Talvivaara Mining Company Plc

Interim Report January - September 2011

9 November 2011

STOCK EXCHANGE RELEASE
9 November 2011

Talvivaara Mining Company Interim Report for January-September 2011
Solid financial performance whilst working to overcome operational challenges

Highlights

Q3 2011
- Nickel production of 3,153t, adversely impacted by problems in hydrogen sulphide generators
- Net sales of EUR 60.6m
- Operating profit of EUR 5.5m

Q1-Q3 2011
- Nickel production of 11,319t, up 73% versus Q1-Q3 2010
- Net sales of EUR 164.7m (Q1-Q3 2010: EUR 91.9m)
- Operating profit of EUR 16.0m (Q1-Q3 2010: EUR 11.1m)

Highlights after the reporting period

- Full year 2011 production target revised to a minimum of 16,000t of nickel, as announced in the Operational Update released on 7 October
- Both production lines at the metals recovery plant in uninterrupted operation since mid-October and production on track to achieve the targeted nickel output
- In response to the volatile and uncertain market environment and decline in nickel prices, short term focus shifted from maximising production volume to optimising profitability
- Pekka Perä, Talvivaara's CEO, to retire from active executive duties over the coming months, but will retain his shareholding and an active role on the Board; the Board has commenced the search for a new CEO
- Amendment agreement to EUR 100m revolving credit facility signed in October; facility increased to EUR 130m and maturity extended by one year to June 2014

Key figures

EUR million	**Q3 2011**	Q3 2010	**Q1-Q3 2011**	Q1-Q3 2010	FY 2010
Net sales	**60.6**	45.1	**164.7**	91.9	152.2
Operating profit (loss)	**5.5**	10.9	**16.0**	11.1	25.5
% of net sales	**9.1%**	24.2%	**9.7%**	12.1%	16.7%
Profit (loss) for the period	**(3.4)**	5.1	**(8.9)**	(6.9)	(7.7)
Earnings per share, EUR	**(0.02)**	0.01	**(0.05)**	(0.03)	(0.04)
Equity-to-assets ratio	**28.7%**	40.1%	**28.7%**	40.1%	31.7%
Net interest bearing debt	**410.2**	263.4	**410.2**	263.4	315.0
Debt-to-equity ratio	**128.1%**	66.8%	**128.1%**	66.8%	81.7%
Capital expenditure	**22.0**	36.9	**57.6**	92.2	115.7
Cash and cash equivalents at the end of the period	**38.6**	6.0	**38.6**	6.0	165.6
Number of employees at the end of the period	**446**	370	**446**	370	389

All reported figures in this release are unaudited.

CEO Pekka Perä comments: *"As we announced in our latest operational update, we continued to face reliability and availability issues at our metals recovery plant during the third quarter. Production was hurt particularly by problems in hydrogen sulphide generators, which suffered from the lack of critical spare parts and could only be* *operated at an overall capacity utilisation level of around 35% during the quarter. While both of our hydrogen sulphide generators have been back in operation since mid-October, we expect to keep running them below full capacity to avoid any further disruptions until a sufficient spare parts inventory has been received, expected by the year-end. Whilst we are naturally disappointed by the ongoing production constraints, we are however pleased to note that we have already demonstrated that all of our processes can be run at design capacities.*

Despite the production issues, we achieved a solid financial result for the quarter. The significant improvement in net sales compared to the previous quarter reflected deliveries of nickel left in inventory at the end of Q2, and we recorded an operating profit of EUR 5.5 million. We have also strengthened our liquidity position by signing the amended EUR 130 million revolver, as well as establishing an up to EUR 100 million commercial paper programme.

During the third quarter, conditions in the financial and commodity markets became increasingly volatile and challenging with the nickel price closing the quarter at around USD 17,500 per tonne, which is its 2011 low point. While a degree of confidence on the commodity markets has been restored in recent weeks, we have responded to the challenges created by the market environment as well as our own production constraints by developing a revised short term operating plan. We are currently focusing on maximising the profitability of our operations rather than the production volume. Our financial position remains solid, however we have already taken action to defer some capital expenditure into 2012 and to optimise our operations to realise operating cost savings.

Going forward, we remain as committed as ever to a successful ramp-up of our operations. While all the processes are in place for full-scale production, further progress is needed with optimising our operations and implementing a robust management systems infrastructure. Already, we are seeing a clear improvement in the personnel morale and attitude, and I can only express my sincerest gratitude for the efforts of our employees in addressing the most acute production issues during the last few months.

