Stock Exchange Release
Talvivaara Mining Company Plc
16 August 2012

Talvivaara Mining Company Interim Report for January-June 2012

Steady progress in production after re-start of metals plant in April
Financial result impacted by production stoppage and declining nickel price

Highlights

Q2 2012
- Nickel production of 3,194t and zinc production of 6,686t
- Production volumes impacted by dilution of leach solutions due to rapid spring flooding and excessive rain as well as scheduled maintenance and fatality-related stoppage in April
- Net sales of EUR 33.4m
- Operating loss of EUR (10.9)m
- New CEO Harri Natunen has conducted a comprehensive operational review and is implementing a more sustainable production approach during ramp-up aimed at improving efficiency and reliability of operations and minimising the environmental impact
- Metals recovery plant in continuous and stable operation with close to 100% availability since late April

H1 2012
- Nickel production of 6,568t and zinc production of 14,576t
- Net sales of EUR 72.5m
- Operating loss of EUR (22.3)m
- Significantly strengthened financial position; EUR 83m raised from equity placing and EUR 110m from bond issue

Production guidance and operational outlook

As announced in Talvivaara's Operational Update of 3 July 2012, the combination of the dilution effect of the excessive water in circulation and the proactive decision taken to implement a more sustainable production approach during ramp-up have impacted the Company's production target for the current year such that the Company could no longer expect to achieve the previous guidance of 25,000-30,000t of nickel in 2012. Since the Operational Update, Talvivaara has continued reviewing its operations and following completion of the assessment, the Company's production guidance for 2012 is revised to approximately 17,000t of nickel. The revised guidance accounts for the continued heavy rainfall in July and early August, which has further prolonged the water balance issues and dilution of leach solutions at the Sotkamo mine.

Talvivaara continues to anticipate the annualised production rate to sustainably reach more than 25,000tpa of nickel during the fourth quarter of the year. The step-up in the production rate is anticipated to be achievable following the completion of the newly stacked heap section 3 during August and gradual increase of the leach solution flow rate through the metals recovery plant from around 1,500 m^3/h to 1,800 m^3/h over the coming weeks.

Due to the challenging water balance situation at mine, Talvivaara has since late June been forced to mine lower-grade ore from a more distant location than originally planned. As this is less economical and the Company already has a significant nickel inventory in the heaps, the Company has decided to alter its near-term production scheme such that over the next 3-4 months mining and crushing operations will be restricted and the Company's own mining fleet will be used to enhance reclaiming of the primary heaps. The planned alteration is expected to accelerate nickel recovery due to reclaiming and also result in substantial savings. Current year's metal production is not anticipated to be impacted by the temporary shift in the production scheme.

Key figures

EUR million	**Q2 2012**	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	FY 2011
Net sales	**33.4**	37.6	**72.5**	104.1	231.2
Operating profit (loss)	**(10.9)**	(1.2)	**(22.3)**	10.4	30.9
% of net sales	**(32.5%)**	(3.1%)	**(30.8%)**	10.0%	13.4%
Profit (loss) for the period	**(17.5)**	(7.5)	**(32.4)**	(5.5)	(5.2)
Earnings per share, EUR	**(0.06)**	(0.03)	**(0.12)**	(0.03)	(0.04)
Equity-to-assets ratio	**28.9%**	29.0%	**28.9%**	29.0%	27.9%
Net interest bearing debt	**475.6**	417.0	**475.6**	417.0	455.7
Debt-to-equity ratio	**125.8%**	128.2%	**125.8%**	128.2%	141.3%
Capital expenditure	**20.7**	25.1	**35.3**	35.5	79.1
Cash and cash equivalents at the end of the period	**128.7**	46.5	**128.7**	46.5	40.0
Number of employees at the end of the period[1]	**505**	416	**505**	416	461

All reported figures in this release are unaudited.

CEO Harri Natunen comments: *”Reporting my first quarter as the CEO of Talvivaara, I am pleased to note that the organisational and production changes that we implemented during the spring have started to show good progress in production stability, with the metals plant reaching a new monthly record of solution flow rate into the plant in June and the stacking of new ore continuously improving. Equally significant, we are also seeing important improvements in personnel morale and our environmental performance. Drawing on my past experience with similar operations as well as observations of Talvivaara’s people, operations and ore body, I am convinced that we can overcome our remaining challenges and deliver a sustainable production ramp-up path.*

Whilst this good progress gives us confidence for the future, we must also accept that we still continued to encounter a number of challenges during the second quarter. After the very regrettable accident in March, in which one of our employees lost his life, we stopped the metals recovery plant in order to conduct safety-related modifications and improvements and subsequently brought forward scheduled maintenance from May. As a result, the overall stoppage time and prolonged start-up impacted second quarter production significantly.

Furthermore, our metals production was affected by rapid spring flooding and the wettest spring in the Kainuu region since 1983, which resulted in excess water in circulation and diluted the leach solutions by around 25-30% compared to the long-term average water balance in the process. Over the summer we have focused on moderating the water balance, but the continued unusually heavy rainfall in July and early August have unfortunately further prolonged the issue. We have taken this into account when calculating our revised production guidance.

Our financial result for the second quarter is disappointing, reflecting the limited production levels, but also the weak nickel price development. The nickel price has declined from around USD 21,000-22,000 per tonne in early 2012 to around USD 16,000 per tonne during the summer, primarily driven by macroeconomic uncertainty and weak stainless steel fundamentals. Whilst nickel and other base metals prices may remain under pressure in the short term, development of the commodity utilisation rate of China and re-stocking following the summer months may provide price support during the coming months.

As a result of the challenges we have faced during the first half of 2012, and the more sustainable production approach we are implementing in order to ensure operational stability and reliability, we have had to revise our production guidance for the current year to around 17,000 tonnes of nickel. However, encouraged by the steady performance of our metals recovery process since late April, we continue to anticipate the annualised production rate to sustainably reach more than 25,000tpa of nickel in during the fourth quarter.

Whilst excess water at the minesite has affected our production guidance, it has also impacted our mining operations such that we have had to mine lower-grade ore further away from primary crushing than originally

[1] In addition, the Company employed 90 summer trainees as at 30 June 2012 and 65 summer trainees as at 30 June 2011.

planned. In order to avoid this inefficiency and to accelerate utilisation of the nickel inventories we already have in the heaps, we have decided to shift our focus from mining to primary heap reclaiming over the next 3-4 months. During this time, we will also move the excess water from the open pit to the gypsum pond, which is now being enlarged. We expect this temporary shift in the production scheme to result in substantial savings, but do not foresee it affecting our metals production during the current year. "

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Webcast and conference call on 16 August 2012 at 12:00 BST/14:00 EET

A combined webcast and conference call on the January-June 2012 Interim Result will be held on 16 August 2012 at 12:00 BST/14:00 EET. The call will be held in English.

