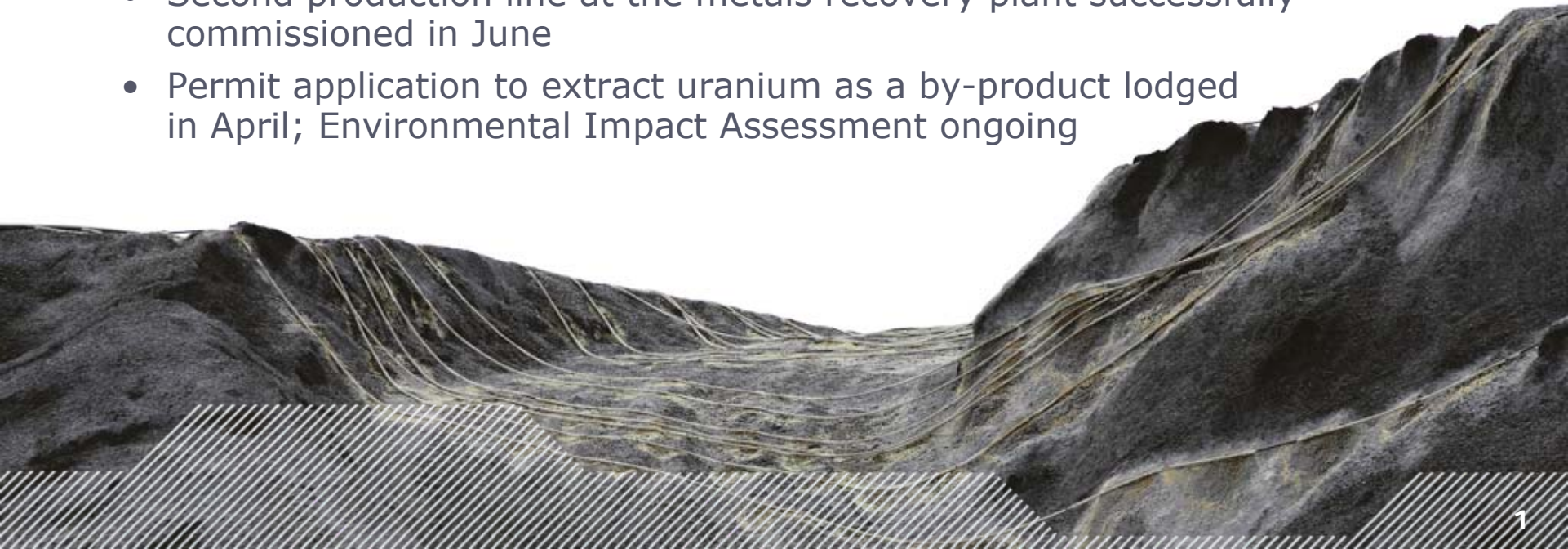


TALVIVAARA

Interim Report
January – June 2010

Highlights Q2 2010

- New production records set each month
- Payable metal production
 - Nickel 2,729 t
 - Zinc 5,575 t
- Net sales EUR 35.2 million, operating profit EUR 2.5 million
- EUR 100 million corporate revolving credit facility signed in June
- Second production line at the metals recovery plant successfully commissioned in June
- Permit application to extract uranium as a by-product lodged in April; Environmental Impact Assessment ongoing



