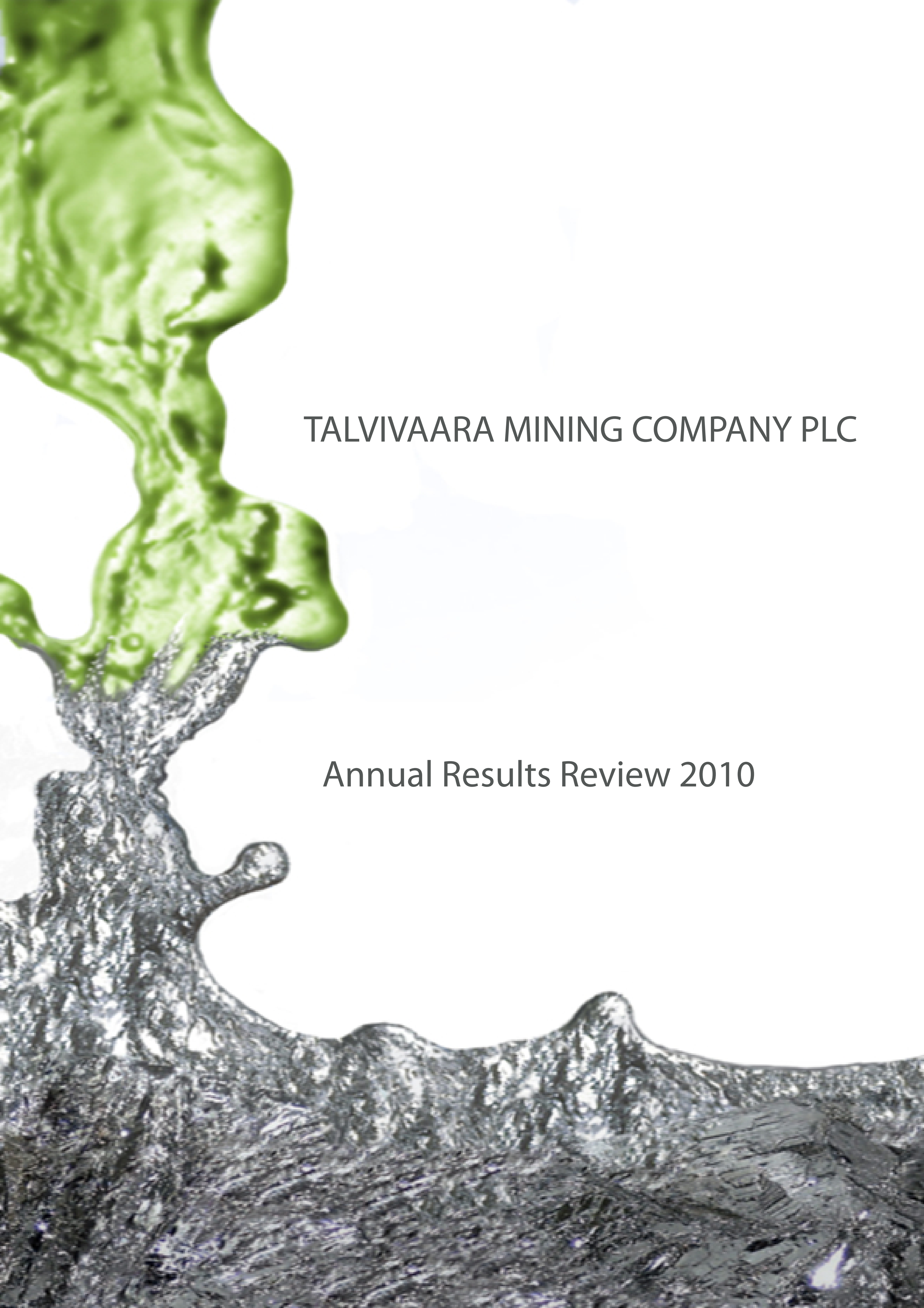

TALVIVAARA MINING COMPANY PLC

Annual Results Review 2010

STOCK EXCHANGE RELEASE
17 February 2011

Talvivaara Mining Company annual results review for year ended 31 December 2010

Highlights of the fourth quarter of 2010

- Nickel production 3,831t, up 19% from Q3 2010
- Zinc production 9,369t, up 36% from Q3 2010
- Record quarterly net sales at EUR 60.2m and third consecutive quarterly operating profit at EUR 14.3m
- Successful issuance of EUR 225m senior unsecured convertible bonds due 2015 in December
- 54% upgrade in total mineral resources to 1,550mt announced in October; 3.4mt contained nickel and 7.6mt of contained zinc warrant assessment of options for production capacity expansion

Highlights of 2010

- Net sales EUR 152.2m (2009: EUR 7.6m)
- First full-year operating profit of EUR 25.5m (2009: loss of EUR 54.8m)
- Progress in ramp-up confirmed through 10,382t nickel production (2009: 735t) and 25,462t zinc output (2009: 3,133t)
- EUR 100m corporate revolving credit facility signed in June; facility undrawn at year end
- Zinc streaming agreement with Nyrstar for 1.25mt of zinc in concentrate completed in February; USD 335m pre-payment received
- Net debt significantly reduced through repayment of USD 320m project loan facility in February using the Nyrstar pre-payment
- Permit application to extract uranium as a by-product lodged in April; Environmental Impact Assessment on uranium extraction carried out during the remainder of the year

Highlights after the reporting period

- Uranium off-take agreement signed with Cameco Corporation on 7 February 2011; Cameco to provide an upfront investment of up to USD 60m to cover the construction costs of the uranium extraction circuit

Key figures

EUR million	**Q4 2010**	Q4 2009	**FY 2010**	FY 2009
Net sales	**60.2**	5.0	**152.2**	7.6
Operating profit (loss)	**14.3**	(31.6)	**25.5**	(54.8)
% of net sales	**23.8%**	(635.6%)	**16.7%**	(723.5%)
Profit (loss) for the period	**(4.7)**	(33.0)	**(13.1)**	(55.0)
Earnings per share, EUR	**(0.02)**	(0.11)	**(0.06)**	(0.19)
Equity-to-assets ratio	**31.3%**	43.5%	**31.3%**	43.5%
Net interest bearing debt	**315.0**	426.2	**315.0**	426.2
Debt-to-equity ratio	**82.8%**	111.4%	**82.8%**	111.4%
Capital expenditure	**23.5**	36.5	**115.7**	118.5
Cash and cash equivalents at the end of the period	**165.6**	11.9	**165.6**	11.9
Number of employees at the end of the period	**389**	308	**389**	308

All reported figures in this release are unaudited.

CEO Pekka Perä comments: *"2010 was a significant year in Talvivaara's development as we overcame early challenges in metals recovery to produce more than 10,000t of nickel and reached a close to 30,000tpa nickel peak production rate by the year end. In 2011 our full focus remains on the ramp up of our operations as we complete the final phase of Talvivaara's development and proceed into full production. For the current year, we reiterate the 30,000-35,000t nickel production guidance.*

Talvivaara enters 2011 in a strong financial position following our recent convertible bond issue in December and the innovative zinc streaming agreement signed with Nyrstar earlier in the year. We are also proud to announce our maiden full-year operating profit and a third consecutive quarterly operating profit.

In the past year, we announced a further upgrade in our resources, the third since Talvivaara came to the market in 2007. Alongside a robust financial position, this enables us to consider our future options as a growth company and strengthens our potential to expand organically.

