TALVIVAARA

Talvivaara Mining Company Plc unaudited interim results for the six month period ended 30 June 2008

Highlights

- Talvivaara mine connected to the Finnish national main grid in January through a 110 kV power line constructed from the Vuolijoki substation to the mine
- Agreement with VR-Track Ltd for the construction and maintenance of a 25 km railroad connection to the national rail network signed in January
- Environmental permit upheld and starting order for the mining operations expanded by the ruling of the Vaasa Court of Appeal in February
- Operational mining in Talvivaara commenced on 1 April
- An offering of € 84.9 million of convertible bonds was successfully placed in May
- Feasibility study on manganese production commenced in cooperation with Outokumpu Corporation in June
- Capital expenditure January – June 2008 EUR 173 million
- Cash and cash equivalents on 30 June 2008 EUR 74.1 million
- Materials handling operations commenced as planned in July; initial results from bioheapleaching very promising with heap temperature and bacterial counts rising
- Initial utilisation request for a drawdown of $165 million of the $320 million project term loan facility was issued on 28 August

Talvivaara's key figures

		H1 2008	H1 2007	2007
Operating profit (loss)	EUR '000	(4621)	1182	2332
Capital expenditure	EUR '000	172,902	29,459	134,139
Wages and salaries [1]	EUR '000	(4127)	(1266)	(3987)
Research and development expenditure	EUR '000	62	398	734
Earnings (loss) per share	EUR	(0.02)	(0.10)	(0.06)
Cash and cash equivalents at the end of the period [2]	EUR '000	74,117	285,668	153,466
Return on equity		-1.9%	-7.2%	-6.3%
Equity-to-assets ratio		72%	91%	90%
Equity per share	EUR	1.40	2.73	1.76
Market capitalisation at the end of the period	EUR '000	1,039,575	744,091	911,829
Number of employees at the end of the period		191	53	64

[1] Excluding social security expenses
[2] Includes available-for-sale financial assets and financial assets at fair value through profit or loss for 2007

CEO Pekka Perä:

"The hard work of our team combined with good planning and the cooperation of our partners enabled us to stay on timetable and meet our milestones. We have now nearly reached the end of our project development phase and nickel production is in sight. For this I am indebted to all the team here, but also to our trusted long term industrial partners and contractors for getting us to this point. I believe we are just at the beginning of the next stage in Talvivaara's development."

TALVIVAARA

Enquiries

Talvivaara Mining Company Plc **Tel: +358 20 712 9800**
Pekka Perä
Saila Miettinen-Lähde

Merlin **Tel: +44 207 653 6620**
Tom Randell
Anca Spiridon
Maria Suleymanova

Notes to Editors

Company Overview

- Talvivaara with its subsidiary Talvivaara Project Ltd aims to become an internationally significant base metals producer with its primary focus on nickel and zinc using a technology known as bioheapleaching to extract metal out of low grade ore
- The Company’s main activity is the development and exploitation of two polymetallic deposits, Kuusilampi and Kolmisoppi, in Sotkamo, Finland (together, the “Talvivaara deposits”) using bioheapleaching technology (the "Talvivaara Project")
- The Talvivaara deposits comprise one of the largest known sulphide nickel resources in Europe with 336 million tonnes of ore in measured and indicated resources
- Resources are sufficient to support anticipated production for approximately 40 years, expected to start in late 2008, with an expected annual nickel output of approximately 33,000 tonnes; the Company has the potential to provide approximately 2.3% of the world’s current annual production of nickel by 2010
- In addition to the mining of nickel, as by-products of the process, the mine is also expected to produce zinc (approximately 60,000 tpa), copper (approximately 10,000 tpa) and cobalt (approximately 1,200 tpa)
- The mine site is situated close to existing energy and transportation infrastructure
- *The Group plans to develop the Talvivaara deposits using bioheapleaching technology*
  - *Bioheapleaching harnesses locally occurring, live bacteria for the extraction of metals from ore*
  - *This technology is already widely used for other metals, notably copper and gold*
  - During the last three years, the Group has demonstrated the viability of using the bioheapleaching technology for the extraction of nickel in large on-site pilot trials
- The Talvivaara orebody is well-suited for open pit mining due to the thin overburden, favourable resource geometry and a low waste to ore ratio
- The ore has a nickel content of 0.27 per cent. and is well-suited to bioheapleaching due to both its high sulphide content and its low pH, which enables rapid leaching with reduced need for chemical catalysis
- The Company has secured a 10-year off-take agreement for 100 per cent. of its main product output of nickel and cobalt to Norilsk Nickel
- With good infrastructure, progressive mining laws, subsidy policies and economically and politically stable operating environment and readily available mining expertise, Finland provides a favourable environment for operating a mine