Half year highlights

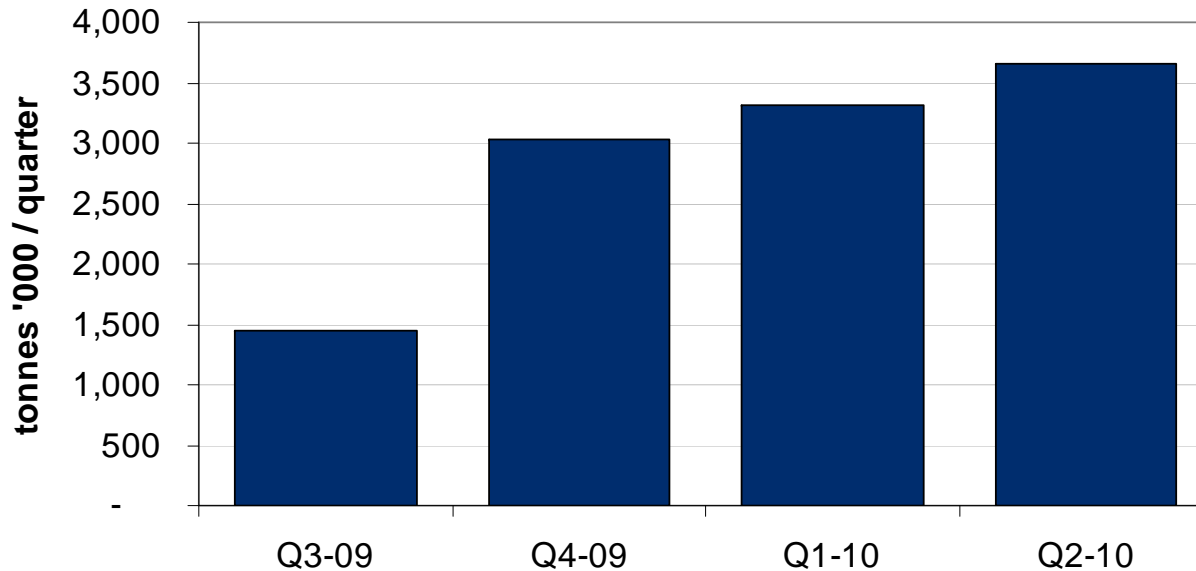
- Payable metal production: nickel 3,339 t, zinc 8,535 t
- Net sales EUR 46.9 million, operating profit EUR 0.2 million
- Zinc streaming agreement with Nyrstar for 1.25 Mt zinc in concentrate; USD 335 million advance payment
- USD 320 million project loan facility fully repaid
- Nickel, zinc and USD hedges closed for EUR 46 million net proceeds



Production update – mining and materials handling

- Mining operations uneventful – planned volumes produced
- Continued improvement in materials handling
 - two new tertiary crushers commissioned in June to further increase capacity and availability

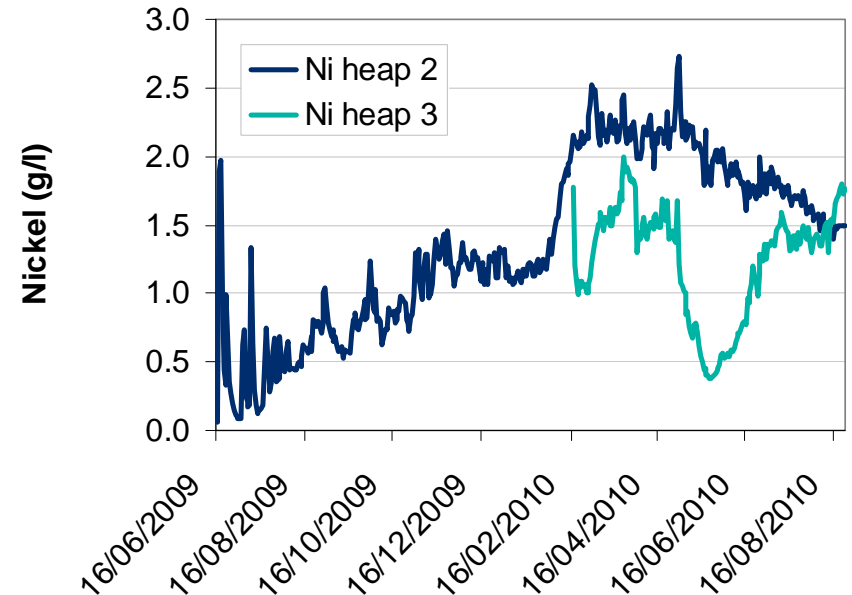
Crushing performance Q3/2009 – Q2/2010



Production update – bioheapleaching

- Leaching progressing as expected
- **Heap 1**
 - Turning over continued through summer; grades improved
 - Some metals recovered but most remain until secondary leaching
- **Heap 2**
 - Primary source of metal since February
 - Leaching well, but high depletion rate has affected solution grades; recovery expected when depletion normalises
- **Heap 3**
 - Performing better than heap 2
 - Depletion to metals recovery since July
- **Heap 4**
 - Stacking expected to be completed in Sep/Oct