While we aim to deliver value from our deposits through further production expansion, we believe we can also better exploit the polymetallic nature of the ore by broadening our product portfolio using our low-cost and sustainable technologies. To this end, we were delighted to announce the recent off-take agreement with Cameco for uranium production; we look forward to their support and expertise through the permitting process and the planning and construction of the uranium recovery circuit at the site.

Our outlook on the commodity market remains positive for 2011. Whilst the volatility seen in the last few years is likely to persist, commodity prices are supported by strong demand from China and a gradual recovery in demand from Western economies.

Finally, I would like to thank our shareholders for their ongoing support and our management and operational teams for their hard work during the past year and for their commitment as we seek to realise Talvivaara's full potential."

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Presentation and live webcast on 17 February 2011 at 12:00 GMT/14:00 EET

A combined presentation, conference call and live webcast on the annual results will be held on 17 February 2011 at 12:00 GMT/14:00 EET at Hotel Scandic Simonkenttä, Simonkatu 9, Helsinki, Finland. The presentation will be held in English.

http://qsb.webcast.fi/t/talvivaara/talvivaara_2011_0217_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 0077
US Participants:	+1 334 323 6201
Finnish Participants:	+358 (0)9 2313 9201

Conference id: 886274

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 2011.

Summary of stock exchange releases and announcements

Talvivaara has released a summary of stock exchange releases and announcements made in 2010 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.

Talvivaara's fourth quarter review

Base metals markets strengthened towards the year end

Base metals prices improved during the fourth quarter, partly as a reflection of improved investor sentiment and strengthening of the equity markets. Other factors behind the market development included continued strong growth in Asia and Germany and significant improvement in North America. Overall there was also evidence of stronger demand for commodities as an asset class, providing participation in the Chinese economic expansion. Sovereign debt concerns in certain European countries seemed to have relatively small and short lived carry-over effect in the base metals markets.

The supply-demand balance in nickel was under much speculation for most of 2010. Towards the end of the year, the expectations for supply in 2011 decreased, as it was becoming increasingly likely that the commencement of several new nickel operations would be slower than previously anticipated. The potential supply tightness, together with the anticipated recovery in stainless steel demand, were also factors in the 5.8% increase in the nickel price to above USD 24,700 per tonne during the quarter. Zinc price increased by 11.8% to more than USD 2,400 per tonne.

Continued progress in ramp-up

Production ramp-up at the Talvivaara mine continued at a steady rate during the fourth quarter resulting in another record set of quarterly production numbers. Nickel production amounted to 3,831t, up by 19% from 3,211t in Q3 2010. Zinc production increased by 36% to 9,369t from 7,557t in the previous quarter. The comparative fourth quarter production figures in 2009 were 410t of nickel and 2,313t of zinc.

The mining department produced 3.3Mt of ore (Q4 2009: 3.5Mt) and 4.3Mt of waste (Q4 2009: 1.5Mt). While the mining operations overall were uneventful during the period, the ore mining was restricted by bottlenecks in materials handling.

In materials handling, a significant milestone was reached when reclaiming and re-stacking of the primary heap commenced in November with purpose-built production scale equipment. However, the process suffered from technical commissioning issues through the year-end, causing the crushing and stacking operations to fall behind the budgeted levels. The amount of ore crushed and stacked during the quarter was 2.9Mt (Q4 2009: 3.0Mt).

Bioheapleaching progressed according to expectations during the fourth quarter. The average nickel grades in solution pumped to metals recovery rose from 1.7g/l in October to 2.0g/l in November and further to above 2.2g/l in December. By the year-end, the main sources of leach solution were heap sections 3 and 4. Leaching rates from the secondary heap were good during the quarter, but solution quantities were not sufficient for metals recovery due to the start-up problems faced in primary heap reclaiming.

The planned set-up of the metals recovery facility was completed in December with the commissioning of the second hydrogen plant. While the additional hydrogen capacity in itself is critical for full scale production, the second plant also provides much needed additional certainty to plant availability.

The plant availability improved overall during the fourth quarter, but a setback was suffered as a result of a transformer failure in December. Although the failure caused a power outage of only some hours, it resulted in notable production loss because the second production line was off-line for nearly two weeks as a consequence of the outage. The production line stoppage resulted primarily from freezing of pipes in the sub -20°C temperature prevailing at the time; no material equipment breakages were detected.

The annualised production rate during the fourth quarter was on average 15,200 tonnes of nickel. The peak production rates reached during the period were close to 30,000 tpa of nickel, proving the capability of the plant in achieving the rate targeted for the year end. However, as process optimisation at the plant still continues, the higher production rates were not yet sustainable for extended periods of time.

A break-through in controlling the hydrogen sulphide odours was made through the use of hydrogen peroxide as the odour controlling chemical. The necessary plant modifications to enable the permanent use of hydrogen peroxide in the process were planned during the fourth quarter, while the hydrogen peroxide feed into the system was managed using temporary equipment for the time being.

Production key figures

		Q4 2010	Q4 2009	FY 2010	FY 2009
Mining					
Blasted ore	Mt	**3.3**	3.5	**13.3**	10.8
Excavated waste	Mt	**4.3**	1.5	**16.7**	4.3
Materials handling					
Stacked ore	Mt	**2.9**	3.0	**13.3**	8.5
Bioheapleaching					
Ore under leaching	Mt	**24.3**	11.0	**24.3**	11.0
Metals recovery					
Nickel metal content	Tonnes	**3,831**	410	**10,382**	735
Zinc metal content	Tonnes	**9,369**	2,313	**25,462**	3,133

Financial performance in the fourth quarter of 2010

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the three months ended 31 December 2010 increased by 34% from the previous quarter and totalled EUR 60.2 million (Q4 2009: EUR 5.0 million). The product deliveries amounted to 3,823 tonnes of nickel and 5,710 tonnes of zinc.

The Group's other operating income of EUR 3.7 million (Q4 2009: EUR 6.0 million) comprised mainly an indemnity from stop-loss insurance relating to a hydrogen plant failure in February 2010.

Materials and services amounted to EUR (30.7) million (Q4 2009: EUR (24.9) million). The costs increased by 14% from EUR (26.9) million in the previous quarter, reflecting the growth in production volumes and related use of production chemicals, particularly burnt lime and propane.

Other operating expenses amounted to EUR (13.6) million (Q4 2009: EUR (28.6) million), increasing by 24% from the previous quarter. The relative growth in costs was slightly higher than the growth in production, mainly due to accruals in maintenance costs, higher cost and consumption of electricity during the colder winter season, and freight.

Operating profit for Q4 2010 was EUR 14.3 million (Q4 2009: loss of EUR 31.6 million). The operating margin of 24% remained essentially unchanged from that reported for the third quarter.

Finance cost, net of finance income of EUR 81,000, amounted to EUR (13.2) million (Q4 2009: EUR (13.5) million). It consisted primarily of interests on borrowings of approximately EUR (7.2) million, and non-cash exchange rate losses of approximately EUR (5.2) million on the USD 335 million Nyrstar advance payment.

Loss for the period amounted to EUR (4.7) million (Q4 2009: EUR (33.0) million).

Capital expenditure during the quarter totalled EUR 23.5 million (Q4 2009: EUR 36.5 million). The expenditure related primarily to earth works at the secondary heap foundations, and to the secondary heap stacker and conveyors.