TALVIVAARA

Chairman's Statement

Once again it is my great pleasure to report upon a very successful half year and our continuing progress towards the achievement of our stated goal to become an internationally significant base metals producer.

The Chief Executive will comment in detail on the progress of the project but for my part I would like to highlight the following achievements over the period.

There were only 13 lost time injuries during the half year, which although distressing for the individuals, were all minor in nature. That this good safety record was publicly acknowledged by the project's union representatives was a source of some considerable satisfaction.

The "topping out" ceremony took place in the middle of March, following which the site contractors expressed their approval of the Talvivaara work ethic and the conditions on site and reinforced their commitment to the timely completion of the project.

This was followed in April by the first blast ceremony after which the project officially became a mine.

The remainder of the half year period saw the completion of most of the major civil works and the initial commissioning of several plant items, including importantly the completion of most of the materials handling circuit and the first heap pad in anticipation of the start of crushing, agglomeration, stacking and bioheapleaching in July 2008.

Overall the project remains both on time and on budget and I would like to take the opportunity again to compliment the whole project team on this achievement, which I believe is quite possibly without equal in a project of this size and complexity.

I have mentioned in previous statements our appreciation of the support and commitment of the Finnish Government and authorities and am very proud to be able to report that at the end of May we were privileged to receive an official visit by the State President Ms Tarja Halonen. Her presence and support were greatly appreciated by all who were present.

The Company's share price development was somewhat tempered by market related macro economic events following the half year which reflected neither commodity specific fundamentals nor underlying Company values. However overall the market appears to have reacted well to the details of our progress.

The developing consensus view that world wide economic forecasts may have been overly optimistic has led to some reassessment of nickel price forecasts but we remain of the view that the very low cash costs associated with our process will ensure that Talvivaara continues to deliver shareholder value as we move towards metal production in October of this year.

My continued thanks and appreciation go to Pekka Perä and his team and I look forward to reporting on a successful start up of production in our year end report.

Edward Haslam
Chairman

CEO's Statement

Following the first half of 2008 I am again pleased to announce that Talvivaara achieved all the goals set for the period. The construction of the mine was on schedule and on budget throughout, the mining activities commenced in April and the operating personnel required for the start up of production were all recruited. Achieving the set goals was not always easy, but the commitment and skills of the Talvivaara team and the contractors helped the project through the challenges encountered along the way.

Significant downward movement in commodities prices and the persistently weak US dollar affected the mining industry as a whole, but had only a limited effect on the project. By the end of the period, nickel prices of around USD 20,000 / tonne had caused closures of high cost mines and several projects were also postponed. It appears that the marginal cost levels of a significant proportion of nickel production had been reached at price levels that are still very attractive to Talvivaara.

The safety record of the project remained good with a total of 13 lost time injuries (LTI's) during the period. None of the injuries were serious. The number of LTI's corresponds to a frequency of 10 LTI's per one million working hours, which is statistically superior to the average figures seen in the construction industry. This said, Talvivaara's target has always been zero LTI's during any given reporting period, and the Company continues to strive for this goal.

Geological work continued with in-fill drilling at the Kuusilampi deposit and by testing the northern end of the Kuusilampi pit. New mineral resource figures are due in December 2008.

Mining operations commenced on 1 April 2008. By the time of this report the mining department was able to produce volumes beyond those currently necessary. The deliveries from Hitachi and Komatsu have started, with one excavator, one wheel loader and one dump truck now operational.

Materials handling operations started in July as planned despite the delays in the stacker delivery schedules. The team was able to mitigate the delay by temporarily by-passing the stacker unit and constructing the start-up heap with trucks and wheel loaders. In early August, the production scale stacker also became available.

Since the materials handling start-up in July, the bioheapleaching process has commenced in a very promising fashion with heap temperatures having already risen to above 80^{o}C by the time of this report.

