

**STOCK EXCHANGE RELEASE**

6 May 2010

**Talvivaara Mining Company Quarterly Interim Results for January - March 2010**

Talvivaara Mining Company Plc ("Talvivaara" or the "Company") today announces its unaudited Interim Results for the three months ended 31 March 2010.

**Highlights**

- Zinc streaming agreement with Nyrstar NV for 1.25 million tonnes of zinc in concentrate was completed on 11 February 2010; pre-payment of USD 335 million received from Nyrstar
- 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 46 million
- Ramp-up of production suffered from a 3.5 week production stoppage in February caused by a hydrogen plant failure, and from hydrogen sulphide odour problems in March forcing the Company to curtail production until additional gas scrubbing capacity was installed
- Payable nickel and zinc production during the period amounted to 610 tonnes and 2,960 tonnes, respectively; zinc production came close to the budgeted level despite the ramp-up issues described above
- Talvivaara announced plans to recover uranium as a by-product with anticipated future production amounting to approximately 350 tonnes per annum

**Highlights since the end of the review period**

- Nickel production in April amounted to 628 tonnes, which is more than the production achieved during the first quarter
- The annualized production rate has increased to above 15,000 tonnes of nickel subsequent to the installation of additional gas scrubbing capacity in April

**Revised production guidance**

Talvivaara revises its production target for 2010 to 15,000-25,000 tonnes of nickel. The revision is brought about by the ramp-up related technical problems encountered at the metals recovery plant during the early part of the year and back-precipitation of metals in the first section of the primary heap.

The first section of the primary heap has suffered from back-precipitation of metals stemming from slow and poorly controlled crushing in the early stages of production and subsequent insufficient aeration. As a result, an inventory of 12,000-13,000 tonnes of nickel has back-precipitated in the oldest heap section. The back-precipitated metal inventory is soluble and can be re-leached, but it is not possible to accurately determine how quickly the inventory can be released to production. Because of this uncertainty, the range in the production guidance for 2010 is wide.

The heap sections stacked after June 2009 have not suffered from the problems seen in the first section. Therefore, Talvivaara expects to reach 15,000 tonnes of nickel production in 2010 from the newer heap sections alone, whilst the volumes above this are likely to require contribution also from the first heap section. The Company expects the annualized production rate to be above 30,000 tonnes by the end of 2010 and continues to believe the full scale production target of approximately 50,000 tonnes per annum to be achievable in 2012.

**Key figures**

		Q1 2010	Q1 2009	Q1-Q4 2009
Turnover	EUR million	11.6	0.1	7.6
Operating profit (loss)	EUR million	(2.3)	2.2	(54.8)
Profit (loss) for the period	EUR million	(16.9)	(15.8)	(55.0)
Earnings per share	EUR	(0.06)	(0.06)	(0.19)
Net interest-bearing debt	EUR million	176.3	363.2	426.2
Debt-to-equity ratio		45.4 %	87.3 %	111.4 %
Capital expenditure	EUR million	19.0	29.7	118.5
Cash and cash equivalents at the end of the period	EUR million	55.9	20.4	11.9
Number of employees at the end of the period		336	272	308

**CEO Pekka Perä comments:** *“Our production volumes during the early part of this year reflected a series of teething problems at the metals recovery plant. Frustratingly, one of the main issues was the odour of hydrogen sulphide which, when it spread to the nearby communities, forced us to curtail production at an otherwise functioning plant. This odour problem is being attended to by increasing the gas scrubbing capacity, and overall I am very encouraged by the continued improvement in all our production processes. In particular, our crushing volumes have shown steady progress towards the levels required to reach our long term goals, and bioheapleaching similarly continues to produce higher grade solutions thereby contributing our advancing ramp-up.*”

*Although the ramp-up challenges we have had to overcome over the last few months forced us to revise our production target for the current year, we remain confident of being on track to reaching our full scale target of approximately 50,000 tonnes of nickel in 2012. Recent progress in production leads us to believe that the shortfall in nickel tonnes for this year is simply being pushed to 2011. As a demonstration of our advancing ramp-up I am also pleased to note that our net sales in the first quarter of 2010 were more than our historical sales combined, and the sales generated after the reporting period in April were again more than those seen in the first quarter.*”

**Presentation and live webcast on 6 May 2010 at 10:00 am GMT / 12:00 pm EET**

A combined presentation, conference call and live webcast on the Quarterly Interim Results for January-March 2010 will be held at 10am on the 6<sup>th</sup> of May 2010, at the offices of JP Morgan Cazenove, 20 Moorgate, London EC2R 6DA, U.K.