As part of Talvivaara's transformation from a project to an operating entity, I have decided to retire from active executive duties and increasingly focus on shaping our strategy as a member of the Board of Directors. I am also committed to retaining my shareholding in the company. We have an experienced and established management team in place to lead Talvivaara forward, and have commenced the search for a new CEO."

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Webcast and conference call on 9 November 2011 at 12:00 GMT/14:00 EET

A combined webcast and conference call on the January-September 2011 Interim Result will be held on 9 November 2011 at 12:00 GMT/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_2011_1109_Q3/

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 0077
Participant - US: +1 334 323 6201

Conference id: 891450

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

Financial review

Q3 2011 (July-September)

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 three months ended 30 September 2011 amounted to EUR 60.6 million (Q3 2010: EUR 45.1 million). Net sales increased by 61.0% compared to the previous quarter, mainly as a result of substantial nickel and cobalt deliveries having been delayed from Q2 2011 into Q3 2011 due to a maintenance stoppage at Norilsk Nickel Harjavalta. Product deliveries during the period amounted to 4,586 tonnes of nickel, 126 tonnes of cobalt and 8,848 tonnes of zinc.

Change in inventories of finished products and work in progress amounted to EUR 2.6 million (Q3 2010: EUR 20.9 million), with the small increment for the quarter reflecting the recovery of the unusually large finished product inventories of nickel and cobalt at the end of the previous quarter. Materials and services during the third quarter amounted to EUR (29.1) million (Q3 2010: EUR (26.9) million), and other operating expenses to EUR (12.3) million (Q3 2010: EUR (11.0) million). Costs were at a slightly lower level compared to the previous quarter, reflecting the lower production volume. On the other hand, the cost level was increased by maintenance costs relating to the issues with the hydrogen sulphide generators as well as improvements to the primary heap reclaiming system.

Operating profit for Q3 2011 was EUR 5.5 million (Q3 2010: EUR 10.9 million), and loss for the period amounted to EUR (3.4) million (Q3 2010: profit of EUR 5.1 million).

Statement of financial position and financing

Capital expenditure for the quarter totalled EUR 22.0 million (Q3 2010: EUR 36.9 million). The expenditure related primarily to the construction of secondary heap foundations and a gypsum pond, as well as to pressure filters acquired for drying of the zinc product.

In September, the Finnish State completed the redemption of the Talvivaara-Murtomäki railroad and reimbursed Talvivaara Infrastructure Ltd for the construction expenses of the railroad. The total reimbursement amounted to EUR 40 million (VAT 0%), of which EUR 20 million had been paid in June 2010 and the remaining EUR 20 million in September 2011. In conjunction with the final reimbursement, the railroad became property of the Finnish State and part of the national rail network. Subsequently, Talvivaara repaid the EUR 18.7 million term loan used to finance the construction of the railroad as well as interest subsidy loans amounting to EUR 4.2 million.

Also in September, Talvivaara entered into receivables factoring agreements amounting to a total combined factoring credit limit of EUR 100 million.

In August, Talvivaara entered into a commercial paper notes programme of up to EUR 100 million with Nordea Bank, Sampo Bank and Svenska Handelsbanken. On 30 September 2011, the outstanding commercial paper notes amounted to a nominal value of EUR 10 million.

Q1-Q3 2011 (January-September)

Net sales and financial result

Talvivaara's net sales during the nine months ended 30 September 2011 amounted to EUR 164.7 million (Q1-Q3 2010: EUR 91.9 million). Product deliveries during the period totalled 11,136 tonnes of nickel (Q1-Q3 2010: 5,614t), 24,266 tonnes of zinc (Q1-Q3 2010: 14,610t), and 266 tonnes of cobalt (Q1-Q3 2010: 47t).

The Group's other operating income amounted to EUR 2.6 million (Q1-Q3 2010: EUR 17.2 million), primarily relating to indemnities on a damaged drilling rig and transformers, gain on the sale of the railroad, and fair value gains on derivatives.

Materials and services during the nine months ended 30 September 2011 amounted to EUR (97.3) million (Q1-Q3 2010: EUR (68.3) million). The increase reflected the increased level of production, whilst the largest cost items were consumables, external services and production chemicals, particularly propane and lye (caustic soda).

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (19.1) million (Q1-Q3 2010: EUR (14.4) million). The increase was attributable to the increased number of personnel.

Other operating expenses amounted to EUR (42.6) million (Q1-Q3 2010: EUR (30.2) million). Energy and maintenance costs comprised over two thirds of the total. The impact of maintenance costs was particularly high in the second quarter of 2011 due to the maintenance and upgrading programmes carried out in April-May.

Operating profit amounted to EUR 16.0 million (Q1-Q3 2010: EUR 11.1 million), representing an operating margin of 9.7% for Q1-Q3 2011.