Construction of the metals recovery plant is on its way to the planned October start-up. The biggest remaining challenges relate to pipe installations and automation systems.

Although the mine project has taken the full focus of the Talvivaara team, business development continued with the autoclave circuit feasibility study and manganese studies undertaken with Outokumpu. Both studies indicate very promising outcomes, but further conclusions can only be drawn later this year.

The financial results of the Company followed the development plan, reflecting the ongoing mine construction and the related capital investments. The capital expenditure for the period was EUR 173 million and cash in hand at the end of the period was EUR 74.1 million. The operating loss of EUR (4.6) million was largely attributable to operating costs incurred as a result of the mining activities which commenced in April. During the latter half of 2008 the operating losses are likely to temporarily increase due to the start up of the materials handling and metals recovery processes whilst the revenues remain insignificant until the first half of 2009.

Financing of the Company continued with a convertible bond of EUR 84.9 million launched very successfully in May. The proceeds will be used for strategic purposes to study and possibly expedite the construction of a manganese production line and an autoclave circuit to handle external concentrates, as well as for general corporate purposes.

In view of the significantly changed market conditions after the signing of the project term loan, I am pleased to announce that, as one of the highlights after the reporting period, Talvivaara Project Ltd issued the drawdown notice for the initial utilisation of the loan on
28 August 2008.

The achievement of the Talvivaara team throughout the project has been excellent - all the targets so far have been met and two out of three production processes are running already. The biggest operational challenge of achieving successful metals production still lies ahead of us with time running as fast as ever. However, I am fully confident this last hurdle will be overcome and the forthcoming start-up will come to be seen as only the beginning for Talvivaara.

Pekka Perä
Chief Executive Officer

TALVIVAARA

Interim report January-June 2008

Financial review

Owing to its status as a project Company with production anticipated to start in late 2008, Talvivaara had no revenues during the half year period ended 30 June 2008 (H1/2007: EUR 0). The Company's other operating income, amounting in total to EUR 9.2 million (H1/2007: EUR 4.9 million), consisted mainly of net realized gains on available-for-sale financial assets and on currency option contracts as well as fair value gains in nickel forward sales contracts and in currency option contracts.

The operating loss amounted to EUR (4.6) million (H1/2007: EUR 1.2 million). The materials and services amounted to EUR (1.5) million (H1/2007: EUR (0.8) million) and the other operating expenses to EUR (7.9) million (H1/2007: (1.3) million). The increase in operating expenses was caused by the operating activities related to mining which started in April, and to preparation for the start up of other production processes later this year. The employee benefit expenses including the value of employee services in the employee share option scheme were EUR (4.1) million (H1/2007: (1.3) million).

The loss for the period amounted to EUR (6.0) million (H1/2007: EUR (11.2) million). The finance income of EUR 2.3 million (H1/2007: EUR 0.2 million) was mainly related to interest income on bank deposits, whereas the finance cost of EUR (2.1) million (H1/2007: EUR (10.0) million) was caused by the expenses related to the project term loan and the interest expense on the senior unsecured convertible bonds due 2013.

On the balance sheet as at 30 June 2008, the Company's current assets amounted to EUR 98.3 million (June 2007: EUR 290.4 million). The non-current assets amounted to EUR 362.2 million (June 2007: EUR 55.0 million). Property, plant and equipment increased to EUR 301.6 million during the period (June 2007: EUR 27.1 million) as a result of the expenditure on the construction of the Talvivaara mine and the ongoing project to build a 25 km railroad leading to the mine site. The net fair value of the derivative financial instruments totalled EUR 29.1 million (June 2007: EUR 0).

The Company's total equity was EUR 331.0 million (June 2007: EUR 313.4 million) and total assets EUR 460.5 million (June 2007: EUR 345.3 million). The effective portion of the changes in the fair value of cash flow hedges, EUR 8.2 million net of tax, was recognized directly in the equity. The Company's total borrowings amounted to EUR 73.0 million (June 2007: EUR 1.1 million). The change from the previous period resulted from the offering of EUR 84.9 million of senior unsecured convertible bonds due 2013. The equity component of the convertible bonds of EUR 10.9 million is included in the Company's total equity.