Following the results presentation there will a technical seminar on Talvivaara’s Production Technologies. Both presentations will be held in English.

[Link to Talvivaara Quarterly Results for Period Ending 31 March 2010 Presentation & Technical Seminar on Talvivaara’s Production Technologies Webcast!](#)

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

Details for the conference call:

**Please use the following dial-in numbers to join the conference:**

0845 634 0041 Lo Call UK  
0208 817 9301 Local London  
0800 634 5205 Freephone UK  
Confirmation Number: **2802792**  
Meeting Title: Talvivaara Q1 Results & Technical Seminar on Production Technologies  
Meeting Date: May 06, 2010  
Meeting Time: 10:00 am [GMT+01:00 Dublin, London, Lisbon (Summer Time)]  
Duration: 1 Hour 30 Minutes approximately  
Confirmation Number: **2802792**

**Digital Playback:**

Digital Playback 0035314364267

00442077696425

Passcode 2802 792#

Reserved Dates: May 06, 2010 01:00 PM to May 12, 2010 11:59 PM [GMT+01:00 Dublin, London, Lisbon]

Further details on the event can be found on the Talvivaara website, [www.talvivaara.com](http://www.talvivaara.com). The webcast will also be available for viewing on the Talvivaara website shortly after the event until the end of 2010.

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## Financial review

Talvivaara's net sales during the three months ended 31 March 2010 amounted to EUR 11.6 million (Q1 2009: EUR 0.1 million). The net sales were affected by production volumes that did not reach the budgeted levels primarily due to a production stoppage in February caused by a catalyst failure at the hydrogen plant, and production restrictions brought about by hydrogen sulphide emissions in March.

The Group's other operating income, which mainly came from realised gains on nickel and zinc forwards, amounted to EUR 15.4 million (Q1 2009: EUR 19.3 million). All commodity and foreign exchange forwards were closed during the first quarter in connection with the repayment of the Project Term Loan Facility.

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (4.9) million (Q1 2009: EUR (3.8) million). The increase was attributable to the increased number of personnel.

Other operating expenses amounted to EUR (11.4) million (Q1 2009: EUR (6.2) million) and included realised losses of EUR (2.9) million on USD forwards. Operating loss for Q1 2010 was EUR (2.3) million (Q1 2009: profit of EUR 2.2 million).

Finance income for the period was EUR 1.2 million (Q1 2009: EUR 15.7 million) and consisted mainly of exchange rate gains of EUR 1.1 million on bank accounts. Finance costs of EUR (21.3) million (Q1 2009: EUR (29.7) million) were caused by exchange rate losses of EUR (15.9) million on the USD 320 million Project Term Loan Facility and on the USD 335 million Nyrstar upfront payment, as well as by interests of EUR (5.4) million on borrowings.

The Company's loss for the period amounted to EUR (16.9) million (Q1 2009: EUR (15.8) million). The total comprehensive income for Q1 2010 was EUR (20.0) million (Q1 2009: EUR (8.6) million), including a decrease in hedge reserves due to occurrence of the hedged sales.

Capital expenditure during the quarter totalled EUR 19.0 million (Q1 2009: EUR 29.7 million) excluding new finance leases of EUR 12.3 million. The expenditure related primarily to the construction of heap foundations, the design and installation of the second production line of the metals recovery plant, and to the secondary heap stacker and conveyors. On the consolidated statement of financial position as at 31 March 2010, property, plant and equipment totalled EUR 663.5 million (31 December 2009: EUR 644.4 million).