Talvivaara's annual results review 2010

Market environment improved in 2010

The global economic recovery after the financial crisis reflected positively in commodities demand and prices in 2010. Base metals benefitted from growing demand arising particularly from China, but improvements were also seen in Europe and North America especially towards the year end. Besides physical demand, investor activity and sentiment in the equity markets also recovered during the second half of the year.

The London Metal Exchange ("LME") cash price for nickel averaged USD 21,804/t for the year, improving significantly from the 2009 average of USD 14,711/t. In the first four months of 2010, nickel prices rose from the lows of around USD 17,000/t to the highs above USD 27,000/t for the year, reflecting restocking and Chinese imports of the metal. After the restocking cycle ended in the spring, demand, particularly in the stainless steel industry, weakened for several months, but started to improve again especially during the fourth quarter. Overall, the world stainless melt production in 2010 is estimated to have grown by some 23% to 30.8 million tonnes, with much of the increase taking place in China.

The world refined nickel supply is estimated to have increased by 6.5% over 2009 to 1.42 million tonnes in 2010. Reflecting the global economic recovery, the demand increased by 13.5% to 1.50 million tonnes, leaving the market at a deficit of over 80,000t *(Source: Brook Hunt)*. The outlook for the nickel market in 2011 shaped towards the more positive during the last months of 2010, as it was becoming increasingly probable that demand would continue to grow, but supply from several new greenfield projects was likely to be delayed.

Largely in line with nickel, the zinc market also showed signs of improvement. Zinc price movements through the year followed a similar pattern to that seen in nickel, with the LME cash price ranging from slightly less than USD 1,600/t to almost USD 2,700/t. The average price of zinc in 2010 was USD 2,157/t.

Volatility in the EUR/USD exchange rate remained high and very reactive to a range of economic indicators throughout the year. Volatility in currency exchanges was also reflected in commodity prices, where the relative weakness in the US dollar typically correlated with higher commodity prices, thus partly hedging Talvivaara's exposure to EUR/USD volatility.

As Talvivaara's revenues reflect US dollar denominated metal sales while the cost base is primarily in euro, the Company is highly exposed to the market environment both as regards commodity prices and currency exchange rates. Talvivaara is, however, not directly exposed to variations in global demand as its main products, nickel and zinc sulphides, are sold to customers under long-term contracts.

Focus on production ramp-up

Talvivaara's focus remained firmly on production ramp-up throughout the year. Optimisation of the already operating equipment and processes continued, and pre-requisites for full-scale production were fulfilled through the commissioning of the second production line at the metals recovery plant, completion of initial sections of the secondary leaching areas, installation of the secondary heap stacking and primary heap reclaiming systems, and finally the commissioning of the second hydrogen and hydrogen sulphide plants.

The scalability of the production processes and progress in ramp-up were confirmed by the production volumes achieved in 2010: 10,382t of nickel (2009: 735t) and 25,462t of zinc (2009: 3,133t). Although the production fell short of the originally budgeted figures, the ramp-up trend seen from the second quarter onwards was encouraging with a relatively steady, close to 20% quarterly increase in nickel production and the pre-requisites in place for the trend to continue into 2011.

The Sotkamo operations faced a series of technical challenges during the year, ranging from a hydrogen plant failure to insufficient hydrogen sulphide capacity caused by installation faults in the hydrogen sulphide generator. Also, hydrogen sulphide emissions forced production levels to be restricted for several months because of odour discharges. Production losses resulting from these and other start-up issues were inevitable and at times substantial, but the problems were nevertheless overcome in an effective manner and production reliability improved markedly towards the end of the year. The organisation demonstrated its ability to solve technical problems and to learn from its mistakes, which is of great importance in view of the remaining ramp-up and eventual steady-state operations. To further improve thorough understanding and optimisation of the production processes, risk management and preventive maintenance, a production reliability programme was established in August 2010 involving the entire production organisation at all levels.

At the departmental level mining performed well throughout the year, blasting 13.3Mt (2009: 10.8Mt) of ore and 16.7Mt (2009: 4.3Mt) of waste, increasing the total mining output by 99% compared to the previous year. Waste mining increased significantly as waste rock was used for the levelling of the secondary heap foundations.

In materials handling, the volume of crushed and stacked ore in 2010 amounted to 13.3mt (2009: 8.5mt). Although the increase in output compared to the year before was substantial and the peak production levels improved beyond the nameplate capacities, the overall availability of the crushing circuit still remained below target. Given the large amount of ore already under leaching, this is not considered an issue in view of the planned 2011 metals production, but needs further attention with regard to longer term production targets.

The installation and commissioning of the primary heap reclaiming and secondary heap stacking systems represented a major challenge and a milestone for the materials handling department. Both systems were started up in the autumn and the secondary stacker has since been in production with good results. Commissioning of the primary heap reclaiming equipment has however been slower, resulting in reduced overall crushing and stacking output in the fourth quarter.

Bioheapleaching progressed according to expectations during the year. The primary heap was fully stacked for the first time in November, and secondary leaching had started with good results earlier in the fall. In process development, particular attention was paid to improved aeration. As a result, nickel grades in leach solution increased especially in the newer heap sections, reaching levels well above 3 g/l in some sections. Overall, the nickel grade in solution pumped to the metals recovery plant increased to around 2.2 g/l by year end.

The successful and timely commissioning of the second production line in the summer and the start-up of the second hydrogen plant and hydrogen sulphide generator in the autumn were major milestones for metals recovery in 2010. However, in its first year of continuous operation the metals recovery plant also suffered from various technical start-up problems and related down-time. Furthermore, process optimisation and de-bottlenecking were ongoing through the period and will continue into 2011. At year-end 2010, plant availability and throughput had already improved especially on the first production line, but work remained to be done in order for the plant to be capable of sustained full capacity production.

Financial review

Financial result

Talvivaara's net sales during the financial year ended 31 December 2010 amounted to EUR 152.2 million (2009: EUR 7.6 million). 9,438 tonnes of nickel, 20,320 tonnes of zinc, and 94 tonnes of cobalt were sold during the financial year.

The Group's other operating income consisted mainly of realised gains on nickel and zinc forwards and indemnity from stop-loss insurance relating to a hydrogen plant failure in February 2010 and amounted to EUR 20.9 million (2009: EUR 43.1 million).

Personnel expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (19.9) million (2009: EUR (17.7) million). The rise was attributable to an increased number of personnel.

Other operating expenses amounted to EUR (43.8) million (2009: EUR (61.1) million) and included realised and fair value losses on interest rate swaps and USD forwards and options. Maintenance costs of EUR (13.0) million and energy costs of EUR (11.2) million comprise most of the remainder.

Operating profit amounted to EUR 25.5 million (2009: loss of EUR 54.8 million).

Finance income for the financial year was EUR 3.5 million (2009: EUR 11.5 million) and consisted mainly of exchange rate gains on deposits. Finance costs of EUR (38.8) million (2009: EUR (31.8) million) comprised primarily unrealised exchange rate losses of EUR (18.7) million on the USD 320 million Project Term Loan Facility and on the USD 335 million Nyrstar advance payment. Interest on borrowings amounted to EUR (18.5) million.

Loss before income tax was EUR (9.9) million. The tax expense of EUR (3.1) million resulted from a decrease in deferred tax assets, in turn caused by a release of deferred tax assets relating to sale of derivatives. Reflecting the progressing ramp-up of production, the Company's loss for the financial year reduced to EUR (13.1) million from EUR (55.0) million in 2009.