The net decrease in cash and bank overdrafts was EUR (52.4) million (H1/2007: EUR 156.8 million). The net cash flow from operating activities was EUR 9.1 million (H1/2007: EUR (2.1) million), with the rise due to increased operating activities and a substantial change in working capital. Cash flow from investing activities was EUR (146.4) million (H1/2007: EUR (128.1) million). It resulted from expenditure related to the ongoing construction of the Talvivaara mine and the Murtomäki-Talvivaara railroad as well as from the proceeds from the sale of available-for-sale financial assets. In 2007, the net decrease in cash included the purchases of available-for-sale financial assets and financial assets at fair value through profit or loss. Net cash generated from financing activities amounted to EUR 84.9 million (H1/2007: EUR 287.1 million). This was all generated from the offering of senior unsecured convertible bonds due 2013.

Overall, the financial development of the Company during the first half of the year reflected the fundraising of EUR 84.9 million through the offering of senior unsecured convertible bonds and capital expenditure of EUR 173 million. In general, the operating expenses have increased due to the approaching start of the production. The construction of the Talvivaara mine proceeded according to plan during the first half of the year.

Financing

Talvivaara closed an offering of EUR 84.9 million of senior unsecured convertible bonds due 2013 on 20 May 2008. The securities are convertible into 11.5 million fully paid ordinary shares of Talvivaara. The securities carry a coupon of 5.25% per annum, payable semi-annually in arrears, with an initial conversion price of GBP 5.886 set at a premium of 38% above the reference share price of GBP 4.265. The GBP/EUR exchange rate used to determine the euro denominated proceeds was 1.255. The securities were issued at par and will redeem at par on maturity.

Preparations for the drawdown of the committed USD 320 million project term loan continued throughout the period. This included execution of nickel and zinc forward sales as required under the facility agreement (see Events after the reporting period).

Research and development

Secondary leaching of the on-site pilot heap continued during the period. With nickel and zinc now exhausted from the ore, copper and cobalt continued to leach largely as expected. Based on the pilot study, the expected metal recoveries from bioheapleaching over a 48 month period are 96% for nickel, 96% for zinc, 30% for copper, and 45% for cobalt.

Following two years of preliminary research on manganese extraction from the Talvivaara ore, Talvivaara signed on 22 June 2008 a Cooperation Agreement with Outokumpu Oyj to conduct a feasibility study on manganese production at the Talvivaara Mine. The feasibility study encompasses an evaluation of the technical and commercial feasibility of employing electrowinning technology for the extraction of manganese metal and/or manganese oxide from the leach solution generated from Talvivaara’s bioheapleaching process.

The ore at the Talvivaara deposits has a manganese content of approximately 0.3%, which should enable annual production of more than 30,000 tonnes of manganese, according to the Company’s present production plan. Recent research by the Company has produced encouraging results on the electrolytic recovery of high-purity manganese metal and manganese oxide from the leach solution. In the bioheapleaching process, recovery of manganese has been found to be comparable to that of nickel and zinc.

Permitting

The Vaasa Court of Appeal issued its ruling on the appeals made against the environmental permit and starting order on 15 February 2008. The Court of Appeal upheld the Company’s original permit and the starting order, and rejected all demands for the revocation of the permit and the starting order. All compensations issued by the permitting authorities remained in force. The Court of Appeal made a few amendments and specified some terms of the permit, all of which in the opinion of the management are immaterial in terms of changes to the projected costs for, or the conduct of, the mining and metals recovery operations at the site.

The ruling was open to appeal to the Supreme Administrative Court until 17 March 2008. By the end of the appeal period, four appeals against the environmental permit and starting order had been made. It is expected that the Supreme Administrative Court will issue its ruling on the permit in the coming months, after which the environmental permit will be final and binding. Talvivaara does not anticipate that the terms of the permit will change materially as a result of the appeal process.

The general plan of the Talvivaara mine was accepted by the Finnish Safety Technology Authority ("FSTA") on 8 February 2008. Approval for the treatment and storage of hazardous materials was awarded by the same authority on 6 June 2008.

Personnel

Recruitment of personnel in anticipation of the production start up continued successfully during the period. Altogether 65 trainee operators completed the training courses tailored for Talvivaara's process workers, drillers and crushing circuit operators. Of these, 54 are currently employed by the Company. The operational staff was also strengthened by the recruitment of shift bosses for all departments.