Finance income for the nine month period was EUR 1.0 million (Q1-Q3 2011: EUR 6.9 million), which mainly consisted of interests on bank accounts and exchange rate gains. Finance costs of EUR (27.8) million (Q1-Q3 2010: EUR (27.0) million) primarily related to interest and financing expenses on borrowings. As further explained in Note 6 to this Q3 2011 interim report, Talvivaara has reclassified the US dollar denominated Nyrstar advance payment as a non-monetary liability from Q3 2011 onwards. As a result of the reclassification, foreign exchange rate gains and losses in finance income and costs have decreased, and relevant financial information for prior periods since Q1 2010 has been restated accordingly.

The Company’s loss for the period amounted to EUR (8.9) million (Q1-Q3 2010: EUR (6.9) million).

Total comprehensive income for the nine month period was EUR (16.3) million (Q1-Q3 2010: EUR (15.4) million), including a reduction in hedge reserves resulting from the occurrence of the hedged sales.

Statement of financial position

Capital expenditure during Q1-Q3 2011 totalled EUR 57.6 million (Q1-Q3 2010: EUR 92.2 million). The expenditure primarily related to construction of secondary heap foundations, a gypsum pond and the uranium extraction circuit. On the consolidated statement of financial position as at 30 September 2011, property, plant and equipment amounted to EUR 751.4 million (31 December 2010: EUR 728.2 million).

In the Group’s assets, inventories amounted to EUR 225.0 million on 30 September 2011 (31 December 2010: EUR 175.4 million). The increase in inventories reflected the ramp-up of production and the consequent increase in the amount of ore stacked on heaps, valued at cost.

Trade receivables amounted to EUR 47.6 million on 30 September 2011 (31 December 2010: EUR 52.4 million). The 88% increase in trade receivables compared to EUR 25.4 million on 30 June 2011 reflected the higher level of nickel and cobalt deliveries during the third quarter, resulting from the recovery of the inventories accumulated at the end of Q2 2011 due to a maintenance stoppage at Norilsk Nickel Harjavalta.

On 30 September 2011, cash and cash equivalents totalled EUR 38.6 million (31 December 2010: EUR 165.6 million).

In equity and liabilities, total equity amounted to EUR 320.2 million on 30 September 2011 (31 December 2010: EUR 385.6 million). In June, Talvivaara acquired an additional 4% shareholding in its subsidiary Talvivaara Sotkamo Ltd from Outokumpu Mining Oy, increasing Talvivaara’s ownership in Talvivaara Sotkamo from 80% to 84%. As a result of the acquisition, equity decreased by EUR 61.5 million as the acquisition price of EUR 60 million and the transaction costs of EUR 1.5 million were deducted from equity under IFRS. On the other hand, the equity component of EUR 9.0 million for the senior unsecured convertible bonds due 2015 was recognised in equity during the period.

A total of 465,085 new shares were subscribed and paid for during Q1-Q3 2011 under the company's stock option rights 2007A and 2007B and the convertible bonds due 2015, with the entire subscription price recognised in equity.

Borrowings decreased from EUR 480.6 million on 31 December 2010 to EUR 448.7 million at the end of September 2011. The changes in borrowings during the period included determination of the equity component for the senior unsecured convertible bonds due 2015, issuance of EUR 10 million of commercial paper notes and repayment of the railroad loan and interest subsidy loans.

Total advance payments as at 30 September 2011 amounted to EUR 242.1 million (31 December 2010: EUR 259.9 million). The changes in advance payments during Q1-Q3 2011 consisted of the reclassification of the Nyrstar advance payment as a non-monetary liability, recognition of the advance payment for the railroad as revenue, EUR 7.0 million in advance payments from Cameco Corporation under the uranium off-take agreement as well as amortization of the Nyrstar advance payment. The reclassification of the Nyrstar advance payment as a non-monetary liability better reflects the financial nature of the transaction, as the advance payment is repaid through physical deliveries and therefore there is no actual foreign exchange risk. The effects of the reclassification on deferred tax assets, equity, advance payments, profit/loss, and earnings per share for the relevant periods are further described in Note 6 to this interim report. The restatement does not have any impact on the operating earnings or cash flows of prior periods.

Total equity and liabilities as at 30 September 2011 amounted to EUR 1,114.4 million (31 December 2010: EUR 1,214.5 million).

Financing

In September, Talvivaara received EUR 20 million from the Finnish State as the final redemption amount for the Talvivaara-Murtomäki railroad. Subsequently, Talvivaara repaid the EUR 18.7 million term loan used to finance the construction of the railroad as well as interest subsidy loans amounting to EUR 4.2 million.