The total comprehensive loss for 2010 was EUR (24.4) million (2009: EUR (124.7) million), including a reduction in hedge reserves resulting from the occurrence of the hedged sales.

Balance sheet

Capital expenditure during the financial year totalled EUR 115.7 million (2009: EUR 118.5 million). The expenditure related primarily to the construction of heap foundations, 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 December 2010, property, plant and equipment totalled EUR 728.2 million (31 December 2009: EUR 644.4 million), including finance lease contracts amounting to EUR 77.8 million. Of this, finance lease contracts entered into in 2010 amounted to EUR 59.9 million (2009: EUR 16.0 million).

During 2008-2009, Talvivaara Infrastructure Oy constructed a new railway connecting the mine site with the national railway grid. As of 30 June 2010, the railway has been classified to assets held for sale, as the first agreed minimum transportation requirement was reached in May 2010 and the Finnish State made a partial redemption payment for the railroad in June. Property, plant and equipment was reduced by EUR 39.4 million due to the reclassification.

In the Group's assets, inventories amounted to EUR 175.4 million on 31 December 2010 (31 December 2009: EUR 109.5 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.

All nickel, zinc and USD forwards were closed in Q1 2010 and as at 31 December 2010 the derivative financial instruments consisted of interest rate swaps and USD options, which were valued at EUR (1.2) million and recognised in liabilities (derivative financial assets on 31 December 2009: EUR 33.1 million).

At the end of 2010, cash and cash equivalents totalled EUR 165.6 million (31 December 2009: EUR 11.9 million).

In equity and liabilities, the total equity amounted to EUR 380.3 million on 31 December 2010 (31 December 2009: EUR 382.6 million), including approximately EUR 25 million from a perpetual capital loan. A total of 174,378 new shares were subscribed and paid for during 2010 under the company's stock option rights 2007A and the entire subscription price of EUR 0.5 million was recognised in equity.

Borrowings increased from EUR 438.1 million on 31 December 2009 to EUR 480.6 million at the end of 2010. The changes in borrowings during the year included the repayment of a USD 320 million Project Term Loan Facility in February, and an offering of EUR 225.0 million of senior unsecured convertible bonds due 2015 in December.

Talvivaara received a total of EUR 263.0 million in advance payments during the financial year, comprising USD 335.0 million for the Zinc in Concentrate Streaming Agreement with Nyrstar NV ("Nyrstar"), and EUR 20 million paid by the Finnish State as an advance payment for the redemption of the Talvivaara-Murtomäki railway.

Total equity and liabilities as at 31 December 2010 amounted to EUR 1,216.3 million (31 December 2009: EUR 879.0 million).

Currency and commodity hedges and hedge accounting

In connection with the repayment of the USD 320 million Project Term Loan Facility in February 2010, the Group closed all of its commodity and foreign exchange risk hedging positions realising net proceeds of EUR 46.0 million.

Financing

In December, the Company completed an offering of EUR 225 million of senior unsecured convertible bonds 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.

In June, Talvivaara signed a EUR 100 million three-year revolving multicurrency credit facility with Nordea Bank, Handelsbanken and Sampo Bank. The facility had a margin of 3.00% until the end of 2010 and thereafter it has a varying margin of 1.75%-3.00% depending on the Company's leverage ratio. The facility is intended for general corporate purposes. As at 31 December 2010, the facility was undrawn.

In June, Talvivaara also signed a EUR 10 million investment and working capital facility with Finnvera Plc with an eight-year maturity and a margin of 4.1%. The facility is fully drawn.

In June, the Finnish State paid the first 50% instalment towards the EUR 40 million (0% VAT) reimbursement granted for the Talvivaara-Murtomäki railroad. The instalment was used in its entirety to partially repay the EUR 41 million loan drawn by Talvivaara Infrastructure Oy to finance the construction of the railroad.

In February, Talvivaara completed a Zinc in Concentrate Streaming Agreement with Nyrstar. For the agreement, Nyrstar paid a USD 335 million advance payment, the majority of which was used to completely pre-pay the USD 320 million Project Term Loan Facility.

In February, Talvivaara also drew down a EUR 25 million perpetual capital loan, which is recognized in equity according to IFRS.

Business development and commercial arrangements

Zinc in Concentrate Streaming Agreement with Nyrstar

Talvivaara Sotkamo Ltd completed a long-term zinc streaming agreement with Nyrstar NV in 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 paid a USD 335 million advance payment for the zinc stream, in addition to which it will pay Talvivaara an extraction and processing fee of EUR 350/t of zinc in concentrate delivered (with escalators in relation to prices of elemental sulphur and propane). The following price participation was also agreed:

- 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/t (up to USD 3,000/t), and 30% of the LME zinc price exceeding USD 3,000/t; and
- thereafter, Nyrstar will pay to Talvivaara 30% of the excess of the LME zinc price above the processing fee of EUR 350/t of zinc in concentrate.

Nyrstar 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.

Extraction of uranium as a by-product

Talvivaara announced in February 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 40-50 million and the annual production costs at approximately EUR 2 million. The annual production volume is estimated at approximately 350 tonnes of uranium, or 410 tonnes of yellow cake.

The planned uranium production is subject to necessary permits, including an approval by the Government of Finland. Talvivaara applied in April 2010 to the Ministry of Employment and Economy for a permit to extract uranium as a by-product, in accordance with the Nuclear Energy Act.

Negotiations for an off-take agreement for Talvivaara's planned uranium production were carried out during 2010 and an agreement with Cameco Corporation was completed in February 2011, as described in Events after the review period.

Expansion beyond 50,000 tpa nickel

Following the announcement in October of a 54% upgrade in total mineral resources at Talvivaara, the Company established a project to evaluate options for further expansion of production capacity at the Sotkamo mine. The key areas of evaluation include product and capacity options, raw materials and supplies availability and logistics, financial feasibility, and permitting. Scoping studies and permitting work will be the focus areas in 2011, while it is estimated that the initial stages of the expanded production could commence in 2015 at the earliest.

Geology

Following successful drilling campaigns at the Kuusilampi and Kolmisoppi deposits in 2009 and 2010, Talvivaara announced an upgrade in its mineral resources in October 2010.

The total mineral resources, as defined by the JORC code, increased by 54% to 1,550Mt from the total of 1,004Mt announced in December 2008. Measured and Indicated Resources increased by 75% to 1,121Mt. The increased resources contain 3.4Mt of nickel and 7.6Mt of zinc, up from 2.2Mt and 5.0Mt in 2008, respectively.

Most of the new resources were found as a result of an infill drilling campaign at the Kolmisoppi deposit. The campaign resulted in a 270% increase in total resources at the deposit from 178Mt to 660Mt.

At the Kuusilampi deposit, geological mapping and diamond drilling were primarily focused on improving the classification of the orebody and resulted in a 56% increase in Measured and Indicated Resources from 505Mt to 788Mt. The total resource increased by some 8% to 890Mt. Metal grades in both deposits remained unchanged at 0.22% nickel and 0.49% zinc, further reaffirming the homogeneous nature of the ore bodies.

Significant exploration potential remains between the Kuusilampi and Kolmisoppi deposits and to the north of the Kolmisoppi deposit.

Research and development

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

Process development work in bioheapleaching included studies aimed at better understanding of the heap behaviour, improving heap aeration concepts, and optimising the hydrodynamics of the heap. In metals recovery, the focus was on product quality improvement especially as regards moisture content and chemical purity. Studies targeted at reducing operating costs were also carried out, e.g. relating to caustic soda consumption.