The total number of personnel employed by the Company increased strongly from 2007 and it was 191 on 30 June 2008 (53 on 30 June 2007). The anticipated workforce by year end 2008 is expected to be approximately 270.

Events after the reporting period

Financing

Talvivaara issued the drawdown notice for an initial utilization of USD 165 million (EUR112 million) of the project term loan facility on 28 August 2008. In accordance with the facility agreement, the funding shall be effected within four business days of the notice and is thus expected on 3 September 2008.

As required under the facility agreement, Talvivaara has hedged nickel and zinc through forward swaps over the period of April 2009 through December 2011. To date, the amount of nickel hedged is 15,962 tonnes at an average price of USD 23,588 per tonne, representing approximately 20% of the anticipated nickel production during the time period. For zinc, the corresponding figures are 38,017 tonnes at an average price of USD 1,946 per tonne, representing approximately 40% of the planned production for the period.

The hedged volumes have been confirmed as sufficient for the drawdown, however an additional volume of approximately 7,000 tonnes of nickel is anticipated to be hedged over a period of nine months starting from the drawdown.

In August 2008 the Company has executed foreign exchange hedges as USD put / EUR call options at 1.50 and 1.60 EUR/USD strikes. The total hedged amount for the period of September 2008 through December 2009 is approximately USD 361 million.

Operations

The ramp-up of the materials handling processes at the Talvivaara mine commenced on schedule at the beginning of July 2008.

On 1 July 2008 the Company contracted primary crushing, and by 16 July 2008 secondary and tertiary crushing, agglomeration and provisional stacking arrangements were operational. Bioheapleaching also commenced with inoculation and irrigation of the starter heap.

Talvivaara's own stacking equipment has been operational since early August 2008 and initial results from bioheapleaching indicate the process to have started up as planned, with heap temperatures and bacterial counts rising.

Permitting

Relating to an extension of Talvivaara's current mining concession and mining rights for the control and use of the land and water areas of the mine, the Ministry of Employment and Economy gave its decision on 15 August 2008 on the appeal against the land surveying and redemption process for the extension of the area covered by the existing mining license. It dismissed all the claims and demands asserted by the claimant and thereby ruled in favour of Talvivaara. The period for appealing against the ministry's decision to the Supreme Administrative Court will expire at the beginning of October 2008.

Short term outlook

The short term outlook for the Company remains positive with the construction of the mine nearing completion and the planned start-up of metal production in October 2008 on schedule. Approximately 90% of the project costs have been committed, leaving only limited room for cost escalation.

The market outlook for Talvivaara's main products, nickel and zinc, remain solid despite the downturn seen in their prices over the summer. The early part of August has, however, seen positive development in the commodities' prices as a result of news on mine closures and corresponding reduction in supply. The mine closures indicate that nickel prices in the range of USD 18,000 – 20,000 per tonne are at or below the marginal cost of production for many operations and can hence be seen as the likely floor price of nickel in the present demand environment. As Talvivaara's estimated production costs are substantially below this range, the Company anticipates it would be able to operate profitably even during low points of the commodity price cycle.

TALVIVAARA

Definitions of key financial figures

Key financial figures of the Group

Return on equity	$\frac{\text{Profit (loss) for the period}}{\text{(Total equity at 1 January + Total equity at 30 June/31 December) / 2}}$
Equity-to-assets ratio	$\frac{\text{Total equity}}{\text{Total assets}}$
Earnings per share	$\frac{\text{Profit (loss) attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Equity per share	$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Market capitalization at the end of the period	Number of shares at the end of the period x trading price at the end of the period

CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	**Unaudited six months to 30 June 2008**	**Unaudited six months to 30 June 2007**	**Audited twelve months to 31 December 2007**
Other operating income	9,166	4,944	13,564
Materials and services	(1,521)	(840)	(2,213)
Employee benefit expenses	(4,127)	(1,266)	(3,987)
Depreciation, amortization, depletion and impairment charges	(197)	(357)	(761)
Other operating expenses	(7,942)	(1,299)	(4,271)
Operating profit (loss)	**(4,621)**	**1,182**	**2,332**
Finance income	2,285	238	4,266
Finance cost	(2,115)	(9,986)	(11,506)
Finance cost (net)	170	(9,748)	(7,240)
Loss before income tax	**(4,451)**	**(8,564)**	**(4,908)**