Also in September, Talvivaara entered into receivables factoring agreements amounting to a total combined factoring credit limit of EUR 100 million.

In August, Talvivaara established a commercial paper notes programme of EUR 100 million. On 30 September 2011, the outstanding commercial paper notes amounted to a nominal value of EUR 10 million.

In February, Talvivaara signed a uranium off-take agreement with Cameco Corporation. According to the terms set forth in the agreement, Cameco is to provide an upfront investment of up to USD 60 million to cover the construction costs of the uranium extraction circuit at the Talvivaara mine. Talvivaara will repay the investment through deliveries of uranium concentrate during the initial years of the agreement. Once the capital has been repaid, all uranium concentrate produced thereafter until 31 December 2027 will be bought by Cameco at a price based on market prices at the time of delivery. As at 30 September 2011, Talvivaara had received a total of EUR 7.0 million in advance payments from Cameco.

In January, an Extraordinary General Meeting of Talvivaara resolved to approve the proposal of the Board of Directors for the issue of special rights in relation to EUR 225 million senior unsecured convertible bonds due 2015 which were issued in December 2010. The bonds are convertible into 27.0 million fully paid ordinary shares of the Company. The interest rate applied to the convertible bond is 4.00% and the yield to maturity 6.50%, reflecting a redemption price of 114.5% at maturity.

Currency option programme

In June 2011, Talvivaara entered into a currency option programme comprising USD options for six months from July 2011 through December 2011. The monthly obligation amounts to USD 7.5 million and protection to USD 5.0 million. As at 30 September 2011, the remaining collar ranges from EUR/USD ratio of 1.2884 to 1.4900.

Production review

During the third quarter, Talvivaara’s production was constrained by problems in hydrogen sulphide generators. Because hydrogen sulphide is an essential reagent in the metals recovery process, the unforeseen downtime in the generators had a direct impact on Q3 2011 production output, which for nickel amounted to 3,153 tonnes and for zinc to 7,286 tonnes. Year-to-date production at the end of September amounted to 11,319 tonnes (Q1-Q3 2010: 6,550 tonnes) of nickel and 21,291 tonnes (Q1-Q3 2010: 16,092 tonnes) of zinc.

In metals recovery, primary focus during the quarter continued to be on improving the reliability and availability of the overall process, in particular the hydrogen sulphide plants. Both of Talvivaara's hydrogen sulphide generators were serviced and upgraded during the second quarter. Following the maintenance, the generators functioned well, but the operating procedure followed in the hydrogen sulphide process subsequently proved more wearing to certain heating elements than previous experience would have suggested. Talvivaara's spare parts inventory consequently proved insufficient, and given the long lead times of the required specialty steels, the hydrogen sulphide generators and therefore the entire metals recovery process had to be operated significantly below full capacity. The overall capacity utilisation of the hydrogen sulphide generators was only around 35% during the quarter.

The mining department continued to operate without material disturbances. The department produced 3.0Mt of ore (Q3 2010: 3.4Mt) and 4.5Mt of waste (Q3 2010: 5.4Mt). Emphasis during the period shifted increasingly towards ore mining, as primary heap reclaiming improved and was no longer restricting ore production for most of the quarter.

In materials handling, the earlier commissioning issues in primary heap reclaiming were largely addressed during the third quarter. As a result of the modifications made to the reclaiming equipment during Q2 2011, the feeding of ore into the system and overall availability of the process improved significantly during the third quarter. Additionally, more of Talvivaara's own staff and equipment as well as additional contractor resources were allocated to the process. Due to the measures taken, reclaiming of the primary heap is no longer a bottle-neck to the stacking of new ore and the entire materials handling process now operates at a satisfactory level. Crushing and stacking of ore in Q3 2011 amounted to 3.0Mt (Q3 2010: 3.4Mt), and during Q1-Q3 2011 to 7.9Mt (Q1-Q3 2010: 10.4Mt).

Bioheapleaching continued to progress according to plan during the third quarter, with the main sources of leach solution being primary heap sections 3 and 4. Nickel recovery from heap section 3 has reached around 65% in the slightly over a year that the heap has been in production, with heap section 4 following a similar pattern. During the third quarter, the average nickel grade in solution pumped to metals recovery was stable between 2.0-2.5 g/l.

The newly stacked primary heap section 1 was completed in September and has, along with the secondary heap, been taken into production during the fourth quarter, enabling a further ramp-up of production. Leaching in both the new heap section 1 and the secondary heap is progressing well.