In the Group's assets, inventories amounted to EUR 124.3 million on 31 March 2010 (31 December 2009: EUR 109.5 million). As the nickel, zinc and USD forwards were closed in Q1 2010, the derivative financial instruments as at 31 March 2010 consisted of interest rate swaps which were valued at EUR (3.3) million (31 December 2009: EUR 33.1 million). Cash and cash equivalents totalled EUR 55.9 million (31 December 2009: EUR 11.9 million).

In equity and liabilities, the total equity amounted to EUR 388.8 million on 31 March 2010 (31 December 2009: EUR 382.6 million). It includes a perpetual capital loan of approximately EUR 25 million.

Borrowings decreased from EUR 438.1 million on 31 December 2009 to EUR 232.2 million on 31 March 2010, reflecting the repayment of a USD 320 million Project Term Loan Facility in February 2010. On 31 March 2010, the borrowings of the Group included the senior unsecured convertible bonds, the working capital and investment loan from Finnvera, and the railway term loan, which together amounted to EUR 161.4 million. Finance lease liabilities of EUR 28.2 million are also included in the borrowings.

Other long-term liabilities amounted to EUR 248.5 million, including a USD 335 million upfront payment received from Nyrstar NV upon completion of the Zinc in Concentrate Streaming Agreement. In short-term liabilities, accounts payable amounted to EUR 25.4 million (31 December 2009: EUR 29.7 million).

Total equity and liabilities as at 31 March 2010 amounted to EUR 908.9 million (31 December 2009: EUR 879.0 million).

## Currency and commodity hedges and hedge accounting

In Q1 2010, the Group closed all its commodity and foreign exchange risk hedging positions realising net proceeds of EUR 46.0 million. Cash flows from operating activities were positive due to the closing of the hedges.

## Financing

Talvivaara entered into a Zinc in Concentrate Streaming Agreement with Nyrstar NV ("Nyrstar"). The USD 335 million pre-payment paid by Nyrstar for the agreement enabled Talvivaara to completely repay its USD 320 million Project Term Loan in February 2010.

Talvivaara Sotkamo Oy drew down a EUR 25 million perpetual capital loan, which is recognized in equity. The facility carries an interest of 12% – 18% and can be called by the borrower at any time after an initial 6 month non-call period. Talvivaara Sotkamo Ltd also issued two convertible bonds amounting to EUR 20 million and EUR 5 million to Talvivaara Mining Company Plc and Outokumpu Mining Ltd, respectively. These loans carry an interest of 5% – 12%.

## Commercial arrangements

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

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

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

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

## Production summary

The performance of all production processes at the Talvivaara mine continued to improve during the first quarter of 2010. However, the payable metals output fell below the budgeted levels due to production stoppages caused by temporary technical problems, and because solution flows to the metals plant had to be restricted because of hydrogen sulphide discharges. Payable nickel produced during the period amounted to 610 tonnes, while the output of zinc was 2,960 tonnes.

The mining department continued to perform according to expectations, blasting 3.0 million tonnes of ore and 2.4 million tonnes of waste. Ore hauling capacity was increased by one truck and one excavator during the period, rendering the mining fleet sufficient for the planned near to medium term needs.

In materials handling, the optimisation of the upgraded crushing circuit continued with promising results, producing 3.3 million tonnes of crushed and stacked ore. The daily crushing and stacking volume of 60,000-65,000 tonnes, which is required for the planned full scale production, was achieved fairly frequently but not yet consistently. Consequently, the Company decided to add two more tertiary crushers to the circuit in order to

improve the system availability further. Commissioning of the new crushers is scheduled for June 2010 and the installation is anticipated to be carried out during scheduled maintenance breaks.

Bioheapleaching progressed well in the second heap section, which was completed in early January, and in the third section, which is under construction. The average nickel grade in solution fed to the metals recovery plant rose to above 2 g/l in March from 1.3 g/l in February. Overall, metals production from the second heap section, which was the main source of solution for metals recovery during the period, corresponded well to budgeted levels.

The first heap section continued to suffer from back-precipitation of metals resulting from insufficient aeration and too fine particle size of the crushed ore, among other factors. Measures are being taken to re-leach the back-precipitated metal inventory from this heap section, but it is difficult to predict how long the re-leaching process will take and hence how big the contribution of the first heap section's production to the overall metals production in 2010 will be. Owing to improved crushing control and aeration, the newer heap sections have not exhibited the back-precipitation behaviour seen in the first heap section.