Income tax expense	(1,532)	(2,657)	(5,020)
Loss for the period	**(5,983)**	**(11,221)**	**(9,928)**
Attributable to:			
Equity holders of the Company	(3,962)	(10,896)	(9,384)
Minority interest	(2,021)	(325)	(544)
	(5,983)	**(11,221)**	**(9,928)**
Earnings per share for loss attributable to the equity holders of the Company (expressed in € per share)			
Basic and diluted	(0.02)	(0.10)	(0.06)

CONSOLIDATED BALANCE SHEET

(all amounts in EUR '000)	**Note**	**Unaudited 30 June 2008**	**Audited 31 December 2007**	**Unaudited 30 June 2007**
ASSETS				
Non-current assets				
Property, plant and equipment	2	301,585	129,718	27,117
Biological assets		8,354	9,049	10,062
Intangible assets		7,301	6,202	5,382
Derivative financial instruments	3	26,303	9,831	-
Other receivables		18,637	29,652	12,390
		362,180	184,452	54,951
Current assets				
Other receivables		20,441	11,353	4,724
Available-for-sale financial assets		-	26,965	26,595

Derivative financial instruments	3	3,741	779	-
Financial assets at fair value through profit or loss		-	-	100,464
Cash and cash equivalent		74,117	126,501	158,609
		98,299	165,598	290,392
Total assets		**460,479**	**350,050**	**345,343**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital		80	16	16
Share premium		8,086	8,086	8,086
Other reserves		333,072	321,778	321,463
Hedge reserve		8,245	-	-
Retained earnings		(37,106)	(33,423)	(21,962)
		312,377	296,457	307,603
Minority interest in equity		18,630	18,590	5,837
Total equity		331,007	315,047	313,440
Non-current liabilities				
Borrowings	4	72,955	1,405	1,149
Trade payables		3	-	-
Other payables		-	-	58
Derivative financial instruments	3	912	-	-
Deferred tax liabilities		10,322	5,327	2,868
Provisions		9	32	32
		84,201	6,764	4,107
Current liabilities				
Borrowings	4	25	25	-
Trade payables		40,606	25,983	23,489

Other payables		4,545	2,231	4,307
Provisions		34	-	-
Derivative financial instruments	3	61	-	-
		45,271	28,239	27,796
Total liabilities		129,472	35,003	31,903
Total equity and liabilities		**460,479**	**350,050**	**345,343**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(all amounts in EUR '000)	Attributable to equity holders of the Company								
	Share capital	**Share premium**	**Invested non-restricted equity**	**Other reserves**	**Hedge reserve**	**Retained earnings**	**Total**	**Minority interest**	**Total equity**
Balance at 1 January 2007	**13**	**2,755**	**825**	**511**	-	**(4,991)**	**(887)**	**87**	**(800)**
Fair value changes net of tax on available-for-sale financial assets	-	-	-	50	-	-	50	-	50
External costs, net of tax, directly attributable to the issue of new shares	-	-	(16,682)	-	-	-	(16,682)	-	(16,682)
Net income/(expense) recognized directly in equity	-	-	(16,682)	50	-	-	(16,632)	-	(16,632)
Loss for the period	-	-	-	-	-	(10,896)	(10,896)	(325)	(11,221)

Total recognised income and expense for January to June 2007	-	-	(16,682)	50	-	(10,896)	(27,528)	(325)	(27,853)
Transactions related with the sale of Talvivaara Project shares	-	-	-	-	-	(6,074)	(6,074)	(954)	(7,028)
Issue of new shares	-	-	303,749	-	-	-	303,749	-	303,749
Employee share option scheme - value of employee services	-	-	-	11	-	-	11	-	11
Convertible capital loan - conversion into shares	3	5,330	-	-	-	-	5,333	-	5,333
Convertible bond - conversion into shares	-	-	33,000	-	-	-	33,000	-	33,000
Minority interest arising from subsidiary	-	-	-	-	-	-	-	7,029	7,029
Balance at 30 June 2007	**16**	**8,086**	**320,891**	**572**	**-**	**(21,962)**	**307,603**	**5,837**	**313,440**
Balance at 31 December 2007	**16**	**8,086**	**320,671**	**1,106**	**-**	**(33,423)**	**296,456**	**18,591**	**315,047**
Balance at 1 January 2008	**16**	**8,086**	**320,671**	**1,106**	**-**	**(33,423)**	**296,456**	**18,591**	**315,047**
Fair value changes net of tax on available-for-sale financial assets	-	-	-	(451)	-	-	(451)	-	(451)
Changes in the fair value of cash flow hedges, net of tax					8,245	-	8,245	-	8,245

