured convertible bonds which were issued in December 2010 and are due 2015. The bonds are convertible into 27.0 million fully paid ordinary shares of the Company. The interest rate applied to the convertible bond is 4.00% and the yield to maturity 6.50%, reflecting a redemption price of 114.5% at maturity.

Uranium off-take agreement with Cameco

In February, Talvivaara signed a uranium off-take agreement with Cameco Corporation. Under the terms of the agreement, Cameco will provide an up-front investment, up to a maximum of USD 60 million, to cover the construction cost of the uranium extraction circuit. Cameco's capital contribution will be repaid through deliveries of uranium concentrate in the initial years of the agreement.

Once the capital is repaid, Cameco will purchase the uranium concentrate produced at Sotkamo through a supply agreement that will be in effect until 31 December 2027. Cameco will provide Talvivaara with payment for the uranium based on a formula that references market prices at the time of delivery.

Annual uranium production is estimated at 350tU (ca. 770,000 pounds), corresponding to approximately 410t (900,000 pounds) of yellow cake (UO₄).

Cameco provides technical assistance to Talvivaara in the design, construction, commissioning and operation of the uranium extraction circuit to be constructed at the Sotkamo mine. Subject to receiving the necessary permits and authorizations, Talvivaara plans to start construction in the coming months and complete it in 2012.

The agreements between Talvivaara and Cameco are subject to ratification by the Euratom Supply Agency and the approval of the European Commission pursuant to the Euratom Treaty. These approvals are expected within the next few months. In April 2010, Talvivaara applied to the Ministry of Employment and Economy for a permit to extract uranium as a by-product, in accordance with the Nuclear Energy Act. Talvivaara expects this permit in late 2011.

Production review

Continuation of production ramp-up at the Sotkamo mine was again confirmed by a new quarterly production record for nickel amounting to 4,215t (Q1 2010:610t) and representing an increase of 10% from previous quarter production. The zinc output of 6,363t (Q1 2010: 2,960t) was however lower than in Q4 2010 due to nickel contamination caused by a defective valve at the metals recovery plant. As a result, non-saleable product

containing more than 3,000t of zinc had to be recycled back to bioheapleaching. The defective valve was fixed after the incident and the problem is not expected to be a recurrent one.

The mining department produced 2.2Mt of ore (Q1 2010: 3.0Mt) and 5.2Mt of waste (Q1 2010: 2.4Mt). The emphasis was again on waste mining to provide material for levelling the ground for the secondary heap foundations. Ore mining had to be restricted due to bottle-necks in materials handling.

In materials handling, the amount of crushed and stacked ore in the first quarter was 2.2Mt (Q1 2010: 3.3Mt). Production output was negatively affected by continued commissioning issues with the primary heap reclaiming system. Firstly, excavation capacity was insufficient due to a contractor change and delays in getting the planned capacity excavators in place. Secondly, the purpose-built reclaiming equipment was not yet operational at full speed and optimization of the system continued throughout the period.

Whilst materials handling failed to reach the budgeted production levels in the first quarter, it should be noted that at the end of the period there was already more than 50,000t of nickel in stacked ore under leaching. Materials handling was thus not a critical issue in view of the current year's metals production targets.

Bioheapleaching progressed according to expectations during the first quarter. The average nickel grades in solution pumped to metals recovery continued to increase and averaged 2.3 g/l in March. The main sources of leach solution were heap sections 3 and 4, from which around 30% of the circulating solution was continuously pumped to the metals plant. As this depletion rate is well above the long term planned rate of 10-15%, the sustained increase in metal grades in solution was especially encouraging and indicated good leaching in the newer heap sections.

Leaching in the secondary heap continued well, but solution quantities were not sufficient for metals recovery due to the start-up problems faced in primary heap reclaiming.