The Metals recovery output was affected by down-time caused by various technical issues typical of a ramp-up phase. The most significant issue faced during the period was the catalyst failure at the hydrogen plant, which caused a 3.5 week production stoppage in February. The failure was found to have been caused by impurities in propane, which is used as a raw material of the process. As a result, the quality control of propane as well as all other incoming raw materials has since been upgraded.

Since late February, when the hydrogen plant was re-started, the metals recovery process has functioned consistently and the product quality of both nickel and zinc sulphides has steadily improved helped by the continuous operation. However, the volume of solution flows to the metals plant have had to be restricted due to hydrogen sulphide discharges, which have caused odour problems in the surrounding communities. Installation of additional gas scrubbing capacity in April now allows one production line to be operated at nearly full capacity, but further gas scrubbing capacity will still be necessary in anticipation of the commissioning of the second production line in June. Unbudgeted capital expenditure relating to the additional gas scrubbing capacity is anticipated to remain below EUR 1 million.

Operating expenses during the first quarter were materially in line with the budget.

### Production key figures

		Q1 2010	Q4 2009	Q1-Q4 2009
<b>Mining</b>				
Blasted ore	million tonnes	3,0	3,5	10,8
Excavated waste	million tonnes	2,4	1,5	4,3
<b>Materials handling</b>				
Stacked ore	million tonnes	3,3	3,0	8,5
<b>Bioheapleaching</b>				
Ore in primary heap	million tonnes	14,3	11,0	11,0
<b>Metals recovery</b>				
Nickel sulphide production	dry metric tonnes	1 219	857	1 525
Nickel metal content	tonnes	610	410	735
Zinc sulphide production	dry metric tonnes	4 926	3 827	5 271
Zinc metal content	tonnes	2 960	2 313	3 133

### **Talvivaara intends to extract uranium as a by-product**

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

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 at approximately 350 tonnes.

Talvivaara has initiated discussions with leading companies in the industry regarding a potential cooperation for the uranium production and sales. The financing and operating model for operation will be determined based on agreement with the eventual partner.

After the reporting period, on 20 April 2010, Talvivaara Sotkamo Ltd lodged an application in accordance with the Nuclear Energy Act to the Ministry of Employment and Economy for the extraction of uranium as a by-product. Preparations for the environmental impact assessment relating to the uranium extraction process have also commenced at the mine site.

### **Environment, health and safety**

On 18 March Talvivaara encountered an environmental event as a leakage in the gypsum pond was detected at the mine. The leakage was contained with dam structures built at the mine site and did not cause discharge outside the mining concession.

In order to decrease the inflows into the gypsum pond the Company shut down the metals recovery plant temporarily as a precautionary measure. The metals recovery process was resumed later the same day after the Company had ensured that it was environmentally safe to restart the plant. A specialist team on site continued reinforcement work at the settlement ponds for nearly a month after the leakage.

The number of Lost Time Injuries (LTI's) to Talvivaara personnel was 5 during the first quarter. The LTI frequency was 37 accidents per million hours worked year to date and 16 during the last 12 months.

### **Personnel**

The number of personnel on 31 March 2010 amounted to 336 (Q1 2009: 272), up by 28 from 308 at the end of 2009. The number of personnel includes eight drillers, who during the period had successfully completed a training course arranged jointly by Talvivaara and the North-Karelian vocational institute and were subsequently employed by the Company. Wages and salaries paid during the period totalled EUR 3.0 million (Q1 2009: EUR 2.6 million).

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

### **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 risen to around USD 25,000 – 27,000 per tonne from the lows of approximately USD 10,000 per tonne a year ago. In view of the recent and longer term historical volatility in nickel price and the speculative component included in the recent price development, there may in the Company's view be some 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.

## Shares and shareholders

The number of shares issued and outstanding on 31 March 2010 was 245,176,718. Including the effect of the convertible bond of 14 May 2008 and the Option Scheme of 2007, the authorised full number of shares of the Company amounted to 263,669,291 at the end of the period.