The webcast can be accessed through the following link:
http://qsb.webcast.fi/t/talvivaara/talvivaara_2012_0816_q2/

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

Participant - Finland: +358 (0)9 2313 9201
Participant - UK: +44 (0)20 7162 0025
Participant - US: +1 334 323 6201

Conference ID: 914119

The webcast will also be available for viewing on the Talvivaara website shortly after the event.

Financial review

Q2 2012 (April-June)

Net sales and financial result

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the quarter ended 30 June 2012 amounted to EUR 33.4 million (Q2 2011: EUR 37.6 million). The net sales decreased by 14.3% compared to Q1 2012 primarily due to a decline in the nickel price, but also as a result of a slightly lower level of product deliveries. Product deliveries in Q2 2012 amounted to 2,958 tonnes of nickel, 92 tonnes of cobalt and 7,107 tonnes of zinc.

The operating loss for Q2 2012 was EUR (10.9) million (Q2 2011: EUR (1.2) million). During the period, materials and services amounted to EUR (33.6) million (Q2 2011: EUR (31.9) million) and other operating expenses to EUR (15.0) million (Q2 2011: EUR (16.7) million). Compared to the first quarter of 2012, materials and services and other operating expenses decreased by 9.7%, which is in line with the change in product deliveries during the respective periods.

Loss for the period amounted to EUR (17.5) million (Q2 2011: EUR (7.5) million).

Balance sheet and financing

Capital expenditure during the second quarter totalled EUR 20.7 million (Q2 2011: EUR 25.1 million). The expenditure primarily related to a reverse osmosis–based water purification plant, secondary heap foundations, secondary leaching, gypsum pond and the uranium extraction circuit. Talvivaara received advance payments amounting to EUR 6.5 million from Cameco Corporation to cover the costs of construction of the uranium extraction circuit.

Talvivaara issued a EUR 110 million senior unsecured bond in March 2012. The bond was settled and the notes were listed on NASDAQ OMX Helsinki in April.

In April and May, Talvivaara conducted a buy-back for a portion of the Company's senior unsecured convertible bonds due in May 2013 amounting to a nominal value of EUR 8 million. The remaining nominal value of the convertible bonds is EUR 76.9 million.

Talvivaara's EUR 130 million revolving credit facility was amended in June, changing its margin to 4.00% through June 2013. Thereafter, the margin will be 1.75-3.00% depending on the Company's leverage ratio. As at 30 June 2012, EUR 70 million of the facility was drawn.

H1 2012 (January-June)

Net sales and financial result

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during H1 2012 amounted to EUR 72.5 million (H1 2011: EUR 104.1 million). Net sales decreased by 30.4% compared to H1 2011 mainly due to the lower price of nickel. Product deliveries amounted to 6,480 tonnes of nickel, 188 tonnes of cobalt and 15,440 tonnes of zinc (H1 2011: 6,551 tonnes of nickel, 15,418 tonnes of zinc and 140 tonnes of cobalt).

The Group's other operating income amounted to EUR 1.5 million (H1 2011: EUR 1.4 million) and came mainly from recovery of insurable losses.

Materials and services were EUR (68.5) million in H1 2012 (H1 2011: EUR (68.2) million) and other operating expenses were EUR (33.9) million (H1 2011: EUR (30.3) million). The largest cost items were production chemicals, external services, electricity and maintenance.

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (14.8) million (H1 2011: EUR (13.4) million). The increase was attributable to the increased number of personnel.

Operating loss for H1 2012 was EUR (22.3) million (H1 2011: profit of EUR 10.4 million), corresponding to an operating margin of (30.8%) (H1 2011: 10.0%). Whilst the key determinant to the change in the operating margin was the unfavourable development in the nickel price, also higher than normal maintenance costs relating to the metals plant as well as the materials handling equipment were a significant factor.

Finance income for the period was EUR 1.6 million (H1 2011: EUR 1.5 million) and consisted mainly of exchange rate gains. Finance costs of EUR (21.7) million (H1 2011: EUR (18.5) million) resulted mainly from interest and related financing expenses on borrowings.

Loss for H1 2012 amounted to EUR (32.4) million (H1 2011: EUR (5.5) million) reflecting the abovementioned factors including unfavourable development in the nickel price, high maintenance costs and lower than anticipated level of product deliveries. Earnings per share was EUR (0.12) (H1 2011: EUR (0.03).

Total comprehensive income for H1 2012 was EUR (32.4) million (H1 2011: EUR (10.4) million). The change in total comprehensive income compared to the previous year was mainly attributable to the expiration of hedge reserves, the reduction of which as a result of the occurrence of the hedged sales was still included in the figure in 2011.

Balance sheet

Capital expenditure in H1 2012 totalled EUR 35.3 million (H1 2011: EUR 35.5 million). The expenditure related primarily to a reverse osmosis–based water purification plant and metals plant modifications to increase recycling of process waters, earthworks in secondary leaching, gypsum pond, and the uranium extraction circuit. On the consolidated statement of financial position as at 30 June 2012, property, plant and equipment was EUR 773.6 million (31 December 2011: EUR 762.0 million).

In the Group’s assets, inventories amounted to EUR 290.6 million on 30 June 2012 (31 December 2011: EUR 240.4 million). The increase in inventories reflects the ramp-up of production and the consequent increase in the amount of ore stacked on heaps, valued at cost.

Trade receivables amounted to EUR 51.1 million at 30 June 2012 (31 December 2011: EUR 64.0 million). Trade receivables remained roughly at the same level as at the end of Q1 2012, but decreased from Q4 2011 due to a lower level of nickel and zinc deliveries in H1 2012 and a decreased nickel price.

On 30 June 2012, cash and cash equivalents was EUR 128.7 million (31 December 2011: EUR 40.0 million).

In equity and liabilities, total equity amounted to EUR 378.2 million on 30 June 2012 (31 December 2011: EUR 322.6 million). Talvivaara raised EUR 81.5 million, net of transaction costs, from an issue of 24,589,050 new shares in Q1 2012. In addition, interest cost of EUR 2.8 million of a perpetual capital loan was capitalized in equity. A total of 1,830,087 new shares were subscribed and paid for in H1 2012 under the company's stock option rights 2007A and the entire subscription price amounting to EUR 4.9 million was recognized in equity.

Borrowings increased from EUR 495.7 million on 31 December 2011 to EUR 604.4 million at the end of June 2012. The changes in borrowings during the first half of 2012 included an issue of a senior unsecured bond of EUR 110 million, a draw-down of EUR 20 million under the revolving credit facility, a repayment of commercial paper notes amounting to EUR 8.5 million and a buy-back of senior unsecured convertible bonds due 2013 with a nominal value of EUR 8 million.