In metals recovery, the first quarter ended in a promising fashion with a period of ten days at an average annualised production rate of over 32,000t of nickel. However, for most of the period the plant availability was lower than expected, primarily because of blockages in pipelines due to disruptions in materials flows or freezing, and insufficient hydrogen sulphide capacity stemming from dust contamination in the hydrogen sulphide generators. In addition, production capacity was at times restricted because of insufficient sulphur melting capacity.

Whilst none of the experienced difficulties were fundamental or long-term in nature, they led to the conclusion, as announced soon after the quarter end on 7 April 2011 (see section Events after the review period), that certain upgrades and modifications at the plant were necessary in order to sustain the achieved throughput rates and to ramp up production further. The maintenance and upgrading works were largely planned during the quarter and involve increasing of sulphur melting and certain pumping capacities, cleaning and upgrading of hydrogen sulphide generators, inspection and maintenance of reactors and thickeners, and numerous small modification items, e.g. doubling up of selected process pipelines, that help improve production reliability and sustainable capacity.

Production key figures

		Q1 2011	Q4 2010	Q1 2010	FY 2010
Mining					
Ore production	Mt	2.2	3.3	3.0	13.3
Waste production	Mt	5.2	4.3	2.4	16.7
Materials handling					
Stacked ore	Mt	2.2	2.9	3.3	13.3
Bioheapleaching					
Ore under leaching	Mt	26.5	24.3	14.3	24.3
Metals recovery					
Nickel metal content	Tonnes	4,215	3,831	610	10,382
Zinc metal content	Tonnes	6,363	9,369	2,960	25,462

Fulfilment of minimum transportation requirement on Talvivaara-Murtomäki railroad

In 2008-2009, Talvivaara constructed a 25 km railway connecting the Talvivaara mine with the national railway grid. Subject to agreed minimum transportation volumes on the railroad being achieved, the Finnish State agreed to reimburse the construction expenses to Talvivaara Infrastructure Oy up to an amount of EUR 40 million (0% VAT) in two instalments and to redeem the railroad as part of the national rail grid. The first agreed transportation milestone was reached in 2010 and the Finnish State subsequently paid EUR 20 million as a partial reimbursement. The remaining minimum transportation volumes were reached in January 2011 and Talvivaara expects the final redemption to take place during the first half of 2011.

Production expansion - Operation Overlord

Conceptual studies relating to production expansion beyond 50,000tpa of nickel continued. A dedicated project team was established and strengthened to seven members with metallurgical, infrastructure, bioheapleaching and materials handling expertise. Recruiting to the project team continues targeting added expertise on project coordination, environmental and water management issues, and automation.

As permitting is one of the most critical parts of the project in view of the overall timetable, particular emphasis was put on getting the necessary permitting processes started as soon as possible. As a result, baseline studies of the environment were already commenced at the end of the first quarter and preparations were made for the Environmental Impact Assessment (EIA) to start during the second half of 2011. The EIA will cover certain parallel process options, as the final production processes and end products have not yet been chosen. Following the EIA, Talvivaara expects to submit the environmental permit application for the expansion in 2012.

Scoping studies are currently based on the target of doubling up the presently planned production to approximately 100,000tpa of nickel. Whilst studies relating to various processing options continue, it appears relatively likely that a substantial part of the expanded production would be LME quality nickel metal. Production of cobalt metal is also an option, but refining of zinc to zinc metal is currently not within the planning scope. For certain products and raw materials, e.g. manganese and sulphuric acid, joint ventures or other partnering arrangements will be investigated.

Investment into the expansion project is planned to be carried out in a modular fashion to allow stretching of the expenditure over an estimated 5-6 year period starting in 2013. The modular approach also allows commissioning of the equipment and processes sequentially in the order of the process stages, which is expected to reduce the risk of serious start-up issues.

For the project to proceed to expanded production from 2016, the first investment decisions would need to be made in 2012. The first critical items to be ordered include a primary crusher, to be located at the Kolmisoppi pit, and additional fine crushers. The new crushing circuit could be targeted for commissioning in late 2014, along with mining from the Kolmisoppi deposit. Earth works on additional heap foundations, initially within the scope of the current environmental permit, are estimated to commence in 2013.