As at 31 March 2010, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.3 %), Varma Mutual Pension Insurance Company (8.6%), and BlackRock Investment Management Ltd (6.3%).

## Events after the review period

### Annual General Meeting

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

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



**Short-term outlook**

Talvivaara's production ramp-up is progressing well with all processes continuously operational since late February and production volumes steadily increasing. The Company looks into continuing its ramp-up according to the revised production plan, with significant upside potential above the lower limit of the guidance range of 15,000-25,000 tonnes of nickel in 2010 existing in form of the back-precipitated nickel inventory in the first heap section. Talvivaara expects to turn cash flow positive during the second half of 2010.

The market price of nickel has developed very favourably since the beginning of 2010, reaching levels above USD 27,000/t in the recent weeks. While nickel fundamentals are clearly supportive of the price development, with stainless steel production increasing globally by 48% y/y in Q1 2010 and nickel production being constrained by the continuing Vale Inco strike, there also appears to be significant fund activity affecting the prices. The Company believes that while the overall market outlook has improved during the early part of 2010, reasonable risk of price volatility remains due to potential shifts in restocking, fund activity and near term nickel supply.

## CONSOLIDATED INCOME STATEMENT

	Unaudited three months to 31 Mar 2010	Unaudited three months to 31 Mar 09
(all amounts in EUR '000)		
<b>Net sales</b>	<b>11,606</b>	<b>126</b>
Other operating income	15,428	19,257
Changes in inventories of finished goods and work in progress	19,075	14,282
Materials and services	(19,930)	(13,635)
Personnel expenses	(4,852)	(3,783)
Depreciation, amortization, depletion and impairment charges	(12,246)	(7,867)
Other operating expenses	(11,425)	(6,157)
<b>Operating profit (loss)</b>	<b>(2,344)</b>	<b>2,223</b>
Finance income	1,151	15,700
Finance cost	(21,328)	(29,746)
Finance cost (net)	(20,177)	(14,046)
<b>Loss before income tax</b>	<b>(22,521)</b>	<b>(11,823)</b>
Income tax expense	5,585	(4,009)
<b>Profit (loss) for the period</b>	<b>(16,936)</b>	<b>(15,832)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(13,861)	(12,640)
Minority interest	(3,075)	(3,192)
	<b>(16,936)</b>	<b>(15,832)</b>
<b>Earnings per share for profit (loss) attributable to the equity holders of the Company (expressed in € per share)</b>		
Basic and diluted	(0.06)	(0.06)

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Unaudited three months to 31 Mar 10	Unaudited three months to 31 Mar 09
(all amounts in EUR '000)		
<b>Profit (loss) for the period</b>	<b>(16,936)</b>	<b>(15,832)</b>
<b>Other comprehensive income, items net of tax</b>		
Cash flow hedges	(3,019)	7,206
<b>Other comprehensive income, net of tax</b>	<b>(3,019)</b>	<b>7,206</b>
<b>Total comprehensive income</b>	<b>(19,955)</b>	<b>(8,626)</b>
<b>Attributable to:</b>		
Equity holders of the Company	(16,276)	(6 875)
Minority interest	(3,679)	(1 751)
	<b>(19,955)</b>	<b>(8,626)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(all amounts in EUR '000)	<b>Unaudited 31 Mar 10</b>	<b>Audited 31 Dec 09</b>	<b>Unaudited 31 Mar 09</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	663,491	644,356	578,356
Biological assets	6,894	6,614	6,828
Intangible assets	7,745	7,846	7,661
Deferred tax assets	28,222	21,548	-
Derivative financial instruments	-	-	123,152
Other receivables	7,591	7,582	9,361
	<b>713,943</b>	<b>687,946</b>	<b>725,358</b>
<b>Current assets</b>			
Inventories	124,307	109,512	45,475
Trade receivables	9,142	3,913	126
Other receivables	5,578	15,477	6,339
Derivative financial instruments	-	50,244	62,573
Cash and cash equivalent	55,914	11,877	20,422
	<b>194,941</b>	<b>191,023</b>	<b>134,935</b>
<b>Total assets</b>	<b>908,884</b>	<b>878,969</b>	<b>860,293</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	80	80	80
Share premium	8,086	8,086	8,086
Hedge reserve	14,152	16,567	78,097
Other reserves	438,603	417,448	334,642
Retained earnings	(85,229)	(71,368)	(38,741)
	<b>375,692</b>	<b>370,813</b>	<b>382,164</b>
<b>Minority interest in equity</b>	<b>13,087</b>	<b>11,784</b>	<b>33,719</b>
<b>Total equity</b>	<b>388,779</b>	<b>382,597</b>	<b>415,883</b>
<b>Non-current liabilities</b>			
Borrowings	208,559	194,796	382,848
Other liabilities	248,535	-	-
Derivative financial instruments	3,288	3,110	2,708
Deferred tax liabilities	-	-	29,611
Provisions	1,804	1,594	1,235
	<b>462,186</b>	<b>199,500</b>	<b>416,402</b>
<b>Current liabilities</b>			
Borrowings	23,682	243,315	793
Trade payables	25,389	29,669	15,816
Other payables	8,848	9,875	9,583
Derivative financial instruments	-	14,013	1,781
Provisions	-	-	35
	<b>57,919</b>	<b>296,872</b>	<b>28,008</b>
<b>Total liabilities</b>	<b>520,105</b>	<b>496,372</b>	<b>444,410</b>
<b>Total equity and liabilities</b>	<b>908,884</b>	<b>878,969</b>	<b>860,293</b>

## CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

(all amounts in EUR '000)	A.	B.	C.	D.	E.	F.	G.	H.	I.
<b>Balance at 1 Jan 09</b>	<b>80</b>	<b>8,086</b>	<b>320,607</b>	<b>72,332</b>	<b>13,412</b>	<b>(26,101)</b>	<b>388,416</b>	<b>35,470</b>	<b>423,886</b>
Profit (loss) for the period	-	-	-	-	-	(12,640)	(12,640)	(3,192)	(15,832)
Cash flow hedges	-	-	-	5,765	-	-	5,765	1,441	7,206
Total comprehensive income for the period	-	-	-	5,765	-	(12,640)	(6,875)	(1,751)	(8,626)
Employee share option scheme - value of employee services	-	-	-	-	623	-	623	-	623
<b>Balance at 31 Mar 09</b>	<b>80</b>	<b>8,086</b>	<b>320,607</b>	<b>78,097</b>	<b>14,035</b>	<b>(38,741)</b>	<b>382,164</b>	<b>33,719</b>	<b>415,883</b>
<b>Balance at 31 Dec 09</b>	<b>80</b>	<b>8,086</b>	<b>401,248</b>	<b>16,567</b>	<b>16,200</b>	<b>(71,368)</b>	<b>370,813</b>	<b>11,784</b>	<b>382,597</b>
<b>Balance at 1 Jan 10</b>	<b>80</b>	<b>8,086</b>	<b>401,248</b>	<b>16,567</b>	<b>16,200</b>	<b>(71,368)</b>	<b>370,813</b>	<b>11,784</b>	<b>382,597</b>
Profit (loss) for the period	-	-	-	-	-	(13,861)	(13,861)	(3,075)	(16,936)
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)
Perpetual capital loan	-	-	-	-	19,925	-	19,925	4,982	24,907
Employee share option scheme - value of employee services	-	-	-	-	1,230	-	1,230	-	1,230
<b>Balance at 31 Mar 10</b>	<b>80</b>	<b>8,086</b>	<b>401,248</b>	<b>14,152</b>	<b>37,355</b>	<b>(85,229)</b>	<b>375,692</b>	<b>13,087</b>	<b>388,779</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 31 Mar 10	Unaudited three months to 31 Mar 09
<b>Cash flows from operating activities</b>		
Profit (loss) for the period	(16,936)	(15,832)
Adjustments for		
Tax	(5,585)	4,009
Depreciation and amortization	12,246	7,867
Other non-cash income and expenses	139	1,537
Interest income	(1,151)	(15,700)
Fair value gains on financial assets at fair value through profit or loss	(13,655)	(18,455)
Interest expense	21,328	29,746
	(3,614)	(6,828)
Change in working capital		
Decrease(+)/increase(-) in other receivables	4,319	18,420
Decrease (+)/increase (-) in inventories	(14,795)	(13,784)
Decrease(-)/increase(+) in trade and other payables	(4,888)	(29,781)
Change in working capital	(15,364)	(25,145)
	(18,978)	(31,973)
Interest and other finance cost paid	(4,401)	(3,983)
Interest income	47,116	2,990
<b>Net cash used in operating activities</b>	<b>23,737</b>	<b>(32,966)</b>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	(18,960)	(29,675)
Purchases of biological assets	-	(35)
Purchases of intangible assets	(14)	(7)
Proceeds from sale of property, plant and equipment	-	9
Proceeds from sale of biological assets	59	-
Proceeds from government grant related to intangible	-	13