The effective removal of odours caused by hydrogen sulphide emissions became one of the most important short term development topics early on in 2010 when it became obvious that the existing gas scrubbing capacity was not sufficient during commercial scale operation of the metals recovery plant. Initially the existing concept of gas scrubbing using caustic soda was developed, but other process options were also researched. Finally hydrogen sulphide removal using hydrogen peroxide was chosen as a method of choice and applied in production during the fourth quarter.

Development of a solvent extraction method to recover uranium from the leach solution continued through 2010. During the latter half of the year, the work was increasingly focused on industrial scale development and the basic and detailed engineering of the planned production unit.

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.

Sustainable development

Talvivaara continued to develop its operations according to its sustainable development policy which emphasizes continuous improvement and operational excellence.

With respect to safety issues Talvivaara's goal is a safe and healthy working environment, and the Company continued to develop its safety culture based on zero accident philosophy. As a result of the active safety work the injury frequency in 2010 was 10.7 lost time injuries/million working hours (2009: 11 lost time injuries/million working hours).

Talvivaara is committed to continuous improvement in environmental efficiency, operational risk management and the reduction of environmental impact. Thanks to investments aimed at reducing emissions to air the environmental performance improved towards the end of the year. Some further improvements in 2011 are still necessary for the dust and hydrogen sulphide emission limits set in Talvivaara's environmental permit to be consistently met.

During 2010 the targets relating to the implementation of new chemical regulatory frameworks REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) and CLP (Classification, Labeling and Packaging of substances and mixtures) were achieved. Nickel and zinc sulphide dossiers were submitted to authorities for registration, and the CLP-data for all of Talvivaara's substances were gathered and compiled.

Talvivaara was one of the 26 companies in Finland who took part in the CDP carbon footprint reporting initiative. This exercise of data gathering and reporting will help the Company to optimize its greenhouse gas emissions in the future.

Permitting work during the year related to uranium extraction as a by-product and updating of the existing environmental permit for the Talvivaara mine. The Environmental Impact Assessment for uranium extraction was carried out in 2010 and the environmental permit application for the process is expected to be submitted during the first quarter of 2011. The existing environmental permit will be submitted for renewal by the end of first quarter 2011. The updating work for the submission was largely carried out in 2010.

The environmental security placed for future restoration of the area and monitoring obligations amounted to EUR 27.0 million at the year-end (2009: EUR 15.3 million).

A major milestone in the Company's environmental management was reached in December 2010, when Talvivaara was awarded certification for the environmental management system ISO 14001 covering all operations of the Company. In line with the guidelines set by the ISO 14001 system, the goals in Talvivaara's operations in the future include continuous improvement, sustainable and economic use of natural resources, and development of all processes in order to minimize the environmental impact of the mine.

Risk management and key 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.

In 2010, the Company's risk management activities were focused on developing risk management practices within departments and functions, partly as part of internal development programmes relating to environment, health and safety, internal controls, and production reliability. The goal set for 2011 is to update the Group level risk management policies to reflect Talvivaara's present development stage as an operational rather than a project focused entity. The planned Group level risk assessment will be based on findings from the department level work and on experience gained from the chosen risk assessment tools which take into account the probability and estimated impact of the identified risks.

Talvivaara's operations are affected by risks common to the mining industry, such as risks relating to the development of Talvivaara's mineral deposits, estimates of reserves and resources, infrastructure, 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, counter parties, 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 industrial scale, the rate of ramp-up is still subject to risk factors including the reliability and sustainable capacity of production equipment, and eventual speed of leaching and metals recovery in bioheapleaching. In addition, there may be production and ramp-up related risks that are currently unknown or beyond the Company's control.

The market price of nickel has historically been volatile and in the Company's view this is likely to persist, driven by shifts in the supply-demand balance, macroeconomic indicators and variations in currency exchange ratios. Nickel sales currently represent approximately 90% of the Company's revenues and variations in nickel price therefore have a direct and significant effect on Talvivaara's financial result and economic viability. Talvivaara is, since 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 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 materially adverse effect on the business and financial position of the Company. Talvivaara hedges its exposure 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.

Liquidity and refinancing risks may arise as a result of the Company's inability to produce sufficient volumes of its saleable products, particularly nickel, unexpected increase in production costs, and sudden or substantial changes in the prices of commodities or currency exchange rates. Talvivaara seeks to reduce liquidity risk by close monitoring of liquidity in order to detect any threat of adverse changes in advance so as to allow for sufficient time to secure access to adequate credit or other funding on reasonable terms. Talvivaara also seeks to maintain a balanced maturity profile of its long-term debt in order to mitigate refinancing risks.

Personnel

The growth in Talvivaara's human resources remained strong during the financial year, with the total number of employees increasing from 308 to 389. The personnel are mostly recruited locally from the Kainuu region, where Talvivaara is the largest provider of new job opportunities.

The average age of Talvivaara's personnel remained at 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 representative 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. This has however proven difficult due to the limited number of female applicants.

Personnel turnover decreased during the reporting year. It mainly affected newly recruited employees and did not affect the Company's operations. The personnel turnover at Talvivaara Sotkamo Ltd was 5.1% (2009: 10.6%), and there was no personnel turnover at Talvivaara Mining Company (2009: 10.6%).

The salaries and wages of Talvivaara's personnel are based on industry-wide collective agreements and company-specific job grading. The total compensation consists of base salary and short and long term incentive schemes. Annual short term incentive metrics include personal performance based and company-wide criteria. During the current ramp-up phase the primary criteria is Talvivaara's production output. The Company's long term incentive schemes comprise Talvivaara's Stock Options 2007, which are allocated to all personnel, and a management holding company Talvivaara Management Oy, which is targeted to executive management and requires personal investment in the Company's shares by the participants.

Personnel development is based on annual training and development plans. All Talvivaara personnel participate in introductory training with work safety as a key component. The Company's target is also that all of its employees will have first aid competence.

Additions to the Executive Committee

Eeva Ruokonen, M.Sc.(Mining), Lic.Tech.(Mineral Processing) was appointed Chief Sustainability Officer and member of Talvivaara's Executive Committee from February 2010.

Jari Voutilainen, M.Sc.(Tech), was appointed General Manager - Business Development and member of the Company's Executive Committee from December 2010.

Corporate governance statement

Talvivaara will issue a Corporate Governance Statement of 2010 and publish it as part of its Annual Report and as a separate statement on its website at www.talvivaara.com during the week starting 28 March 2011. The Corporate Governance Statement will not form part of the Board of Directors' Report.

Resolutions of the Annual General Meeting

The resolutions of Talvivaara's Annual General Meeting held on 15 April 2010 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.

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 December 2010 was 245,316,718. 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 year end, the EUR 225 million convertible bond of 16 December 2010 had not yet been granted special rights entitling to conversion; hence the effect of the bond is not included in the authorised full number of shares.

The share subscription period for stock options 2007A commenced on 1 April 2010 and ends on 31 March 2012. By 31 December 2010 a total of 174,378 Talvivaara Mining Company Plc's new shares had been subscribed for under the stock option rights 2007A and a total of 2,158,722 stock option rights 2007A remained unexercised.

As at 31 December 2010, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.0 %), Varma Mutual Pension Insurance Company (8.6%), and BlackRock Investment Management Ltd (6.0%).