If the expansion project is realized to its full planned extent, it is estimated that the Talvivaara mine will directly provide work for 1,100-1,200 employees. Indirectly, around 2,000 new jobs are anticipated to be created. The project phase is estimated at approximately 6,000 man years.

Sustainable development and permitting

The main achievements of the first quarter included the completion of the Environmental Impact Assessment relating to the extraction of uranium as a by-product. A statement to this effect was obtained from the local environmental authority declaring the EIA sufficient.

The environmental permit application for uranium extraction was submitted to the regional environmental permitting agency in March. Application for the renewal of the existing environmental permit was also submitted in March.

At the end of the quarter, the injury frequency among the Talvivaara personnel was 13.7 lost time injuries/million working hours on a rolling 12 month basis (31 December 2010: 10.7 lost time injuries/million working hours).

In line with its sustainable development policies, Talvivaara continued its efforts aimed at reducing the environmental effects of its operations. Concrete measures included, among others, the installation of additional

dust removal systems in crushing and screening, and further work aimed at removing any odour discharges from the metals recovery plant.

Risk management and principal risks

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 counter parties, 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 in place an ongoing production reliability 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 Company has also commenced additional maintenance and upgrading programmes at the metals recovery plant in order to improve plant availability and capacity in the future.

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 to persist also in the future. Talvivaara is unhedged against variations in nickel 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. Talvivaara hedges its exposure to the currency exchange risk relating to the US dollar on a case by case basis with the aim of limiting the adverse effects of US dollar weakness as considered justified from time to time.

Personnel

The number of personnel on 31 March 2011 was 413 (Q1 2010: 336), up by 24 from the end of 2010.

Wages and salaries paid during the first three months of the year totalled EUR 5.9 million (Q1 2010: EUR 4.2 million).

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 March 2011 was 245,364,096. Including the effect of the EUR 85 million convertible bond of 14 May 2008, the EUR 225 million convertible bond of 16 December 2010 and the Option Scheme of 2007, the authorised full number of shares of the Company amounted to 290,636,391.

The share subscription period for stock options 2007A is between 1 April 2010 and 31 March 2012. By 31 March 2011 a total of 187,378 Talvivaara Mining Company Plc's new shares were subscribed for under the stock option rights 2007A and a total of 2,145,722 stock option rights 2007A remain unexercised.

As at 31 March 2011, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.06 %), Varma Mutual Pension Insurance Company (8.60%), and BlackRock Investment Management Ltd (5.80%).

Events after the review period

Revision of production guidance for 2011

Talvivaara revised its production target for the current year to 22,000-28,000t of nickel on 7 April 2011. Zinc production is anticipated to amount to 44,000-50,000t.

The Company decided to lower its production target due to unsatisfactory availability of the metals recovery plant in the first quarter and certain capacity limiting bottle-necks identified at the plant. In order to improve production reliability and to remove the bottle-necks, Talvivaara decided to bring the annual maintenance break forward to April-May 2011 and to extend this scheduled break to allow for all of the identified issues to be addressed and for the plant to be thoroughly inspected as part of the Company's preventive maintenance plan.

The Company anticipates scheduling a second maintenance stoppage for September or October in order to install long lead-time equipment which is not available during the first stoppage, and to further enhance parts of process equipment in order to avoid potential problems caused by exceptional winter conditions.

The total duration of the maintenance and upgrading stoppages is estimated at approximately three weeks. The impact on production output of the programmes depends on the timing and eventual length of the production stoppages and the resulting improvement in production reliability and capacity. Delays in reclaiming the primary heap may also have an impact on production due to corresponding delays in obtaining leach solution from the secondary heap to metals recovery.