External costs, net of tax, directly attributable to the issue of new shares	-	-	-	-	-	-	-	-	-
Net income/(expense) recognized directly in equity	-	-	-	(451)	8,245	-	7,794	-	7,794
Loss for the period	-	-	-	-	-	(3,962)	(3,962)	(2,021)	(5,983)
Total recognised income and expense for January to June 2008	-	-	-	(451)	8,245	(3,962)	3,832	(2,021)	1,811
Transfers within equity, change of the corporate form	64	-	(64)	-	-	-	-	-	-
Convertible bond, equity component	-	-	-	10,896	-	-	10,896	-	10,896
Employee share option scheme - value of employee services	-	-	-	914	-	-	914	-	914
Restatement	-	-	-	-	-	278	278	-	278
Minority interest arising from subsidiary	-	-	-	-	-	1	1	2,060	2,061
Balance at 30 June 2008	**80**	**8,086**	**320,607**	**12,465**	**8,245**	**(37,106)**	**312,377**	**18,630**	**331,007**

CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months to	Unaudited six months to	Audited twelve months to

(all amounts in EUR '000)	30 June 2008	30 June 2007	31 December 2007
Cash flows from operating activities			
Loss for the period	(5,983)	(11,221)	(9,928)
Adjustments for			
Tax	1,532	2,658	5,020
Depreciation and amortization	197	356	761
Other non-cash income and expenses	1,508	(4,084)	12,032
Interest income	(2,285)	(238)	(4,266)
Fair value gains on financial assets at fair value through profit or loss	(4,601)	(464)	(9,831)
Interest expense	2,115	9,985	11,506
	(7,517)	(3,008)	5,294
Change in working capital			
Decrease(+)/increase(-) in other receivables	3,298	(16,404)	(32,050)
Decrease(-)/increase(+) in trade and other payables	16,516	25,579	25,667
Change in working capital	19,814	9,175	(6,383)
	12,297	6,167	(1,089)
Interest and other finance cost paid	(3,686)	(8,513)	(30,697)
Interest income	455	223	4,162
Net cash used in operating activities	9,066	(2,123)	(27,623)
Cash flows from investing activities			
Purchases of property, plant and equipment	(171,757)	(23,509)	(126,547)
Purchases of biological assets	(26)	(5,335)	(5,689)
Purchases of intangible assets	(1,119)	(615)	(1,903)
Proceeds from sale of property, plant and equipment	-	-	-

Proceeds from sale of biological assets	127	331	528
Proceeds from government grant related to intangible assets	-	-	459
Purchases of available for sale financial assets	-	(24,000)	(24,000)
Proceeds from sale of available for sale financial assets	26,356	20,009	20,009
Purchases of derivative financial instruments	(1,371)	-	(952)
Proceeds from sale of derivative financial instruments	1,440	-	-
Purchases of financial assets at fair value through profit or loss	-	(104,000)	(104,000)
Proceeds from sale of financial assets at fair value through profit or loss	-	9,000	109,000
Net cash used in investing activities	(146,350)	(128,119)	(133,095)
Cash flows from financing activities			
Proceeds from share issue net of transaction costs	-	287,067	285,154
Proceeds from interest-bearing liabilities	84,900	20,000	20,281
Payment of interest-bearing liabilities	-	(20,000)	(20,000)
Net cash generated in financing activities	84,900	287,067	285,435
Net (decrease)/increase in cash and bank overdrafts	(52,384)	156,825	124,717
Cash and bank overdrafts at beginning of the period	126,501	1,784	1,784
Cash and bank overdrafts at end of the period	74,117	158,609	126,501

1 Basis of preparation

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 2007 except for the hedge accounting.