Share based incentive plans

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 2010, the Board of Directors, based on the recommendation of the Remuneration Committee, allocated 176,600 2007A Options, 245,100 2007B options and 663,000 2007C Options, giving an entitlement to subscribe for a total of 1,084,700 new shares in the Company, to the personnel of Talvivaara and its subsidiaries. Of the options allocated since 2007, 72,000 2007A Options, 48,000 2007B Options and 192,000 2007C Options entitling to subscribe for 312,000 shares were returned back to the Company during 2010. In 2010, a total of 174,378 new shares were subscribed for under the stock option rights 2007A. At the end of 2010, the number of options available for allocation under the 2007 Option Scheme was as follows: 874,100 2007C Options. The voting rights of the shares to be issued against the outstanding share options amount to 2.4% of the total share capital.

In December 2010, The Board of Directors of Talvivaara decided on a new shareholding plan directed to members of the Talvivaara Executive Management Team (the "Participants"). The plan enables the Participants to acquire a considerable long-term shareholding in the Company. Through this plan, the Participants personally invested a significant amount of their own funds in Talvivaara's shares. The Participants financed their investments partly by themselves and partly by a loan provided by Talvivaara.

The EUR 5.7 million loan granted by the Company to Talvivaara Management Oy for the purpose of acquiring Company shares carries an interest of 3.0% and shall be repaid in full by 2014. The 1,104,000 shares held by Talvivaara Management Oy have been pledged to Talvivaara as security for the loan.

Events after the review period

Uranium off-take agreement with Cameco Corporation

On 7 February 2011, Talvivaara signed a uranium off-take agreement with Cameco Corporation ("Cameco"). Under the terms of the agreement, Cameco will provide an up-front investment to cover the construction cost of the uranium extraction circuit. Talvivaara will invoice the cost of investment to Cameco in euros such that the US dollar equivalent of the investment adds up to a maximum of USD 60 million. 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. The price Cameco will pay for the uranium is based on a formula that references market prices at the time of delivery. Annual uranium production at Talvivaara is estimated at 350t of uranium, corresponding to approximately 410t of yellow cake (UO_4).

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, as well as to permits from the appropriate Finnish authorities. Talvivaara and Cameco expect the Euratom approval within a few months. Talvivaara applied in April 2010 to the Ministry of Employment and Economy for a permit to extract uranium as a by-product, in accordance with the Nuclear Energy Act. The Environmental Impact Assessment Process as well as the preparations for submitting the application for the Environmental Permit relating to the uranium extraction process are ongoing at the site.

Extraordinary General Meeting to resolve on special rights in relation to the convertible bond

On 27 January 2011, an Extraordinary General Meeting of Talvivaara 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 due 2015 which were issued on 16 December 2010. The special rights on conversion were granted, for no consideration, to the initial subscribers of the bonds and/or to any subsequent purchasers of the bonds.

Assuming no adjustments to the conversion price of the bonds and following the issue of the special rights, the bonds may be converted to up to 26,967,028 new ordinary shares of the Company based on the initial conversion price of GBP 7.0043 (EUR 8.3435) per ordinary share, representing approximately 11% of the currently issued and outstanding ordinary shares. The right to convert the bonds into ordinary shares commenced after the Company had notified the bond holders of the resolution regarding the issue of special rights and ends on 10 December 2015.

Including the effect of the convertible bonds of 16 December 2010 and 14 May 2008 and the Option Scheme of 2007, the authorised full number of shares of the Company amounts to 296,756,846.

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 installments 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.

Short-term outlook

Talvivaara expects production at the Sotkamo mine to continue ramping up according to plan and to reach the annual nickel production volume of 30,000-35,000t in 2011. The quarterly growth in production is anticipated initially at around 20-30%, increasing to around 40% during the latter part of the year following further process optimisation at the metals recovery plant and increased availability of leach solution to metals recovery particularly from secondary leaching.

The market outlook for nickel in the near term is positive with the LME nickel price anticipated to stay considerably above USD 20,000/t and possibly testing levels as high as USD 30,000/t. Volatility in nickel prices is however likely to remain high, driven by investment activity, macroeconomic indicators, and movements in the currency exchange markets.

Nickel demand from China appears to continue strong despite tightening in the country's monetary policy. Triggered by the increased demand by stainless steel industry in China as well as the recovering Western economies, an ongoing deficit in the nickel market may continue in 2011 as substantial new supply is unlikely to come on stream during the year.

Board of Directors proposal for profit distribution

The Board of Directors is proposing to the Annual General Meeting to be held on 28 April 2011 that no dividend is declared in respect of the year 2010.

Talvivaara Mining Company Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	Unaudited three months to 31 Dec 2010	Unaudited three months to 31 Dec 2009	Unaudited twelve months to 31 Dec 2010	Audited twelve months to 31 Dec 2009
Net sales	**60,218**	**4,967**	**152,163**	**7,571**
Other operating income	3,661	5,966	20,904	43,118
Changes in inventories of finished goods and work in progress	14,003	28,410	67,100	75,587
Materials and services	(30,745)	(24,889)	(99,029)	(65,156)
Personnel expenses	(5,498)	(6,064)	(19,944)	(17,695)
Depreciation, amortization, depletion and impairment charges	(13,757)	(11,384)	(51,948)	(37,061)
Other operating expenses	(13,556)	(28,574)	(43,790)	(61,140)
Operating profit (loss)	**14,326**	**(31,568)**	**25,456**	**(54,776)**
Finance income	81	82	3,477	11,526
Finance cost	(13,293)	(13,596)	(38,841)	(31,835)
Finance cost (net)	(13,212)	(13,514)	(35,364)	(20,309)
Profit (loss) before income tax	**1,114**	**(45,082)**	**(9,908)**	**(75,085)**
Income tax expense	(5,823)	12,071	(3,144)	20,127
Profit (loss) for the period	**(4,709)**	**(33,011)**	**(13,052)**	**(54,958)**
Attributable to:				
Owners of the Company	(3,869)	(26,852)	(12,953)	(45,267)
Non-controlling interest	(840)	(6,159)	(99)	(9,691)
	(4,709)	**(33,011)**	**(13,052)**	**(54,958)**
Earnings per share for profit (loss) attributable to the owners of the parent expressed in EUR per share)				
Basic and diluted	(0.02)	(0.11)	(0.06)	(0.19)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 31 Dec 2010	Unaudited three months to 31 Dec 2009	Unaudited twelve months to 31 Dec 2010	Audited twelve months to 31 Dec 2009
Profit (loss) for the period	**(4,709)**	**(33,011)**	**(13,052)**	**(54,958)**
Other comprehensive income, items net of tax				
Cash flow hedges	(2,769)	(5,877)	(11,341)	(69,705)
Other comprehensive income, net of tax	**(2,769)**	**(5,877)**	**(11,341)**	**(69,705)**
Total comprehensive income	**(7,478)**	**(38,888)**	**(24,393)**	**(124,663)**
Attributable to:				
Owners of the Company	(6,084)	(31,553)	(22,026)	(101,031)
Non-controlling interest	(1,394)	(7,335)	(2,367)	(23,632)
	(7,478)	**(38,888)**	**(24,393)**	**(124,663)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	Unaudited twelve months to 31 Dec 10	Audited twelve months to 31 Dec 09
ASSETS		
Non-current assets		
Property, plant and equipment	728,226	644,356
Biological assets	8,464	6,614
Intangible assets	7,737	7,846
Deferred tax assets	22,421	21,548
Other receivables	7,626	7,582
Available-for-sale financial assets	464	-
	774,938	687,946
Current assets		
Inventories	175,361	109,512
Trade receivables	52,354	3,913
Other receivables	8,702	15,477
Derivative financial instruments	40	50,244
Cash and cash equivalent	165,555	11,877
	402,012	191,023
Assets held for sale	39,391	-
Total assets	**1,216,341**	**878,969**
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	80	80
Share issue	91	-
Share premium	8,086	8,086
Hedge reserve	7,494	16,567
Other reserves	433,012	417,448
Retained earnings	-84,322	-71,368
	364,441	370,813
Minority interest in equity	15,831	11,784
Total equity	380,272	382,597
Non-current liabilities		
Borrowings	437,623	384,300
Advance payments	231,812	-
Trade payables	17	-
Derivative financial instruments	-	3,110
Provisions	3,935	1,594
	673,387	389,004
Current liabilities		
Borrowings	42,934	53,811
Advance payments	35,243	-
Trade payables	39,408	29,669
Other payables	43,820	9,875
Derivative financial instruments	1,277	14,013
	162,682	107,368
Total liabilities	836,069	496,372
Total equity and liabilities	**1,216,341**	**878,969**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERs` EQUITY