## NOTES

**1. Basis of preparation**

This interim report has been prepared in compliance with IAS 34.

The interim financial information set out herein has been prepared on the same basis and using the same accounting policies as were applied in drawing up the Group's statutory financial statements for the year ended 31 December 2009, added with the following changes.

**Revenue recognition**

When Talvivaara enters into long-term supply contracts with customers and receives advance payments for product to be delivered in future periods, the advance payments are recorded as deferred revenue in other liabilities. The revenue is recognized as shipments are made and title, ownership, and risk of loss pass to the customer during the term of the contracts.

**2. Property, plant and equipment**

(all amounts in EUR '000)	<b>Machinery and equipment</b>	<b>Construction in progress</b>	<b>Land and buildings</b>	<b>Other tangible assets</b>	<b>Total</b>
Gross carrying amount at 1 Jan 10	209,907	51,671	223,036	202,791	687,405
Additions	12,313	18,952	1	-	31,266
Transfers	40,777	(52,500)	4,795	6,928	-
Gross carrying amount at 31 Mar 10	<u>262,997</u>	<u>18,123</u>	<u>227,832</u>	<u>209,719</u>	<u>718,671</u>
Accumulated depreciation and impairment losses at 1 Jan 10	16,949	-	10,230	15,870	43,049
Depreciation for the year	4,878	-	2,498	4,755	12,131
Accumulated depreciation and impairment losses at 31 Mar 10	<u>21,827</u>	<u>-</u>	<u>12,728</u>	<u>20,625</u>	<u>55,180</u>
Carrying amount at 1 Jan 10	192,958	51,671	212,806	186,921	644,356
<b>Carrying amount at 31 Mar 10</b>	<b><u>241,170</u></b>	<b><u>18,123</u></b>	<b><u>215,104</u></b>	<b><u>189,094</u></b>	<b><u>663,491</u></b>

**3. Borrowings**

(all amounts in EUR '000)

**Non-current**

	<b>31 Mar 10</b>	<b>31 Dec 09</b>
Capital loans	1,405	1,405
Investment and Working Capital loan	45,446	45,417
Senior Unsecured Convertible Bonds	76,148	75,477
Convertible bond	5,030	-
Railway Term Loan Facility	19,898	19,861
Finance lease liabilities	24,482	15,306
Interest Subsidy Loans	4,189	4,187
Other	31,961	33,143
	<b>208,559</b>	<b>194,796</b>

**Current**

Project Term Loan Facility	-	222,130
Railway Term Loan Facility	19,956	19,898
Finance lease liabilities	3,726	1,287
	<b>23,682</b>	<b>243,315</b>

**Total borrowings**

	<b>232,241</b>	<b>438,111</b>
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**4. Other liabilities****Other liabilities**

(all amounts in EUR '000)

	<b>31 Mar 10</b>	<b>31 Dec 09</b>
Deferred zinc sales revenue	248,535	-
	<b>248,535</b>	<b>-</b>

During the first quarter of 2010, Talvivaara received an advance payment of USD 335 million from Nyrstar NV. The advance payment relates to a long-term zinc supply contract between Talvivaara Sotkamo Ltd and Nyrstar NV. Talvivaara is required to deliver 1,25 million tonnes of zinc to Nyrstar NV starting from 2010.