The Group has started to apply hedge accounting during the first of half of 2008. The changes caused by this to the basis of preparation are set below.

TALVIVAARA

The Group has entered into nickel forward contracts during 2007 and made additional nickel forward contracts during the first half of 2008 in accordance with the Group's risk management objectives. The Group has applied hedge accounting for most of these nickel forward contracts. For the purpose of hedge accounting, these hedges have been classified as cash flow hedges.

Cash flow hedges

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated. Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

The effective portion of the gain or loss on the hedging instrument is recognized directly in equity, while any ineffective portion is recognized immediately in profit or loss.

Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when a forecast sale occurs.

If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized in equity remain in equity until the forecast transaction occurs.

The financial information for the six months ended 30 June 2008 and 30 June 2007 is unaudited. In the opinion of the Directors, the financial information for these periods presents fairly the financial position, results of operations and cash flows for the periods in conformity with IAS 34 consistently applied.

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 January 2008	440	121,626	4,937	3,481	130,484
Additions	489	171,534	21	-	172,044
Transfers	2,565	(13,763)	6,542	4,656	-
Gross carrying amount					

Talvivaara Mining Company Plc
Ahventie 4 B 47, 02170 Espoo, Finland
Tel +358 20 712 9800, Fax +358 20 712 9801
Reg.No. 1847894-2 www.talvivaara.com

at 30 June 2008	3,494	279,397	11,500	8,137	302,528
Accumulated depreciation and impairment losses					
at 1 January 2008	66	-	700	-	766
Depreciation for the period	49	-	44	84	177
Accumulated depreciation and impairment losses					
at 30 June 2008	115	-	744	84	943
Carrying amount at 1 January 2008	374	121,626	4,237	3,481	129,718
Carrying amount at 30 June 2008	**3,379**	**279,397**	**10,756**	**8,053**	**301,585**

3. Derivative financial instruments

(all amounts in EUR '000)

Fair values of the derivative financial instruments

	Unaudited 30 June 2008		Audited 31 December 2007	
	Assets	Liabilities	Assets	Liabilities
Nickel forwards	28,286	973	9,831	-
Currency options	1,758	-	779	-
Total	**30,044**	**973**	**10,610**	**-**

	Unaudited 30 June 2008		Audited 31 December 2007	
	Assets	Liabilities	Assets	Liabilities
Derivative financial instruments	30,044	973	10,610	-
Total	**30,044**	**973**	**10,610**	**-**
Less non-current portion				
Nickel forwards	26,303	912	9,831	-

Current portion	3,741	61	779	-

Quantities of the derivative financial instruments

	Unaudited 30 June 2008 Current	Non-current	Total	Audited 31 December 2007 Current	Non-current	Total
Nickel forwards, in tonnes	611	12,097	12,708	-	5,852	5,852
Currency options, in USD '000	53,817	-	53,817	128,948	-	128,948

4 Borrowings
(all amounts in EUR '000)

	Carrying amount		Fair value	
Non-current	**Unaudited 30 June 2008**	**Audited 31 December 2007**	**Unaudited 30 June 2008**	**Audited 31 December 2007**
Capital loans	1,405	1,405	1,405	1,405
Convertible bonds*	71,550	-	71,550	-
	72,955	**1,405**	**72,955**	**1,405**

Current

Other	25	25	25	25
	25	**25**	**25**	**25**
Total borrowings	**72,980**	**1,430**	**72,980**	**1,430**

*On May 14, 2008 Talvivaara completed an offering of EUR 84.9 million of senior unsecured convertible bonds due 2013.

The bonds are convertible into 11.5 million fully paid ordinary shares of Talvivaara. The closing of the offering occured on May 20, 2008.

The convertible bond recognized in the balance sheet is calculated as follows:

Face value of convertible capital loan on 20 May 2008	82,156
Equity component	(10,896)
Liability component on initial recognition at 20 May 2008	71,260
Interest expense	290
Interest paid	-
Liability component at 30 June 2008	**71,550**

Talvivaara Mining Company Plc
Ahventie 4 B 47, 02170 Espoo, Finland
Tel +358 20 712 9800, Fax +358 20 712 9801
Reg.No. 1847894-2 www.talvivaara.com