The maintenance and modification works are not anticipated to require any major equipment additions or replacements; hence the programmes are not expected to materially affect the Company's capital expenditure during the year.

Short-term outlook

Talvivaara expects production at the Sotkamo mine to continue ramping up in line with the revised target and the production reliability to improve as a result of the ongoing maintenance and upgrading programmes. The maintenance and upgrading stoppage of April-May is likely have an impact on the second quarter production such that the growth in production volumes will be more pronounced in the third and fourth quarters.

The near term market outlook for nickel is relatively positive with demand continuing strong especially from China. Overall, the market has been in a deficit in the early part of 2011 on the back of strong stainless steel production growth, but the supply-demand balance may be moving into surplus towards the end of the year with increasing production projected especially in ferronickel. This may drive nickel prices lower in the coming months from their recent level of USD 25,000-28,000 per tonne. However, the price is not expected to suffer a dramatic decrease but rather to potentially settle slightly lower during the summer months. The EUR/USD exchange rate may also have an effect on nickel price with sustained USD weakness likely to support commodity prices.

April 28, 2011

Talvivaara Mining Company Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	Unaudited three months to 31 March 2011	Unaudited three months to 31 March 2010
Net sales	66,467	11,606
Other operating income	336	15,428
Changes in inventories of finished goods and work in progress	12,781	19,075
Materials and services	(36,310)	(19,930)
Personnel expenses	(6,795)	(4,852)
Depreciation, amortization, depletion and impairment charges	(11,198)	(12,246)
Other operating expenses	(13,664)	(11,425)
Operating profit (loss)	11,617	(2,344)
Finance income	15,733	1,151
Finance cost	(9,387)	(21,328)
Finance income (cost) (net)	6,346	(20,177)
Profit (loss) before income tax	17,963	(22,521)
Income tax expense	(5,179)	5,585
Profit (loss) for the period	12,784	(16,936)
Attributable to:		
Owners of the parent	8,839	(13,861)
Non-controlling interest	3,945	(3,075)
	12,784	(16,936)
Earnings per share for profit (loss) attributable to the owners of the parent expressed in EUR per share)		
Basic and diluted	0.03	(0.06)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 31 March 2011	Unaudited three months to 31 March 2010
Profit (loss) for the period	12,784	(16,936)
Other comprehensive income, items net of tax		
Cash flow hedges	(2,544)	(3,019)
Other comprehensive income, net of tax	(2,544)	(3,019)
Total comprehensive income	10,240	(19,955)
Attributable to:		
Owners of the parent	6,804	(16,276)
Non-controlling interest	3,436	(3,679)
	10,240	(19,955)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	Unaudited three months to 31 Mar 2011	Audited twelve months to 31 Dec 2010	Unaudited three months to 31 Mar 2010
ASSETS			
Non-current assets			
Property, plant and equipment	727,539	728,226	663,491
Biological assets	7,983	8,464	6,894
Intangible assets	7,620	7,737	7,745
Deferred tax assets	18,927	22,421	28,222
Other receivables	2,882	7,626	7,591
Available-for-sale financial assets	502	464	-
	765,453	774,938	713,943
Current assets			
Inventories	190,883	175,361	124,307
Trade receivables	61,311	52,354	9,142
Other receivables	6,274	8,702	5,578
Derivative financial instruments	1	40	-
Cash and cash equivalent	144,650	165,555	55,914
	403,119	402,012	194,941
Assets held for sale	39,391	39,391	-
Total assets	1,207,963	1,216,341	908,884
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	80	80	80
Share issue	-	91	-
Share premium	8,086	8,086	8,086
Hedge reserve	5,459	7,494	14,152
Other reserves	444,046	433,012	438,603
Retained earnings	(77,284)	(84,322)	(85,229)
	380,387	364,441	375,692
Non-controlling interest in equity	18,817	15,831	13,087
Total equity	399,204	380,272	388,779
Non-current liabilities			
Borrowings	427,328	437,623	208,559
Advance payments	223,376	231,812	248,535
Trade payables	4	17	-
Derivative financial instruments	-	-	3,288
Provisions	4,893	3,935	1,804
	655,601	673,387	462,186
Current liabilities			
Borrowings	43,144	42,934	23,682
Advance payments	34,337	35,243	-
Trade payables	31,082	39,408	25,389
Other payables	43,502	43,820	8,848
Derivative financial instruments	1,093	1,277	-
	153,158	162,682	57,919
Total liabilities	808,759	836,069	520,105
Total equity and liabilities	1,207,963	1,216,341	908,884