Nickel grades in solution – heaps 2 and 3

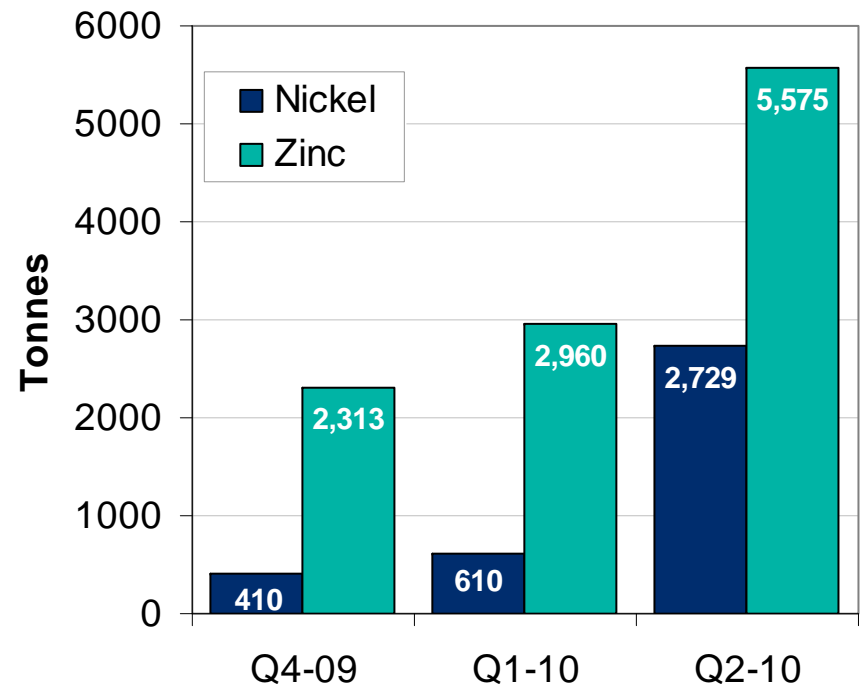


Solution grades anticipated to develop to steady state levels when the full primary heap is in operation and can be used for metals recovery

Production update – metals recovery

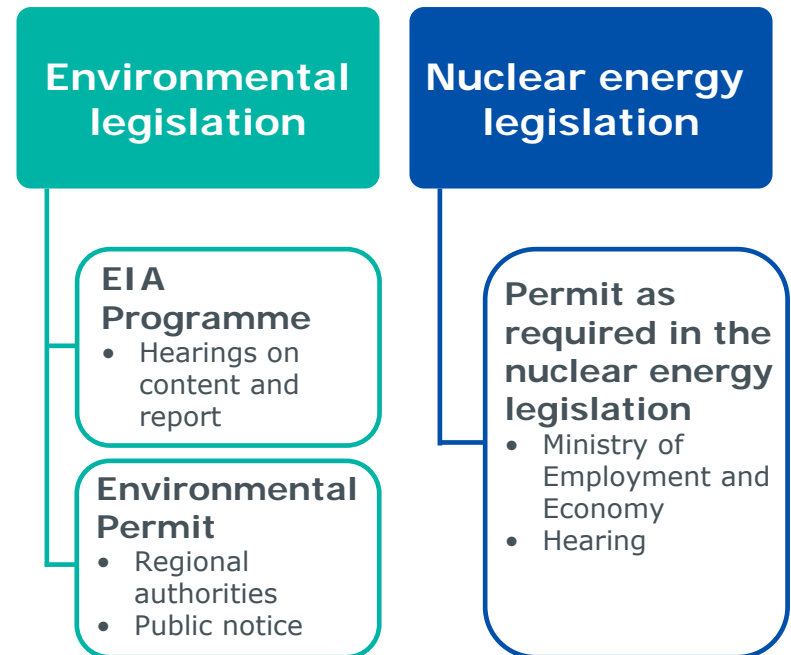
- Second production line successfully commissioned in June
- Improved control of hydrogen sulphide odour, but work continues
- Optimisation of processes and fixing of ramp-up related technical issues continues
- Second hydrogen plant to be commissioned in October allowing full utilisation of the metals recovery facility