**Talvivaara Mining Company Plc**

<b>Key financial figures of the Group</b>		<b>Three months to 31 Mar 10</b>	<b>Three months to 31 Mar 09</b>	<b>Twelve months to 31 Dec 09</b>
Turnover	EUR '000	11,606	126	7,571
Operating profit (loss)	EUR '000	(2,344)	2,223	(54,776)
Profit (loss) before tax	EUR '000	(22,521)	(11,823)	(75,085)
Profit (loss) for the period	EUR '000	(16,936)	(15,832)	(54,958)
Return on equity		(4.4 %)	(3.8 %)	(13.6 %)
Equity-to-assets ratio		42.8 %	(48.3 %)	43.5 %
Net interest-bearing debt	EUR '000	176,328	363,220	426,234
Debt-to-equity ratio		45.4 %	87.3 %	111.4 %
Capital expenditure	EUR '000	18,974	29,717	118,514
Research & development expenditure	EUR '000	-	-	261
Property, plant and equipment	EUR '000	663,491	578,356	644,356
Derivative financial instruments	EUR '000	(3,287)	181,236	33,121
Borrowings	EUR '000	232,241	383,641	438,111
Cash and cash equivalents at the end of the period	EUR '000	55,914	20,422	11,877

Share-related key figures		Three	Three	Twelve
		months to 31 Mar 10	months to 31 Mar 09	months to 31 Dec 09
Earnings per share	EUR	(0.06)	(0.06)	(0.19)
Equity per share	EUR	1.53	1.71	1.51
Development of share price at London Stock Exchange				
Average trading price <sup>1</sup>	EUR	4.32	1.95	3.57
	GBP	3.83	1.77	3.18
Lowest trading price <sup>1</sup>	EUR	3.94	1.42	1.45
	GBP	3.50	1.29	1.29
Highest trading price <sup>1</sup>	EUR	5.02	2.39	4.68
	GBP	4.45	2.17	4.17
Trading price at the end of the period <sup>2</sup>	EUR	5.00	2.33	4.35
	GBP	4.44	2.17	3.86
Change during the period		15.0 %	82.6 %	224.6 %
Market capitalization at the end of the period <sup>3</sup>				
	EUR '000	1,226,991	520,244	1,066,454
	GBP '000	1,089,075	484,243	947,118
Development in trading volume				
Trading volume	1000 shares	39,105	18,353	153,421
	In relation to weighted average number of shares	15.9 %	8.2 %	65.6 %
Development of share price at OMX Helsinki				
Average trading price <sup>1</sup>	EUR	4.40		4.21
Lowest trading price <sup>1</sup>	EUR	3.99		3.05
Highest trading price <sup>1</sup>	EUR	5.00		4.86
Trading price at the end of the period <sup>2</sup>	EUR	4.97		4.33
Change during the period		14.8 %		38.3 %
Market capitalization at the end of the period <sup>3</sup>				
	EUR '000	1,218,528		1,061,615
Development in trading volume				
Trading volume	1000 shares	40,093		113,077
	In relation to weighted average number of shares	16.4 %		48.4 %
Adjusted average number of shares		245,176,718	222,896,718	233,762,033

<b>Employee-related key figures</b>		<b>Three months to 31 Mar 10</b>	<b>Three months to 31 Mar 09</b>	<b>Twelve months to 31 Dec 09</b>
Wages and salaries	EUR '000	4,236	3,269	14,876
Average number of employees		325	263	272
Number of employees at the end of the period		336	272	308

<b>Other figures</b>		<b>Three months to 31 Mar 10</b>	<b>Three months to 31 Mar 09</b>	<b>Twelve months to 31 Dec 09</b>
Share options outstanding at the end of the period		5,421,100	4,442,500	5,352,500
Number of shares to be issued against the outstanding share options		5,421,100	4,442,500	5,352,500
Rights to vote of shares to be issued against the outstanding share options		2.2 %	2.0 %	2.1 %

### 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	$\frac{\text{Profit (loss) attributable to equity holders of the Company/}}{\text{Adjusted average number of shares}}$
Equity per share	$\frac{\text{Equity attributable to equity holders of the Company/}}{\text{Adjusted average number of shares}}$
Market capitalization at the end of the period	Number of shares at the end of the period * trading price at the end of the period