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

- A. Share capital
- B. Share issue
- C. Share premium
- D. Invested unrestricted equity
- E. Hedge reserve
- F. Other reserves
- G. Retained earning
- H. Total
- I. Non-controlling interest
- J. Total equity

(all amounts in EUR '000)	A	B	C	D	E	F	G	H	I	J
01 Jan 2010	80	-	8,086	401,248	16,567	16,200	(71,368)	370,813	11,784	382,597
Profit (loss) for the period	-	-	-	-	-	-	(13,861)	(13,861)	(3,075)	(16,936)
Other comprehensive income	-	-	-	-	(2,415)	-	-	(2,415)	(604)	(3,019)
- Cash flow hedges	-	-	-	-	(2,415)	-	-	(2,415)	(604)	(3,019)
Total comprehensive income for the period	-	-	-	-	(2,415)	-	(13,861)	(16,276)	(3,679)	(19,955)
Transactions with owners										
Perpetual capital loan	-	-	-	-	-	19,925	-	19,925	4,982	24,907
Employee share option scheme	-	-	-	-	-	1,230	-	1,230	-	1,230
- value of employee services	-	-	-	-	-	1,230	-	1,230	-	1,230
Total contribution by and distribution to owners	-	-	-	-	-	21,155	-	21,155	4,982	26,137
Total transactions with owners	-	-	-	-	-	21,155	-	21,155	4,982	26,137
31 Mar 2010	80	-	8,086	401,248	14,152	37,355	(85,229)	375,692	13,087	388,779
31 Dec 2010	80	91	8,086	401,612	7,494	31,400	(84,322)	364,441	15,831	380,272
01 Jan 2011	80	91	8,086	401,612	7,494	31,400	(84,322)	364,441	15,831	380,272
Profit (loss) for the period	-	-	-	-	-	-	8,839	8,839	3,945	12,784
Other comprehensive income	-	-	-	-	(2,035)	-	-	(2,035)	(509)	(2,544)
- Cash flow hedges	-	-	-	-	(2,035)	-	-	(2,035)	(509)	(2,544)
Total comprehensive income for the period	-	-	-	-	(2,035)	-	8,839	6,804	3,436	10,240
Transactions with owners										
Stock options	-	(91)	-	125	-	-	-	34	-	34
Perpetual capital loan	-	-	-	-	-	-	(1,801)	(1,801)	(450)	(2,251)
Incentive arrangement for Executive Management	-	-	-	-	-	23	-	23	-	23
Convertible bond, equity component	-	-	-	-	-	9,018	-	9,018	-	9,018
Employee share option scheme	-	-	-	-	-	1,868	-	1,868	-	1,868
- value of employee services	-	-	-	-	-	1,868	-	1,868	-	1,868
Total contribution by and distribution to owners	-	(91)	-	125	-	10,909	(1,801)	9,142	(450)	8,692
Total transactions with owners	-	(91)	-	125	-	10,909	(1,801)	9,142	(450)	8,692
31 Ma 2011	80	-	8,086	401,737	5,459	42,309	(77,284)	380,387	18,817	399,204