Nickel and zinc production Q4'09 – Q2'10



Uranium update – Permit application submitted

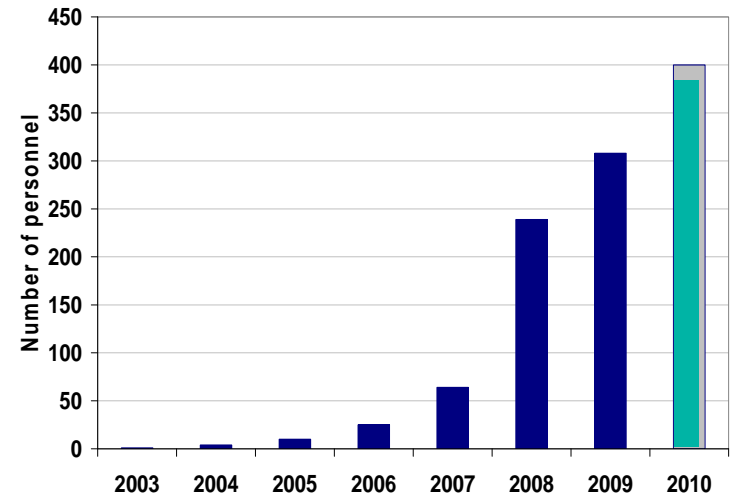
- Permitting
 - Application for permit to extract uranium as by product submitted to the Ministry of Employment and Economy in April
 - Environmental Impact Assessment ongoing
- Financing and operating model
 - Partnering arrangement being negotiated



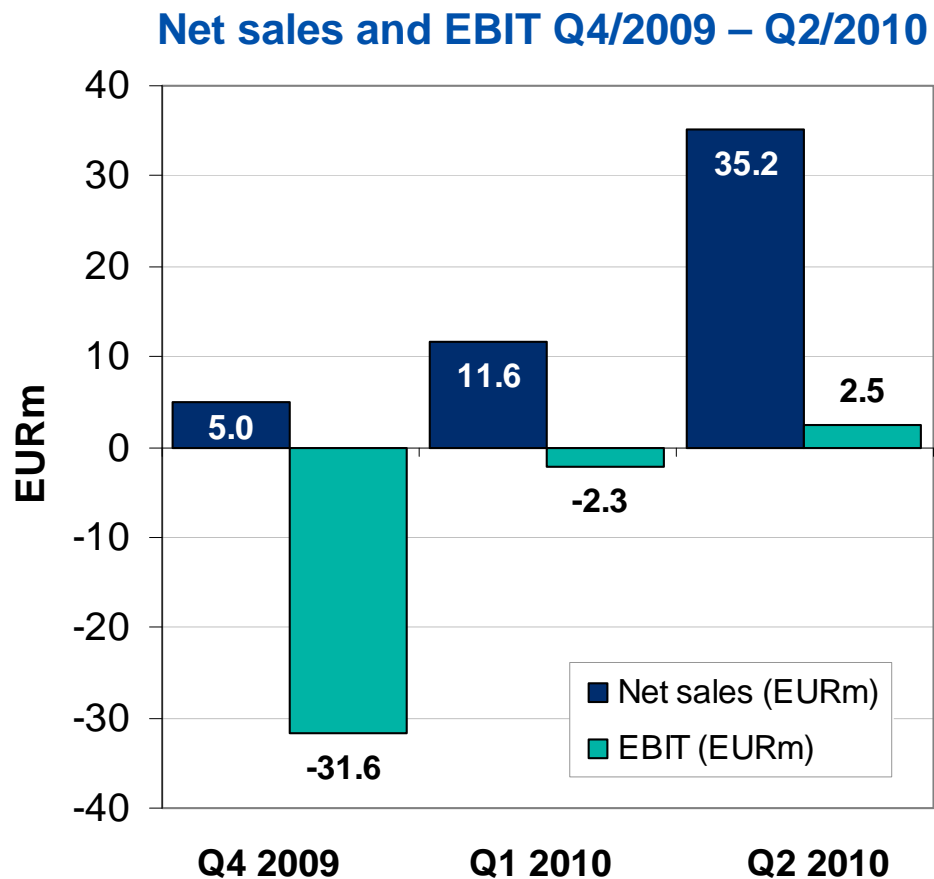
Sustainability – a priority for Talvivaara

- **Environmental initiatives**
 - Mitigation of hydrogen sulphide discharges
 - Environmental Impact Assessment relating to uranium extraction
 - ISO 14001 environmental management system being implemented
 - Global Reporting Initiative (GRI) for improved sustainability reporting
 - Participator in Carbon Disclosure Project
- **Health and Safety**
 - No LTIs during Q2
 - 5 minor LTIs during H1
 - LTI frequency significantly lower than industry average- 17 LTIs/million of hours worked
 - Our target: zero LTIs
- **Personnel**
 - 382 employees
 - Significant employer in the region