Total advance payments as at 30 June 2012 amounted to EUR 252.6 million, representing an increase of EUR 5.3 million from EUR 247.3 million on 31 December 2011. During the period, Talvivaara received a total of EUR 8.3 million in advance payments from Cameco based on the uranium off-take agreement between the companies, whilst the advance payment from Nyrstar base on the zinc streaming agreement was amortised by EUR 3.0 million as a result of zinc deliveries.

Total equity and liabilities as at 30 June 2012 amounted to EUR 1,307.2 million (31 December 2011: EUR 1,156.7 million).

Financing

Talvivaara's EUR 130 million revolving credit facility was amended in June, changing its margin to 4.00% through June 2013. Thereafter, the margin will be 1.75-3.00% depending on the Company's leverage ratio. As at 30 June 2012, EUR 70 million of the facility was drawn.

In April and May, Talvivaara conducted a buy-back for a portion of the Company's senior unsecured convertible bonds due 2013 amounting to a nominal value of EUR 8 million. The remaining senior unsecured convertible bonds have a nominal value of EUR 76.9 million and are due in May 2013.

In March, Talvivaara issued a EUR 110 million senior unsecured bond. The 5-year bond has an issue price of 100%, pays a coupon of 9.75% and is callable after 3 years. The bond issue was sold to both Finnish and international institutional and private investors. The bond was settled and the notes were listed on NASDAQ OMX Helsinki in April.

In February, Talvivaara completed an issue of 24,589,050 new shares representing approximately 10 per cent of the number of the existing shares of the company. The proceeds of the share issue amounted to EUR 82.6 million before commissions and expenses and to EUR 81.5 million net of costs. An Extraordinary General Meeting of Talvivaara Mining Company Plc resolved to approve the share issue in March, and the new shares were subsequently registered with the Finnish Trade Register.

Currency option programme

Talvivaara has entered into a currency option programme comprising USD options for two months from July 2012 through August 2012. The monthly obligation is USD 2.5 million and protection is USD 2.5 million. The collar ranges from 1.1460 to 1.4500.

Going concern

Talvivaara Group's forecasts and projections, taking account of the Group's current liquidity position and reasonably possible changes in production, metal prices and foreign exchange rates, indicate the Group to be able to continue in operational existence with adequate financial resources for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

Production review

During the second quarter, Talvivaara's production volumes were adversely impacted by dilution of leach solutions due to spring flooding and excessive rain, and a scheduled maintenance and a regrettable fatality related stoppage in April. Second quarter production amounted to 3,194t of nickel (Q2 2011: 3,951t) and 6,686t of zinc (Q2 2011: 7,662t). During the first half of 2012, Talvivaara produced 6,568t of nickel (H1 2011: 8,166t) and 14,576t on zinc (H1 2011: 14,005t).

In metals recovery, production at the plant was restricted for most of April due to the stoppage and subsequent changes to certain operating procedures, the implementation of which slowed down early ramp-up after the re-start. The production stoppage that followed the fatality at the plant in March continued through the early part of April whilst the occupational safety–related clarifications and improvements requested by the Finnish Safety and Chemicals Agency were completed. Simultaneously the scheduled maintenance was brought forward from May to April in order to minimise the overall stoppage time. As a result, nickel production in April amounted to only 198t. After the re-start of all production stages in late April, the metals plant has operated continuously and steadily, producing 1,477t of nickel in May and 1,519t in June. The average flow rate of metal containing leach solution to the plant reached a new monthly record of 1,318 m^3/h in June, and the availability of the plant was effectively 100%.

Throughout the second quarter, metals production was also affected by flooding that followed the rapid melting of snow and the unusually heavy rainfall that has amounted to over 190mm during the spring in comparison to the long term average of approximately 100mm. The excess water in circulation has diluted the leach solutions such that the average nickel grade in solution pumped to the metals plant was 1.8 g/l in the second quarter. The Company estimates the dilutive effect of the recent rainfall having been around 25-30% compared to the long-term average water balance in the process. Measures were taken to prevent rainy seasons impacting production in the future. These include for instance commitment to additional reverse osmosis capacity beyond the previously announced level, which enables Talvivaara to further increase recycling of purified process waters and to reduce raw water intake.

The mining department produced 3.0Mt of ore (Q2 2011: 2.8Mt) and 1.1Mt of waste (Q2 2011: 5.3Mt). Primary focus continued to be on ore production, and mining operations matched the ore demand by crushing. The excess water at the minesite impacted mining operations towards the end of the quarter, forcing the mining department to excavate slightly lower-grade ore from a more distant location than originally planned.

Materials handling operations crushed and stacked 3.0Mt of new ore during the second quarter, and ore under leaching at the end of the quarter amounted to 41.8Mt. Crushing has demonstrated its ability to deliver required production levels and reclaiming of the primary heap has continuously improved thereby eliminating a bottle-neck from materials handling. As the production of new ore has progressed reasonably well during the first half of 2012 while metals recovery has had lower availability, the nickel inventory under leaching in the heaps has continued to grow, providing additional flexibility for increasing the metals production rates in the coming months.

Production key figures

		Q2 2012	Q2 2011	**Q1-Q2 2012**	Q1-Q2 2011	**FY 2011**
Mining						
Ore production	Mt	**3.0**	2.8	**6.1**	4.9	**11.1**
Waste production	Mt	**1.1**	5.3	**2.6**	10.4	**17.0**
Materials handling						
Stacked ore	Mt	**3.0**	2.8	**6.1**	4.9	**11.1**
Bioheapleaching						
Ore under leaching	Mt	**41.8**	29.2	**41.8**	29.2	**35.6**
Metals recovery						
Nickel metal content	Tonnes	**3,194**	3,951	**6,568**	8,166	**16,087**
Zinc metal content	Tonnes	**6,686**	7,662	**14,576**	14,005	**31,815**

Operational review

CEO Harri Natunen has conducted a detailed operational review since joining Talvivaara in mid-March. Going forward, the Company will adopt a more sustainable production approach during ramp-up aimed at improving the efficiency and reliability of operations. In practice this means implementing a relatively moderate rate of production increase in order to keep all processes operating in a stable manner such that good product quality can be maintained, environmental discharges can be minimised, and occupational safety can be continuously improved.

Sustainable development, safety and permitting

Safety

A safe working environment and safe working practices are top priorities for Talvivaara, and following the regrettable fatality at the site, the Company initiated an unscheduled stoppage in late March with a focus on preventative safety-related improvements.

Operationally, safety instructions have been further refined and developed, access practices in the vicinity of the metals recovery plant have been altered and additional fixed gas detectors are being installed. Occupational safety-related modifications in the metals recovery process include among others increased scrubbing of hydrogen sulphide gases and improved control of hydrogen sulphide feed into the process.