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 31 Mar 2011	Unaudited three months to 31 Mar 2010
Cash flows from operating activities		
Profit (loss) for the period	12,784	(16,936)
Adjustments for		
Tax	5,179	(5,585)
Depreciation and amortization	11,198	12,246
Other non-cash income and expenses	(5,980)	139
Interest income	(15,733)	(1,151)
Fair value gains (losses) on financial assets at fair value through profit or loss	(145)	(13,655)
Interest expense	9,387	21,328
	<u>16,690</u>	<u>(3,614)</u>
Change in working capital		
Decrease(+)/increase(-) in other receivables	1,343	4,319
Decrease (+)/increase (-) in inventories	(15,522)	(14,795)
Decrease(-)/increase(+) in trade and other payables	(14,393)	(4,888)
Change in working capital	<u>(28,572)</u>	<u>(15,364)</u>
	(11,882)	(18,978)
Interest and other finance cost paid	(1,810)	(4,401)
Interest and other finance income	269	47,116
Net cash generated (used) in operating activities	(13,423)	23,737
Cash flows from investing activities		
Purchases of property, plant and equipment	(10,371)	(18,960)
Purchases of intangible assets	(23)	(14)
Proceeds from sale of biological assets	184	59
Purchases of available-for-sale financial assets	(38)	-
Net cash generated (used) in investing activities	(10,248)	(18,915)
Cash flows from financing activities		
Realised stock options	34	-
Proceeds from interest-bearing liabilities	-	5,000
Perpetual capital loan	(3,042)	24,875
Proceeds from advance payments	7,000	243,419
Payment of interest-bearing liabilities	(1,226)	(234,079)
Net cash generated (used) in financing activities	2,766	39,215
Net increase (decrease) in cash and cash equivalents	(20,905)	44,037
Cash and cash equivalents at beginning of the period	<u>165,555</u>	<u>11,877</u>
Cash and cash equivalents at end of the period	<u>144,650</u>	<u>55,914</u>

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 2010.

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 2011	336,598	21,035	257,613	206,227	821,473
Additions	135	10,235	1	-	10,371
Transfers	7,637	(10,888)	2,495	756	-
Gross carrying amount at 31 Mar 2011	344,370	20,382	260,109	206,983	831,844
Accumulated depreciation and impairment losses at 1 Jan 2011	39,793	-	21,150	32,304	93,247
Depreciation for the period	5,908	-	2,844	2,306	11,058
Accumulated depreciation and impairment losses at 31 Mar 2011	45,701	-	23,994	34,610	104,305
Carrying amount at 1 Jan 2011	296,805	21,035	236,463	173,923	728,226
Carrying amount at 31 Mar 2011	298,669	20,382	236,115	172,373	727,539

3. Trade receivables

(all amounts in EUR '000)

	31 Mar 2011	31 Dec 2010
Nickel-Cobalt sulphide	58,416	50,437
Zinc sulphide	2,895	1,917
Total trade receivables	61,311	52,354

4. Inventories

(all amounts in EUR '000)

	31 Mar 2011	31 Dec 2010
Raw materials and consumables	11,408	8,668
Ore on leach pads	61,872	79,593
Work in progress	102,352	75,039
Finished products	15,251	12,061
Total inventories	190,883	175,361

5. Borrowings

(all amounts in EUR '000)

	31 Mar 2011	31 Dec 2010
Non-current		
Capital loans	1,405	1,405
Investment and Working Capital loan	57,362	57,324
Senior Unsecured Convertible Bonds due 2013	78,776	78,086
Senior Unsecured Convertible Bonds due 2015	212,707	219,426
Finance lease liabilities	49,941	53,018
Other	27,137	28,364
	427,328	437,623
Current		
Railway Term Loan Facility	18,613	18,527
Finance lease liabilities	20,333	20,211
Interest Subsidy Loans	4,198	4,196
	43,144	42,934
Total borrowings	470,472	480,557