(all amounts in EUR '000)	Share capital	Share issue	Share premium	Invested unrestricted equity	Hedge reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
Balance at 1 Jan 2009	**80**	**-**	**8,086**	**320,607**	**72,332**	**13,412**	**(26,101)**	**388,416**	**35,470**	**423,886**
Profit (loss) for the period	-	-	-	-	-	-	(45,267)	(45,267)	(9,691)	(54,958)
Other comprehesive income										
- Cash flow hedges	-	-	-	-	(55,765)	-	-	(55,765)	(13,941)	(69,706)
Total comprehesive income for 2009	-	-	-	-	(55,765)	-	(45,267)	(101,032)	(23,632)	(124,664)
Transactions with owners										
Share issue	-	-	-	82,691	-	-	-	82,691	-	82,691
External costs directly attributable to the issue of new shares	-	-	-	(2,050)	-	-	-	(2,050)	-	(2,050)
Employee share option scheme										
- value of employee services	-	-	-	-	-	2,788	-	2,788	-	2,788
Total contribution by and distribution to owners	-	-	-	80,641	-	2,788	-	83,429	-	83,429
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of subsidiary	-	-	-	-	-	-	-	-	(54)	(54)
Total transactions with owners	**-**	**-**	**-**	**80,641**	**-**	**2,788**	**-**	**83,429**	**(54)**	**83,375**
Balance at 31 Dec 2009	**80**	**-**	**8,086**	**401,248**	**16,567**	**16,200**	**(71,368)**	**370,813**	**11,784**	**382,597**
Balance at 1 Jan 2010	**80**	**-**	**8,086**	**401,248**	**16,567**	**16,200**	**(71,368)**	**370,813**	**11,784**	**382,597**
Profit (loss) for the period	-	-	-	-	-	-	(12,953)	(12,953)	(99)	(13,052)
Other comprehesive income										
- Cash flow hedges	-	-	-	-	(9,073)	-	-	(9,073)	(2,268)	(11,341)
Total comprehesive income for 2010	-	-	-	-	(9,073)	-	(12,953)	(22,026)	(2,367)	(24,393)
Transactions with owners										
Stock options	-	91	-	364	-	-	-	455	-	455
Perpetual capital loan	-	-	-	-	-	19,926	-	19,926	4,982	24,908
Incentive arrangement for Executive Management	-	-	-	-	-	(7,142)	-	(7,142)	1,432	(5,710)
Employee share option scheme										
- value of employee services	-	-	-	-	-	2,415	-	2,415	-	2,415
Total contribution by and distribution to owners	-	91	-	364	-	15,199	-	15,654	6,414	22,068
Total transactions with owners	**-**	**91**	**-**	**364**	**-**	**15,199**	**-**	**15,654**	**6,414**	**22,068**
Balance at 31 Dec 2010	**80**	**91**	**8,086**	**401,612**	**7,494**	**31,399**	**(84,321)**	**364,441**	**15,831**	**380,272**

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 31 Dec 2010	Unaudited three months to 31 Dec 2009	Unaudited twelve months to 31 Dec 2010	Audited twelve months to 31 Dec 2009
Cash flows from operating activities				
Profit (loss) for the period	(4,709)	(33,011)	(13,052)	(54,958)
Adjustments for				
Tax	5,823	(12,071)	3,144	(20,127)
Depreciation and amortization	13,758	11,384	51,949	37,061
Other non-cash income and expenses	(3,976)	(2,482)	(8,340)	845
Interest income	(81)	(82)	(3,477)	(11,526)
Fair value gains on financial assets at fair value through profit or loss	(4,068)	24,701	(24,348)	27,507
Interest expense	13,293	13,596	38,841	31,835
	20,040	2,035	44,717	10,637
Change in working capital				
Decrease(+)/increase(-) in other receivables	(20,607)	(7,259)	(40,381)	2,055
Decrease (+)/increase (-) in inventories	(14,972)	(26,699)	(65,850)	(77,821)
Decrease(-)/increase(+) in trade and other payables	32,888	7,651	47,141	(16,421)
Change in working capital	(2,691)	(26,307)	(59,090)	(92,187)
	17,349	(24,272)	(14,373)	(81,550)
Interest and other finance cost paid	(13,345)	(6,186)	(26,213)	(22,318)
Interest income	58	391	49,382	3,821
Net cash generated (used) in operating activities	4,062	(30,067)	8,796	(100,047)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	-	-	-	(54)
Purchases of property, plant and equipment	(23,048)	(35,896)	(114,947)	(117,738)
Purchases of biological assets	-	-	(7)	(35)
Purchases of intangible assets	(427)	(566)	(704)	(741)
Proceeds from sale of property, plant and equipment	-	-	-	9
Proceeds from sale of biological assets	13	169	89	273
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	302	215	302	228
Purchases of available-for-sale financial assets	(463)	-	(463)	-
Net cash generated (used) in investing activities	(23,623)	(36,078)	(115,730)	(113,009)
Cash flows from financing activities				
Proceeds from share issue net of transaction costs	-	(3)	-	80,641
Realised stock options	90	-	454	-
Related party investment in Talvivaara shares	(5,713)	-	(5,713)	-
Proceeds from interest-bearing liabilities	235,973	10,567	292,512	63,924
Proceeds from perpetual capital loan	-	-	24,875	-
Proceeds from advance payments	-	-	263,419	-
Payment of interest-bearing liabilities	(51,210)	(1,166)	(314,935)	(2,345)
Net cash generated (used) in financing activities	179,140	9,398	260,612	142,220
Net (decrease)/increase in cash and bank overdrafts	159,579	(56,747)	153,678	(70,836)
Cash and bank overdrafts at beginning of the period	5,976	68,624	11,877	82,713
Cash and bank overdrafts at end of the period	165,555	11,877	165,555	11,877