At the end of the second quarter, the injury frequency among the Talvivaara personnel was 13.7 lost time injuries/million working hours on a rolling 12 month basis (30 June 2011: 13.1 lost time injuries/million working hours).

Environment

Talvivaara continues to focus on minimising the environmental impact of its operations, and during the second quarter the Company announced investments in environmental technology amounting to more than EUR 13 million. The new technologies will improve the quality of effluent waters, reduce odour emissions into the environment and limit dust emissions.

Hydrogen sulphide (odour) emissions have already declined significantly, and odour complaints from nearby residents have reduced substantially with May the first month since commencement of production with no odour complaints. Furthermore, a catalytic burning unit to treat hydrogen sulphide gases is to be installed in order to further reduce odour emissions. Dust emissions have been addressed through a new dust removal system at the screening hall, which was commissioned in July.

Talvivaara has continued to make significant progress in reducing its sulphate and sodium discharges into nearby lakes as a result of process improvements and increased water circulation. In order to further reduce discharges into water, Talvivaara will invest in a reverse osmosis–based water treatment system, which is expected to be commissioned by the end of 2012. Following the new water treatment system, the new environmental permit limits proposed by the Company for 2015 are anticipated to be achievable already in 2013.

In order to improve timely and transparent communication on environmental matters with the neighbouring communities and other interested stakeholders, Talvivaara launched a specific website for this purpose in January 2012. The Finnish language website, *www.paikanpaalla.fi*, reviews environmental data and events in blog format and aims to provide region-specific information in an easily understandable and concise form.

Permitting

In January, Talvivaara received a positive opinion on its uranium recovery process from the European Commission under the Euratom Treaty. In its opinion, the European Commission considered that uranium recovery at the Talvivaara mine complies with the goals set by the Euratom Treaty and may improve the supply security of nuclear fuel in the European Union. In March, Talvivaara also received a licence from the Finnish Government to extract uranium as a by-product from its existing operations pursuant to the Nuclear Energy Act. The permit is valid throughout the life of the mine, however, no longer than until the end of 2054.

In April, Talvivaara was informed by the Northern Finland Regional State Administrative Agency that the Company's environmental permit for uranium extraction and the general update of Talvivaara mine's environmental permit are to be processed together. Consequently, the Company expects a minor delay in the uranium permitting process. The permitting authorities have informed Talvivaara that a decision on the environmental permit for uranium extraction will be made during 2012 in connection with the renewal of the mine's existing environmental permit. Talvivaara aims to start uranium recovery as soon as all the necessary permits have been obtained.

Following completion of the Environmental Impact Assessment ("EIA") programme, the EIA process for the potential expansion of the Talvivaara mine was initiated during the first quarter. The EIA covers options to expand production capacity up to 100,000t of nickel per annum, and also the option to refine nickel sulphide into LME-quality nickel metal. Talvivaara expects to submit the environmental permit application to expand production production capacity in early 2013.

Business development

Uranium production

Talvivaara is preparing for the recovery of uranium as a by-product of the Company's existing operations. Uranium occurs naturally in small concentrations in the Talvivaara area and leaches into the process solution along with Talvivaara's main products. Annual uranium production is estimated at 350tU (ca. 770,000 pounds), corresponding to approximately 410t (900,000 pounds) of yellow cake (UO_4), and Talvivaara's entire uranium production will be sold under a long-term agreement to Cameco Corporation.

Following receipt of the construction permit in August 2011, Talvivaara commenced construction of the uranium recovery facility, which will be completed during the current year. The permitting process for uranium production is ongoing and the start of uranium production is further subject to, among others, environmental permit approval and chemical authorisation. The decision on the environmental permit is expected in 2012 in connection with the general update of the mine's environmental permit.

Production expansion – Operation Overlord

Conceptual studies relating to production expansion beyond 50,000tpa of nickel continued during the quarter, with a particular emphasis on permitting and the ongoing Environmental Impact Assessment. The scoping studies are based on the target of doubling the presently planned production to approximately 100,000tpa of nickel. Whilst studies relating to various processing options continue, it appears relatively likely that a substantial part of the expanded production would be LME-quality nickel metal, i.e. Talvivaara would integrate its production one step further downstream.

No investment decisions relating to the production expansion have yet been taken. Provided the investment is pursued, it is envisioned to be carried out in a modular fashion to allow spreading out of the expenditure over an estimated 5-6 year period starting around 2014. The modular approach also allows commissioning of the equipment and processes sequentially in the order of the process stages, which is expected to reduce the risk of serious start-up issues.

Energy strategy

Talvivaara's energy strategy is focused on building an environmentally sound portfolio of low-cost capacity allowing the Company to be energy self-sufficient in the longer term. Talvivaara's electricity need is currently approximately 45MW, and is expected to increase significantly if the Company proceeds with the planned capacity expansion and further refining of nickel into LME-quality metal.

Talvivaara increased its capacity share in the Fennovoima nuclear project in Finland from approximately 10MW to approximately 60MW during the first quarter of 2012. The Company is also studying, amongst others, on-site windpower production, bioenergy and utilization of energy generated in the production process.

Annual General Meeting

Talvivaara's Annual General Meeting was held on 26 April 2012 in Sotkamo, Finland. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2011;
- that the annual fee payable to the members of the Board for the term until the close of the Annual General Meeting in 2013 be as follows: Executive Chairman of the Board EUR 280,000, Deputy Chairman (Senior Independent Director) EUR 69,000, Chairmen of the Board Committees EUR 69,000 and other Non-executive Directors EUR 48,000;
- that the number of Board members be eight and that Mr. Edward Haslam, Ms. Eileen Carr, Mr. D. Graham Titcombe, Mr. Tapani Järvinen and Mr. Pekka Perä be re-elected as Board members and Mr. Stuart Murray, Mr. Michael Rawlinson and Ms. Kirsi Sormunen be appointed as new members of the Board;
- that the auditor be reimbursed according to the auditor's approved invoice and authorised public accountants PricewaterhouseCoopers Oy be elected as the company's auditor for the financial year 2012;
- that the Board be authorised to decide on the repurchase, in one or several transactions, of a maximum of 10,000,000 of the Company's own shares. The authorisation is valid until 25 October 2013 and replaces the authorisation to repurchase 10,000,000 shares granted by the Annual General Meeting of 28 April 2011; and
- that the Board be authorised to decide on the conveyance, in one or several transactions, of a maximum of 10,000,000 of the Company's own shares. The shares may be conveyed to the Company's shareholders in proportion to their present holding or by waiving the pre-emptive subscription rights of the shareholders and the authorisation is valid until 25 April 2014.

Risk management and principal risks

In line with current corporate governance guidelines on risk management, Talvivaara carries out an ongoing process endorsed by the Board of Directors to identify risks, measure their impact against certain assumptions and implement the necessary proactive steps to manage these risks.