Personnel 2003-2010



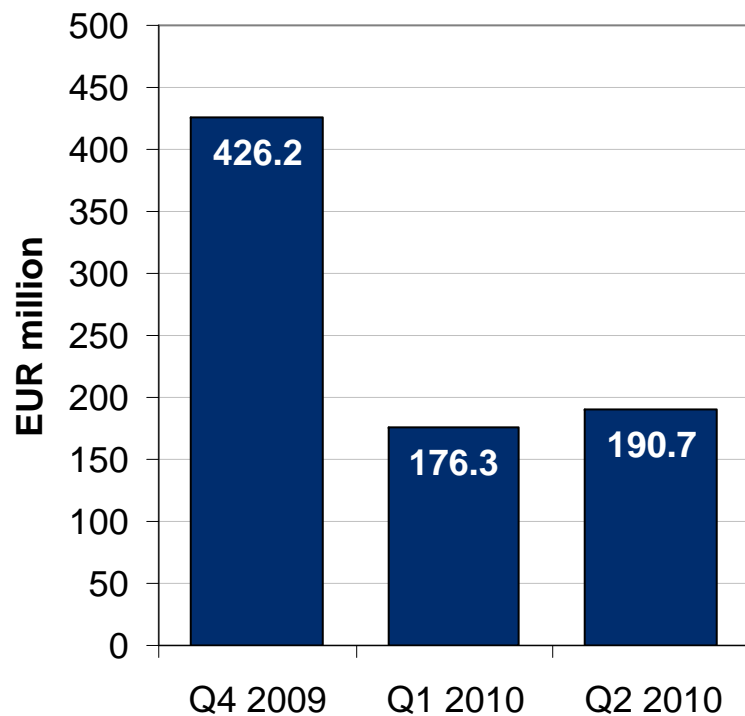
Financial highlights – ramp-up trend confirmed



Construction of secondary stacking conveyor line

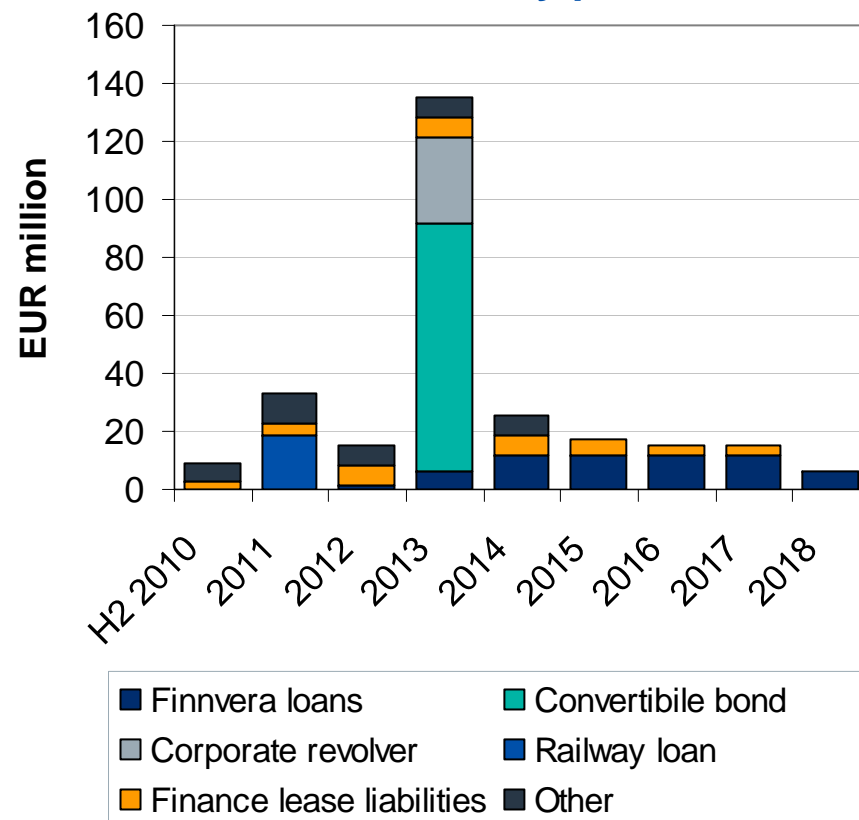
Financial highlights – financial position improved