NOTES

1. Basis of preparation

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

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 2010	209,907	51,671	223,036	202,791	687,405
Additions	60,542	114,108	169	29	174,848
Transfer to assets held for sale	-	-	-	(40,630)	(40,630)
Disposals	-	-	(149)	-	(149)
Transfers	66,149	(144,743)	34,557	44,037	-
Gross carrying amount at 31 Dec 2010	336,598	21,036	257,613	206,227	821,474
Accumulated depreciation and impairment losses at 1 Jan 2010	16,949	-	10,230	15,870	43,049
Transfer to assets held for sale	-	-	-	(1,239)	(1,239)
Depreciation for the year	22,845	-	10,920	17,673	51,438
Accumulated depreciation and impairment losses at 31 Dec 2010	39,794	-	21,150	32,304	93,248
Carrying amount at 1 Jan 2010	192,958	51,671	212,806	186,921	644,356
Carrying amount at 31 Dec 2010	**296,804**	**21,036**	**236,463**	**173,923**	**728,226**

3. Trade receivables

(all amounts in EUR '000)

	31 Dec 2010	31 Dec 2009
Nickel-Cobalt sulphide	50,437	3,096
Zinc sulphide	1,917	817
	52,354	3,913

4. Inventories

(all amounts in EUR '000)

	31 Dec 2010	31 Dec 2009
Raw materials and consumables	8,668	9,919
Ore on leach pads	79,593	57,726
Work in progress	75,039	39,403
Finished products	12,061	2,464
Inventories total	**175,361**	**109,512**

5. Borrowings

(all amounts in EUR '000)

Non-current	31 Dec 2010	31 Dec 2009
Capital loans	1,405	1,405
Investment and Working Capital loan	57,324	45,417
Project Term Loan Facility[1]	-	189,504
Senior Unsecured Convertible Bonds due 2013	78,086	75,477
Senior Unsecured Convertible Bonds due 2015	219,426	-
Railway Term Loan Facility	-	19,861
Finance lease liabilities	53,018	15,306
Interest Subsidy Loans	-	4,187
Other	28,364	33,143
	437,623	**384,300**
Current		
Project Term Loan Facility[1]	-	32,626
Railway Term Loan Facility	18,527	19,898
Finance lease liabilities	20,211	1,287
Interest Subsidy Loans	4,196	-
	42,934	**53,811**
Total borrowings	**480,557**	**438,111**

1) The Project Term Loan has been reclassified to long-term borrowings in comparative information for 2009, because the decision to repay the Project Term Loan was made after the financial year ended.

Key financial figures of the Group

		Three months to 31 Dec 2010	Three months to 31 Dec 2009	Twelve months to 31 Dec 2010	Twelve months to 31 Dec 2009
Net sales	EUR '000	60,218	4,967	152,163	7,571
Operating profit (loss)	EUR '000	14,326	(31,568)	25,456	(54,776)
Operating profit percentage		23.8 %	-635.6 %	16.7 %	-723.5 %
Profit (loss) before tax	EUR '000	1,114	(45,082)	(9,908)	(75,085)
Profit (loss) for the period	EUR '000	(4,709)	(33,011)	(13,052)	(54,958)
Return on equity		-1.2 %	-8.2 %	-3.4 %	-13.6 %
Equity-to-assets ratio		31.3 %	43.5 %	31.3 %	43.5 %
Net interest-bearing debt	EUR '000	315,002	426,234	315,002	426,234
Debt-to-equity ratio		82.8 %	111.4 %	82.8 %	111.4 %
Return on investment		0.7 %	-2.8 %	3.1 %	-2.9 %
Capital expenditure	EUR '000	23,475	36,462	115,658	118,514
Research & development expenditure	EUR '000	365	261	365	261
Property, plant and equipment	EUR '000	728,226	644,356	728,226	644,356
Derivative financial instruments	EUR '000	(1,237)	33,121	(1,237)	33,121
Borrowings	EUR '000	480,557	438,111	480,557	438,111
Cash and cash equivalents atthe end of the period	EUR '000	165,555	11,877	165,555	11,877

Share-related key figures

		Three months to 31 Dec 10	Three months to 31 Dec 09	Twelve months to 31 Dec 10	Twelve months to 31 Dec 09
Earnings per share	EUR	(0.02)	(0.11)	(0.06)	(0.19)
Equity per share	EUR	1.55	1.51	1.55	1.51
Development of share price at London Stock Exchange					
Average trading price[1]	EUR	6.27	4.21	4.89	3.57
	GBP	5.39	3.81	4.20	3.18
Lowest trading price[1]	EUR	5.70	3.89	3.99	1.45
	GBP	4.90	3.52	3.42	1.29
Highest trading price[1]	EUR	7.10	4.54	7.11	4.68
	GBP	6.10	4.11	6.10	4.17
Trading price at the end of the period[2]	EUR	6.92	4.35	6.92	4.35
	GBP	5.96	3.86	5.96	3.86
Change during the period		21.1 %	1.7 %	54.2 %	224.6 %
Price-earnings ratio		-	-	-	-
Market capitalization at the end of the period[3]	EUR '000	1,697,196	1,066,454	1,697,196	1,066,454
	GBP '000	1,460,861	947,118	1,460,861	947,118
Development in trading volume					
Trading volume	1000 shares	16,728	34,182	93,802	153,421
In relation to weighted average number of shares		6.8 %	14.6 %	38.2 %	65.6 %
Development of share price at OMX Helsinki					
Average trading price	EUR	6.35	4.24	5.18	4.21
Lowest trading price	EUR	5.65	3.95	3.99	3.05
Highest trading price	EUR	7.18	4.50	7.18	4.86
Trading price at the end of the period	EUR	7.07	4.33	7.07	4.33
Change during the period		24.5 %	3.6 %	63.3 %	38.3 %
Price-earnings ratio		-	-	-	-
Market capitalization at the end of the period	EUR '000	1,734,389	1,061,615	1,734,389	1,061,615
Development in trading volume					
Trading volume	1000 shares	42,665	26,626	140,115	113,077
In relation to weighted average number of shares		17.4 %	11.4 %	57.1 %	48.4 %
Adjusted average number of shares		245,241,660	233,762,033	245,241,660	233,762,033
Fully diluted average number of shares		245,241,660	233,762,033	245,241,660	233,762,033
Number of shares at the end of the period		245,316,718	245,176,718	245,316,718	245,176,718

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 10	Three months to 31 Dec 09	Twelve months to 31 Dec 10	Twelve months to 31 Dec 09
Wages and salaries	EUR '000	4,443	4,964	16,652	14,876
Average number of employees		381	299	362	278
Number of employees at the end of the period		389	308	389	308

Other figures

	Three months to 31 Dec 2010	Three months to 31 Dec 2009	Twelve months to 31 Dec 2010	Twelve months to 31 Dec 2009
Share options outstanding at the end of the period	5,950,822	5,352,500	5,950,822	5,352,500
Number of shares to be issued against the outstanding share options	5,950,822	5,352,500	5,950,822	5,352,500
Rights to vote of shares to be issued against the outstanding share options	2.4 %	2.1 %	2.4 %	2.1 %

Key financial figures of the Group

Return on equity	Profit (loss) for the period / (Total equity at the beginning of period + Total equity at the end of period)/2
Return on investment	Profit (loss) for the period + finance cost for the period / (Total equity at the beginning of period + Total equity at the end of period)/2 (Total borrowings at the beginning of period + Total borrowings at the end of period)/2
Equity-to-assets ratio	Total equity / Total assets
Net interest-bearing debt	Interest-bearing debt - Cash and cash equivalent
Debt-to-equity ratio	Net interest-bearing debt / Total equity

Share-related key figures

Earnings per share	Profit (loss) attributable to equity holders of the Company / Adjusted average number of shares
Equity per share	Equity attributable to equity holders of the Company / 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