Talvivaara’s operations are affected by various risks common to the mining industry, such as risks relating to the development of Talvivaara’s mineral deposits, estimates of reserves and resources, infrastructure risks, and volatility of commodity prices. There are also risks related to counterparties, 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 continue to 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 the extent of 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 close to 90% of the Company’s revenues and variations in the 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, once it has been fully ramped up, 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 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 and management

The number of personnel employed by the Group on 30 June 2012 was 595 (Q2 2011: 481), including 90 temporary summer trainees.

Wages and salaries paid during the three months to 30 June 2012 totalled EUR 5.7 million (Q2 2011: EUR 5.4 million). Wages and salaries paid during the six months to 30 June 2012 totalled EUR 12.3 million (H1 2011: EUR 11.3 million).

As part of the Group’s long term incentive plan, the employees of Talvivaara have established a Group personnel fund to manage the earnings bonuses paid by Talvivaara. In accordance with its bylaws, the fund will invest a substantial proportion of its assets in Talvivaara Mining Company shares. The fund is managed by personnel representatives elected by the employees.

Harri Natunen, 56, was appointed Talvivaara’s CEO effective as of 26 April 2012. Mr. Natunen has had an over thirty-year successful career in mining and metallurgical operations internationally. His latest position prior to joining Talvivaara was as Director, Zinc Production and Business Development at Boliden AB in Sweden 2008-2012, where he held responsibility over the Kokkola, Finland, and Odda, Norway, zinc operations.

Maija Kaski, 44, was appointed as Chief Human Resources Officer and Mikko Korteniemi, 53, as Chief Production Officer (Bioheapleaching and Metals Recovery) and Jari Voutilainen, 46, as Chief Mining Officer (Mining and Materials Handling) as of 1 June 2012. Previously Mr. Voutilainen worked for the Company as General Manager of Business Development.

Talvivaara's former Chief Operations Officer, Lassi Lammassaari, was appointed Vice President - Strategic Projects, also as of 1 June 2012. Mr. Lammassaari will focus on strategically important projects in the development and expansion of the Company operations.

Following his appointment, CEO Natunen consolidated the Executive Committee, which now continues in the following composition:

Harri Natunen, Chief Executive Officer
Saila Miettinen-Lähde, Deputy CEO / Chief Financial Officer
Pekka Erkinheimo, Chief Commercial Officer
Kari Vyhtinen, Chief Investment Officer
Eeva Ruokonen, Chief Sustainability Officer
Maija Kaski, Chief Human Resources Officer
Mikko Korteniemi, Chief Production Officer (Bioheapleaching and Metals Recovery)
Jari Voutilainen Chief Mining Officer (Mining and Materials Handling).

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 June 2012 was 272,309,640. Including the effect of the EUR 85 million convertible bond of 14 May 2008, the EUR 225 million convertible bond of 16 December 2010, the Option Scheme of 2007 and share subscriptions registered on 23 April 2012, the authorised full number of shares of the Company amounted to 315,785,376.

The share subscription period for stock options 2007A was between 1 April 2010 and 31 March 2012. By the end of the subscription period a total of 2,279,373 Talvivaara Mining Company's new shares were subscribed for under the stock option rights 2007A. A total of 53,727 stock option rights 2007A remained unexercised following the end of the subscription period.

The share subscription period for stock options 2007B is between 1 April 2011 and 31 March 2013. No new shares of Talvivaara were subscribed for under the stock option rights 2007B in H1 2012 and a total of 2,284,337 stock option rights 2007B remain unexercised. A total of 2,333,000 option rights 2007C have been issued to 250 key employees and the subscription period for stock options 2007C is between 1 April 2012 and 31 March 2014. A total of 2,333,000 stock options 2007C remain unexercised.

In February 2012, Talvivaara completed an issue of 24,589,050 new shares representing approximately 10 per cent of the number of the existing shares of the Company. An Extraordinary General Meeting of Talvivaara Mining Company Plc. resolved on 12 March 2012 to approve the proposal by the Board of Directors on the share issue in deviation from the shareholders' pre-emptive subscription rights. The new shares were registered with the Finnish Trade Register on 13 March 2012.

In addition, the Board of Directors has resolved, on the basis of the authorisation granted by the Extraordinary General Meeting held on 12 March 2012, to issue special rights entitling to subscribe up to 184,428 new shares, in order to carry out an adjustment to the conversion price, as a result of the equity placing, in accordance with the terms and conditions of the convertible bonds due 2013. Accordingly the maximum number of ordinary shares that may be issued upon conversion is 11,677,591 shares. Due to an adjustment to the conversion price of the convertible bonds due 2015, as a result of the placing, the maximum number of ordinary shares that may be issued upon conversion is 27,180,708 shares.

As at 30 June 2012, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (20.8%), Solidium Oy (8.9%), Varma Mutual Pension Insurance Company (8.7%) and Ilmarinen Mutual Pension Insurance Company (6.2%).

Short-term outlook

Operational outlook

The currently challenging water balance situation at the Sotkamo mine is forcing Talvivaara to temporarily mine lower-grade ore from a more distant location than originally planned. Because this is less economical than the original plan and as there is already a substantial nickel inventory in the heaps, the Company has decided to alter its near-term production scheme such that heap reclaiming will be favoured over mining during the coming

3-4 months. In practice this means that mining and crushing of new ore will be restricted and the Company's own mining fleet will be used to enhance reclaiming of the primary heaps.

The Company is now constructing an enlargement to its gypsum pond. Upon completion of this expansion in mid-September, the excess water in the open pit will be pumped to the gypsum pond thereby allowing return to the original mining plan once the production scheme is also brought back to normal.

The planned alteration to the production scheme is expected to accelerate nickel recovery from the heaps as a result of reclaiming and to achieve substantial one-off near-term savings as a result of the temporary restriction of mining and crushing operations. Because of the already existing nickel inventory under leaching, the planned scheme is not anticipated to impact expected metals production output.

Talvivaara's revised production guidance for 2012 is approximately 17,000 tonnes of nickel. The guidance takes into account the dilution effect of the excessive water in circulation, further impacted by the continued heavy rainfall in July and early August, and the decision taken to implement a more sustainable production approach during ramp-up. As noted, the current year's metal production is however not expected to be impacted by the planned near-term production scheme alteration.

Market outlook

Nickel and base metals prices more broadly remained under pressure during the second quarter as concerns over the global growth outlook and European sovereign debt crisis re-accelerated. The nickel price has declined from USD 21,000-22,000/t in early 2012 to around USD 16,000/t during the summer. Whilst general macroeconomic uncertainty and weakness in the stainless steel industry may limit recovery of the nickel price in the short term, development of the commodity utilisation rate of China and re-stocking following the summer months may provide price support during the coming months.