Talvivaara Mining Company Plc
Key financial figures of the Group

		Three months to 31 Mar 11	Three months to 31 Mar 10	Twelve months to 31 Dec 10
Net sales	EUR '000	66,467	11,606	152,163
Operating profit (loss)	EUR '000	11,617	(2,344)	25,456
Operating profit (loss) percentage		17.5 %	-20,2 %	16.7 %
Profit (loss) before tax	EUR '000	17,963	(22 521)	(9,908)
Profit (loss) for the period	EUR '000	12,784	(16,936)	(13,052)
Return on equity		3.3 %	(4.4 %)	(3,4 %)
Equity-to-assets ratio		33.0 %	42.8 %	31,3 %
Net interest-bearing debt	EUR '000	325,822	176,328	315 002
Debt-to-equity ratio		81.6 %	45.4 %	82,8 %
Return on investment		2.6 %	0.6 %	3,1 %
Capital expenditure	EUR '000	10,394	18,974	115 658
Research & development expenditure	EUR '000	-	-	365
Property, plant and equipment	EUR '000	727,539	663,491	728,226
Derivative financial instruments	EUR '000	(1,092)	(3,287)	(1,237)
Borrowings	EUR '000	470,472	232,241	480,557
Cash and cash equivalents at the end of the period	EUR '000	144,650	55,914	165,555

Share-related key figures

		Three months to 31 Mar 11	Three months to 31 Mar 10	Twelve months to 31 Dec 10
Earnings per share	EUR	0.03	(0.06)	(0.06)
Equity per share	EUR	1.55	1.53	1.55
Development of share price at London Stock Exchange				
Average trading price ¹	EUR	6.69	4.32	4.89
	GBP	5.71	3.83	4.20
Lowest trading price ¹	EUR	5.99	3.94	3.99
	GBP	5.12	3.50	3.42
Highest trading price ¹	EUR	7.28	5.02	7.11
	GBP	6.22	4.45	6.10
Trading price at the end of the period ²				
	EUR	6.58	5.00	6.92
	GBP	5.82	4.44	5.96
Change during the period		-2.4 %	15.0 %	54.2 %
Price-earnings ratio		194	neg.	neg.
Market capitalization at the end of the period ³				
	EUR '000	1,614,566	1,226,991	1,697,196
	GBP '000	1,426,792	1,089,075	1,460,861
Development in trading volume				
Trading volume	1000 shares	11,420	39,105	93,802
In relation to weighted average number of shares		4.7 %	15.9 %	38.2 %
Development of share price at OMX Helsinki				
Average trading price	EUR	6.77	4.40	5.18
Lowest trading price	EUR	5.91	3.99	3.99
Highest trading price	EUR	7.34	5.00	7,18
Trading price at the end of the period				
	EUR	6.60	4.97	7.07
Change during the period		-6.6 %	14.8 %	63.3 %
Price-earnings ratio		195	neg.	neg.
Market capitalization at the end of the period	EUR '000	1,619,403	1,218,528	1,734,389
Development in trading volume				
Trading volume	1000 shares	38,020	40,093	140,115
In relation to weighted average number of shares		15.5 %	16.4 %	57.1 %
Adjusted average number of shares		245,344,901	245,176,718	245,241,660
Fully diluted average number of shares		245,344,901	245,176,718	245,241,660
Number of shares at the end of the period		245,364,096	245,176,718	245,316,718

- 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 Mar 2011	Three months to 31 Mar 2010	Twelve months to 31 Dec 2010
Wages and salaries	EUR '000	5,857	4,236	16,652
Average number of employees		407	325	362
Number of employees at the end of the period		413	336	389

Other figures		Three months to 31 Mar 2011	Three months to 31 Mar 2010	Twelve months to 31 Dec 2010
Share options outstanding at the end of the period		5,937,822	5,421,100	5,950,822
Number of shares to be issued against the outstanding share options		5,937,822	5,421,100	5,950,822
Rights to vote of shares to be issued against the outstanding share options		2.4 %	2.2 %	2.4 %

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 x trading price at the end of the period