Net debt Q4/2009 – Q2/2010



- Cash on 30 June 2010 EUR 35m

Debt maturity profile



Financing

Q2 2010

- **EUR 100m corporate revolver**
 - 3-year maturity
 - 3.0% margin in 2010, thereafter 1.75-3.0% depending on leverage
 - EUR 30 million drawn in Aug 2010
- **EUR 10m Finnvera facility**
 - 8-year maturity
 - Margin 4.1%
 - Drawn in July 2010
- **EUR 20m from the Finnish State**
 - reimbursement towards railway construction expenses

Q1 2010

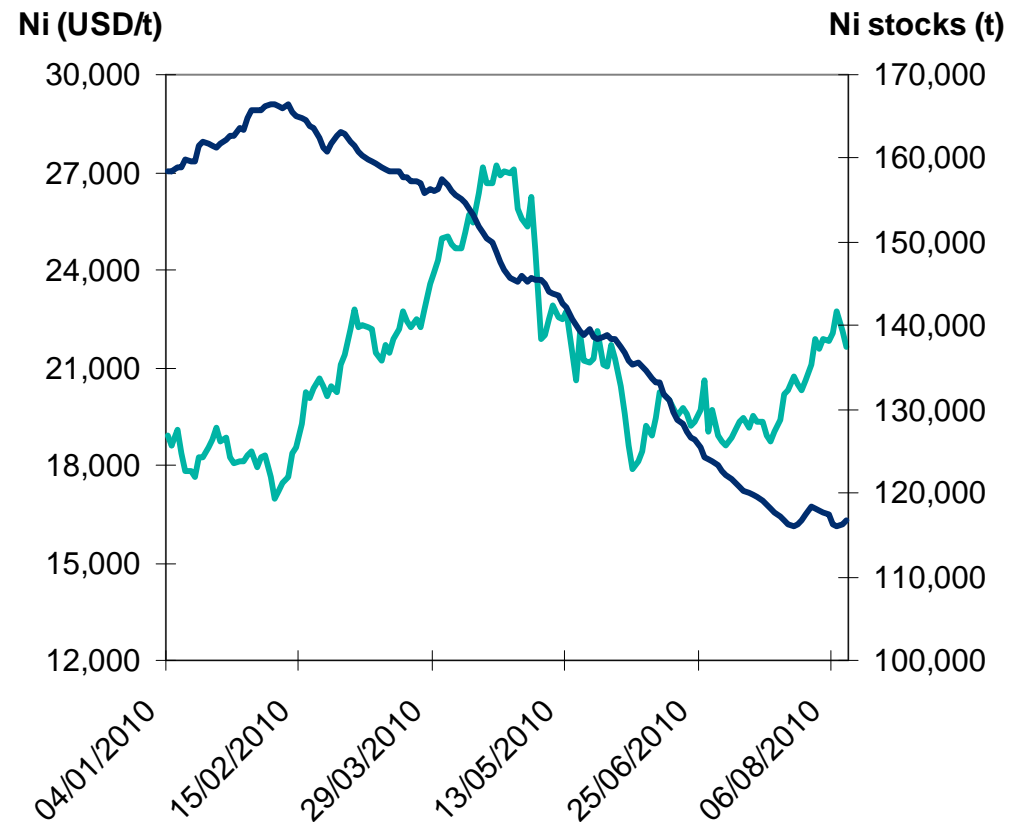
- **USD 335m zinc streaming advance payment from Nyrstar**
 - Used to pre-pay USD 320m project loan facility
- **EUR 25m hybrid loan**
 - Recognised in equity

EUR 70 million in undrawn facilities

Market outlook – improving demand

- Improving underlying demand for nickel
 - Recovery in stainless steel markets
- Improved supply demand ratio
 - 30% fall in LME inventories from 166,000 t in February to 116,000 t in August
- Volatility likely to remain
 - Investor activity
 - Uncertain macroeconomic signals

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



Source: Reuters

Short term outlook

Production

- Ca. 50% Q-on-Q increase in metal production expected in the third quarter
- Ca. 15,000 t nickel production anticipated for the full year

Costs

- Capex guidance retained at ca. EUR 100m
- Opex guidance lowered to EUR 150-160m

Prices

- Nickel price outlook in recent range of USD 19,000 – 22,000 t