Talvivaara foresees the nickel industry fundamentals to support favourable nickel price development in the longer term, driven by increasing marginal cost of production across the nickel industry and lack of new committed nickel projects to replace depleting supply after the next few years. Talvivaara continues to see the longer term nickel price support level at around USD 20,000/t.

16 August 2012

Talvivaara Mining Company Plc.
Board of Directors

CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	Unaudited three months to 30 Jun 12	Unaudited three months to 30 Jun 11	Unaudited six months to 30 Jun 12	Unaudited six months to 30 Jun 11
Net sales	**33,440**	**37,647**	**72,467**	**104,114**
Other operating income	142	1,085	1,499	1,421
Changes in inventories of finished goods and work in progress	23,844	26,893	46,322	39,674
Materials and services	(33,553)	(31,894)	(68,474)	(68,204)
Personnel expenses	(6,980)	(6,626)	(14,799)	(13,421)
Depreciation, amortization, depletion and impairment charges	(12,747)	(11,618)	(25,411)	(22,816)
Other operating expenses	(15,016)	(16,671)	(33,905)	(30,335)
Operating profit (loss)	**(10,870)**	**(1,184)**	**(22,301)**	**10,433**
Finance income	125	455	1,568	1,547
Finance cost	(12,373)	(9,125)	(21,745)	(18,512)
Finance income (cost) (net)	(12,248)	(8,670)	(20,177)	(16,965)
Profit (loss) before income tax	**(23,118)**	**(9,854)**	**(42,478)**	**(6,532)**
Income tax expense	5,642	2,360	10,093	988
Profit (loss) for the period	**(17,476)**	**(7,494)**	**(32,385)**	**(5,544)**
Attributable to:				
Owners of the parent	(15,999)	(6,772)	(29,560)	(6,601)
Non-controlling interest	(1,477)	(722)	(2,825)	1,057
	(17,476)	**(7,494)**	**(32,385)**	**(5,544)**
Earnings per share for profit (loss) attributable to the owners of the parent (expressed in EUR per share)				
Basic and diluted	(0.06)	(0.03)	(0.12)	(0.03)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 30 Jun 12	Unaudited three months to 30 Jun 11	Unaudited six months to 30 Jun 12	Unaudited six months to 30 Jun 11
Profit (loss) for the period	**(17,476)**	**(7,494)**	**(32,385)**	**(5,544)**
Other comprehensive income, items net of tax				
Cash flow hedges	-	(2,335)	-	(4,879)
Other comprehensive income, net of tax	**-**	**(2,335)**	**-**	**(4,879)**
Total comprehensive income	**(17,476)**	**(9,829)**	**(32,385)**	**(10,423)**
Attributable to:				
Owners of the parent	(15,999)	(8,835)	(29,560)	(10,699)
Non-controlling interest	(1,477)	(994)	(2,825)	276
	(17,476)	**(9,829)**	**(32,385)**	**(10,423)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	Unaudited As at 30 Jun 12	Audited As at 31 Dec 11	Unaudited As at 30 Jun 11
ASSETS			
Non-current assets			
Property, plant and equipment	773,623	761,985	741,006
Biological assets	7,691	7,688	8,317
Intangible assets	7,245	7,371	7,559
Deferred tax assets	37,292	26,398	24,047
Other receivables	2,919	2,902	2,970
Available-for-sale financial assets	4,578	630	590
	833,348	806,974	784,489
Current assets			
Inventories	290,567	240,436	219,105
Trade receivables	51,114	64,027	25,352
Other receivables	3,409	5,249	6,094
Financial assets at fair value through profit or loss			11,898
Derivative financial instruments	-	10	703
Cash and cash equivalent	128,735	40,019	34,628
	473,825	349,741	297,780
Assets held for sale	-	-	39,395
Total assets	**1,307,173**	**1,156,715**	**1,121,664**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	80	80	80
Share issue	-	278	-
Share premium	8,086	8,086	8,086
Hedge reserve	-	-	3,770
Other reserves	539,489	449,532	447,928
Retained earnings	(182,466)	(151,129)	(149,068)
	365,189	306,847	310,796
Non-controlling interest in equity	13,017	15,733	14,462
Total equity	378,206	322,580	325,258
Non-current liabilities			
Borrowings	513,788	467,161	423,903
Advance payments	240,895	235,568	229,067
Provisions	5,438	6,036	5,278
	760,121	708,765	658,248
Current liabilities			
Borrowings	90,577	28,515	39,622
Advance payments	11,684	11,684	34,800
Trade payables	31,154	33,678	40,035
Other payables	35,430	51,478	22,644
Derivative financial instruments	1	15	1,057
	168,846	125,370	138,158
Total liabilities	928,967	834,135	796,406
Total equity and liabilities	**1,307,173**	**1,156,715**	**1,121,664**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(all amounts in EUR '000)

	Share capital	Share issue	Share premium	Hedge reserve	Invested unrestricted equity	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
1 Jan 11	**80**	**91**	**8,086**	**7,494**	**401,612**	**31,399**	**(80,067)**	**368,695**	**16,895**	**385,590**
Profit (loss) for the period	-	-	-	-	-	-	(6,601)	(6,601)	1,057	(5,544)
Other comprehensive income										
- Cash flow hedges	-	-	-	(4,098)	-	-	-	(4,098)	(781)	(4,879)
Total comprehensive income for the period	**-**	**-**	**-**	**(4,098)**	**-**	**-**	**(6,601)**	**(10,699)**	**276**	**(10,423)**
Transactions with owners										
Stock options	-	(91)	-	-	502	-	-	411	-	411
Senior unsecured convertible bonds due 2015	-	-	-	-	1,800	-	-	1,800	-	1,800
Acquisition of subsidiary	-	-	-	374	-	996	(60,509)	(59,139)	(2,349)	(61,488)
Perpetual capital loan	-	-	-	-	-	-	(1,891)	(1,891)	(360)	(2,251)
Incentive arrangement for Executive Management	-	-	-	-	-	47	-	47	-	47
Senior unsecured convertible bonds due 2015, equity component	-	-	-	-	-	9,018	-	9,018	-	9,018
Employee share option scheme										
- value of employee services	-	-	-	-	-	2,554	-	2,554	-	2,554
Total contribution by and distribution to owners	-	(91)	-	374	2,302	12,615	(62,400)	(47,200)	(2,709)	(49,909)
Total transactions with owners	-	(91)	-	374	2,302	12,615	(62,400)	(47,200)	(2,709)	(49,909)
30 Jun 11	**80**	**-**	**8,086**	**3,770**	**403,914**	**44,014**	**(149,068)**	**310,796**	**14,462**	**325,258**
31 Dec 11	**80**	**278**	**8,086**	**-**	**404,070**	**45,462**	**(151,129)**	**306,847**	**15,733**	**322,580**
1 Jan 12	**80**	**278**	**8,086**	**-**	**404,070**	**45,462**	**(151,129)**	**306,847**	**15,733**	**322,580**
Profit (loss) for the period	-	-	-	-	-	-	(29,560)	(29,560)	(2,825)	(32,385)
Other comprehensive income										
- Cash flow hedges	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(29,560)**	**(29,560)**	**(2,825)**	**(32,385)**
Transactions with owners										
Stock options	-	(278)	-	-	5,198	-	-	4,920	-	4,920
Senior unsecured convertible bonds due 2013	-	-	-	-	-	(251)	-	(251)	-	(251)
Perpetual capital loan	-	-	-	-	-	2,353	(1,777)	576	109	685
Share issue	-	-	-	-	81,504	-	-	81,504	-	81,504
Incentive arrangement for Executive Management	-	-	-	-	-	47	-	47	-	47
Employee share option scheme										
- value of employee services	-	-	-	-	-	1,106	-	1,106	-	1,106
Total contribution by and distribution to owners	-	(278)	-	-	86,702	3,255	(1,777)	87,902	109	88,011
Total transactions with owners	-	(278)	-	-	86,702	3,255	(1,777)	87,902	109	88,011
30 Jun 12	**80**	**-**	**8,086**	**-**	**490,772**	**48,717**	**(182,466)**	**365,189**	**13,017**	**378,206**

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 30 Jun 12	Unaudited three months to 30 Jun 11	Unaudited six months to 30 Jun 12	Unaudited six months to 30 Jun 11
Cash flows from operating activities				
Profit (loss) for the period	(17,476)	(7,494)	(32,385)	(5,544)
Adjustments for				
Tax	(5,642)	(2,360)	(10,093)	(988)
Depreciation and amortization	2,747	11,618	25,411	22,816
Other non-cash income and expenses	(6,252)	(12,012)	(12,037)	(17,992)
Interest income	(125)	(455)	(1,568)	(1,547)
Fair value gains on financial assets at fair value through profit or loss	-	(240)	(5)	(385)
Interest expense	12,373	9,124	21,745	18,511
	(4,375)	(1,819)	(8,932)	14,871
Change in working capital				
Decrease(+)/increase(-) in other receivables	1,242	36,364	15,949	37,707
Decrease (+)/increase (-) in inventories	(22,305)	(28,221)	(50,130)	(43,743)
Decrease(-)/increase(+) in trade and other payables	(8,738)	(8,254)	(21,296)	(22,647)
Change in working capital	(29,801)	(111)	(55,477)	(28,683)
	(34,176)	(1,930)	(64,409)	(13,812)
Interest and other finance cost paid	(11,690)	(9,704)	(12,531)	(11,514)
Interest and other finance income	132	70	357	339
Net cash generated (used) in operating activities	(45,734)	(11,564)	(76,583)	(24,987)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	-	(61,487)	-	(61,487)
Purchases of property, plant and equipment	(20,556)	(25,013)	(35,127)	(35,384)
Purchases of biological assets	-	(35)	-	(35)
Purchases of intangible assets	(101)	(81)	(194)	(104)
Proceeds from sale of property, plant and equipment	-	-	18	-
Proceeds from sale of biological assets	91	48	91	232
Purchases of financial assets at fair value through profit or loss	-	(12,010)	-	(12,010)
Purchases of available-for-sale financial assets	(8,545)	(90)	(12,116)	(128)
Net cash generated (used) in investing activities	(29,111)	(98,668)	(47,328)	(108,916)
Cash flows from financing activities				
Proceeds from share issue net of transactions costs	(39)	-	81,138	-
Realised stock options	4,619	377	4,920	411
Proceeds from interest-bearing liabilities	110,000	1,067	130,000	1,067
Perpetual capital loan	-	-	-	(3,042)
Proceeds from advance payments	6,546	-	8,333	7,000
Payment of interest-bearing liabilities	(3,495)	(1,234)	(11,764)	(2,460)
Net cash generated (used) in financing activities	117,631	210	212,627	2,976
Net increase (decrease) in cash and cash equivalents	42,786	(110,022)	88,716	(130,927)
Cash and cash equivalents at beginning of the period	85,949	144,650	40,019	165,555
Cash and cash equivalents at end of the period	128,735	34,628	128,735	34,628

NOTES

1. Basis of preparation

This year-end 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 2011.

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 12	361,245	41,344	273,921	224,796	901,306
Additions	1,863	34,883	-	-	36,746
Disposals	(34)	-	-	-	(34)
Transfers	1,729	(6,200)	2,602	1,869	-
Gross carrying amount at 30 Jun 12	364,803	70,027	276,523	226,665	938,018
Accumulated depreciation and impairment losses at 1 Jan 12	66,791	-	32,644	39,886	139,321
Disposals	(17)	-	-	-	(17)
Depreciation for the period	14,855	-	6,096	4,140	25,091
Accumulated depreciation and impairment losses at 30 Jun 12	81,629	-	38,740	44,026	164,395
Carrying amount at 1 Jan 12	294,454	41,344	241,277	184,910	761,985
Carrying amount at 30 Jun 12	**283,174**	**70,027**	**237,783**	**182,639**	**773,623**

3. Trade receivables

(all amounts in EUR '000)

	30 Jun 12	31 Dec 11
Nickel-Cobalt sulphide	44,974	55,258
Zinc sulphide	6,140	8,769
Total trade receivables	**51,114**	**64,027**

4. Inventories

(all amounts in EUR '000)

	30 Jun 12	31 Dec 11
Raw materials and consumables	17,824	14,016
Work in progress	258,213	213,629
Finished products	14,530	12,791
Total inventories	**290,567**	**240,436**

5. Borrowings

(all amounts in EUR '000)

Non-current	30 Jun 12	31 Dec 11
Capital loans	1,405	1,405
Investment and Working Capital loan	57,230	57,863
Bond due 2017	108,484	
Revolving Credit Facility	69,278	49,110
Senior Unsecured Convertible Bonds due 2015	221,587	217,138
Senior Unsecured Convertible Bonds due 2013	-	80,796
Finance lease liabilities	34,946	37,444
Other	20,858	23,405
	513,788	**467,161**
Current		
Investment and Working Capital loan	1,430	1,430
Senior Unsecured Convertible Bonds due 2013	74,482	-
Commercial papers	-	8,481
Finance lease liabilities	14,665	18,604
	90,577	**28,515**
Total borrowings	**604,365**	**495,676**

6. Advance payments

(all amounts in EUR '000)

Non-current	30 Jun 12	31 Dec 11
Deferred zinc sales revenue	218,181	221,187
Deferred uranium sales revenue	22,714	14,381
	240,895	**235,568**
Current		
Deferred zinc sales revenue	11,684	11,684
	11,684	**11,684**
Total advance payments	**252,579**	**247,252**

7. Changes in the number of shares issued

	Number of shares
31 Dec 11	**245,781,803**
Stock options 2007A	1,938,787
Share issue	24,589,050
30 Jun 12	**272,309,640**

8. Contingencies and commitments

(all amounts in EUR '000)

The future aggregate minimum lease payments under non-cancellable operating leases

	30 Jun 12	31 Dec 11
Not later than 1 year	1,388	1,919
Later than 1 year and not later than 5 years	967	929
Later than 5 years	38	37
	2,393	2,885

Capital commitments

At 30 June 2012, the Group had capital commitments amounting to EUR 27.0 million (31 December 2011: EUR 14.5 million) principally relating to the completion of the Talvivaara mine, improving the reliability and expansion of production capacity. These commitments are for the acquisition of new property, plant and equipment.

Key financial figures of the Group

		Three months to 30 Jun 12	Three months to 30 Jun 11	Six months to 30 Jun 12	Six months to 30 Jun11	Twelve months to 31 Dec 11
Net sales	EUR '000	33,440	37,647	72,467	104,114	231,226
Operating profit (loss)	EUR '000	(10,870)	(1,184)	(22,301)	10,433	30,899
Operating profit (loss) percentage		-32.5 %	-3.1 %	-30.8 %	10.0 %	13.4 %
Profit (loss) before tax	EUR '000	(23,118)	(9,854)	(42,478)	(6,532)	(6,964)
Profit (loss) for the period	EUR '000	(17,476)	(7,494)	(32,385)	(5,544)	(5,216)
Return on equity		-4.5 %	-2.1 %	-9.2 %	-1.6 %	-1.5 %
Equity-to-assets ratio		28.9 %	29.0 %	28.9 %	29.0 %	27.9 %
Net interest-bearing debt	EUR '000	475,630	416,999	475,630	416,999	455,657
Debt-to-equity ratio		125.8 %	128.2 %	125.8 %	128.2 %	141.3 %
Return on investment		-0.5 %	0.2 %	-1.2 %	1.6 %	4.0 %
Capital expenditure	EUR '000	20,657	25,129	35,321	35,523	79,144
Property, plant and equipment	EUR '000	773,623	741,006	773,623	741,006	761,985
Derivative financial instruments	EUR '000	(1)	(354)	(1)	(354)	(5)
Borrowings	EUR '000	604,365	463,525	604,365	463,525	495,676
Cash and cash equivalents at the end of the period	EUR '000	128,735	46,526	128,735	46,526	40,019

Share-related key figures

		Three months to 30 Jun 12	Three months to 30 Jun 11	Six months to 30 Jun 12	Six months to 30 Jun 11	Twelve months to 31 Dec 11
Earnings per share	EUR	(0.06)	(0.03)	(0.12)	(0.03)	(0.04)
Equity per share	EUR	1.40	1.27	1.40	1.27	1.25
Development of share price at London Stock Exchange						
Average trading price[1]	EUR	2.21	5.50	2.99	6.12	4.22
	GBP	1.82	4.86	2.46	5.31	3.66
Lowest trading price[1]	EUR	1.57	4.56	1.57	4.64	2.25
	GBP	1.29	4.03	1.29	4.03	1.95
Highest trading price[1]	EUR	2.95	6.59	4.37	7.16	7.17
	GBP	2.43	5.82	3.59	6.22	6.22
Trading price at the end of the period[2]	EUR	2.13	5.15	2.13	5.15	2.39
	GBP	1.72	4.65	1.72	4.65	2.00
Change during the period		-28.8 %	-20.0 %	-14.3 %	-21.9 %	-66.4 %
Price-earnings ratio		neg.	neg.	neg.	neg.	neg.
Market capitalization at the end of the period[3]	EUR '000	578,844	1,265,975	578,844	1,265,975	588,487
	GBP '000	467,011	1,142,605	467,011	1,142,605	491,564
Development in trading volume						
Trading volume	1000 shares	29,445	14,927	66,716	26,347	67,799
In relation to weighted average number of shares		11.3 %	6.1 %	25.6 %	10.8 %	27.6 %
Development of share price at OMX Helsinki						
Average trading price	EUR	2.13	5.55	2.99	6.16	4.33
Lowest trading price	EUR	1.57	4.53	1.57	4.53	2.27
Highest trading price	EUR	2.92	6.63	4.35	7.34	7.34
Trading price at the end of the period	EUR	2.12	5.16	2.12	5.16	2.49
Change during the period		-27.1 %	-21.8 %	-14.9 %	-27.0 %	-64.8 %
Price-earnings ratio		neg.	neg.	neg.	neg.	neg.
Market capitalization at the end of the period	EUR '000	577,296	1,267,923	577,296	1,267,923	612,488
Development in trading volume						
Trading volume	1000 shares	46,221	44,708	114,894	82,728	190,901
In relation to weighted average number of shares		17.8 %	18.3 %	44.2 %	33.9 %	77.7 %
Adjusted average number of shares		260,218,489	244,339,128	260,218,489	244,339,128	245,601,204
Fully diluted average number of shares		260,218,489	244,339,128	260,218,489	244,339,128	244,497,204
Number of shares at the end of the period		272,309,640	245,721,603	272,309,640	245,721,603	245,781,803

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 30 Jun 12	Three months to 30 Jun 11	Six months to 30 Jun 12	Six months to 30 Jun 11	Twelve months to 31 Dec 11
Wages and salaries	EUR '000	5,693	5,405	12,274	11,262	21,574
Average number of employees		548	451	548	429	445
Number of employees at the end of the period		595	481	595	481	461

Other figures

	Three months to 30 Jun 12	Three months to 30 Jun 11	Six months to 30 Jun 12	Six months to 30 Jun 11	Twelve months to 31 Dec 11
Share options outstanding at the end of the period	4,611,337	5,796,111	4,611,337	5,796,111	6,501,151
Number of shares to be issued against the outstanding share options	4,611,337	5,796,111	4,611,337	5,796,111	6,501,151
Rights to vote of shares to be issued against the outstanding share options	1.7 %	2.4 %	1.7 %	2.4 %	2.6 %

Talvivaara Mining Company Plc

Key financial figures of the Group

Return on equity

$$\frac{\text{Profit (loss) for the period}}{\text{(Total equity at the beginning of period + Total equity at the end of period)/2}}$$

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

$$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$$

Return on investment

$$\frac{\text{Profit (loss) for the period + Finance cost}}{\text{(Total equity at the beginning of period + Total equity at the end of period)/2 + (Borrowings at the beginning of period + Borrowings at the end of period)/2}}$$

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

$$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$$