Production key figures

		Q3 2011	Q3 2010	**Q1-Q3 2011**	Q1-Q3 2010	**FY 2010**
Mining						
Ore production	Mt	**3.0**	3.4	**7.9**	10.4	**13.3**
Waste production	Mt	**4.5**	5.4	**15.0**	11.7	**16.7**
Materials handling						
Stacked ore	Mt	**3.0**	3.4	**7.9**	10.4	**13.3**
Bioheapleaching						
Ore under leaching	Mt	**32.2**	21.4	**32.2**	21.4	**24.3**
Metals recovery						
Nickel metal content	Tonnes	**3,153**	3,211	**11,319**	6,550	**10,382**
Zinc metal content	Tonnes	**7,286**	7,557	**21,291**	16,092	**25,462**

Sustainable development and permitting

Environment

Environmental monitoring during the third quarter confirmed Talvivaara to comply with all of its environmental permit limits for water emissions. As a result of continued process improvements in metals recovery and other environmental investments, sulphate, sodium and manganese discharges to nearby lakes have continued to decrease.

Hydrogen sulphide (odour) emissions to air have also remained within the permitted limits, apart from briefly exceeding them during the third quarter due to the unstable running rate of the overall metals recovery process. Dust emissions have been addressed through watering systems on mine area roads, dust removal systems particularly in the crushing and screening areas, and modifications to the mining process. Dust emissions have been within permitted limits in all but one measurement point at the screening building.

Talvivaara is committed to minimizing the environmental effects of its mining operations, and targets at setting the bar in environmentally sustainable mining.

Permitting

Talvivaara submitted an application for the renewal of the existing environmental permit to the regional environmental permitting agency in March. Talvivaara continues to augment the application.

In June 2011, Talvivaara submitted to the Ministry of Employment and Economy an application in accordance with the Mining Act (503/1965) for the expansion of the Talvivaara mining concession area by approximately 70 km^2. Subject to approval of the expansion, the total area of the Talvivaara mining concession will be approximately 130 km^2. The expansion of the mining concession area relates to the previously announced increase in the Talvivaara mineral resources, the full exploitation of which is not possible within the existing mining concession area.

Baseline studies of the environment and preparations for the Environmental Impact Assessment relating to the potential production expansion (Operation Overlord) and the expansion of the mining concession area continued during the third quarter.

In March 2011, Talvivaara submitted the environmental permit application for uranium extraction to the regional environmental permitting agency, with the decision on the permit expected during Q2 2012. In April 2010, Talvivaara applied to the Ministry of Employment and Economy for a permit to extract uranium as a by-product, in accordance with the Nuclear Energy Act. Processing of the permit application at the Ministry of Employment and Economy is ongoing and Talvivaara expects to obtain this permit in early 2012.

Safety

At the end of the third quarter, the injury frequency among the Talvivaara personnel was 13.9 lost time injuries/million working hours on a rolling 12 month basis (31 December 2010: 10.7 lost time injuries/million working hours).

Planned uranium extraction and uranium off-take agreement with Cameco Corporation

In February, Talvivaara signed a uranium off-take agreement with Cameco Corporation. Under the terms of the agreement, Cameco will provide an up-front investment, up to a maximum of USD 60 million, to cover the construction costs of the uranium extraction circuit and related facilities. Cameco's capital contribution will be repaid through deliveries of uranium concentrate in the initial years of the agreement.

Once the capital is repaid, Cameco will purchase the uranium concentrate produced at Sotkamo through a supply agreement that will be in effect until 31 December 2027. Cameco will provide Talvivaara with payment for the uranium based on a formula that references market prices at the time of delivery.

Annual uranium production is estimated at 350tU (ca. 770,000 pounds), corresponding to approximately 410t (900,000 pounds) of yellow cake (UO_4).

Cameco is providing technical assistance to Talvivaara in the design, construction, commissioning and operation of the uranium extraction circuit to be constructed at the Sotkamo mine.

The agreements between Talvivaara and Cameco are subject to ratification by the Euratom Supply Agency and the approval of the European Commission pursuant to the Euratom Treaty. These approvals are expected in late 2011.

During the third quarter, the construction permit for the uranium recovery facility was received, and construction work commenced. Commissioning of the facility, subject to receiving the necessary permits and authorizations, is expected during the second half of 2012.

Production expansion - Operation Overlord

Conceptual studies relating to production expansion beyond 50,000tpa of nickel continued. The dedicated project team consists of nine members with metallurgical, infrastructure, bioheapleaching, materials handling and project coordination expertise.

Scoping studies are currently based on the target of doubling up 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. Production of cobalt metal is also an option, but refining of zinc to zinc metal is currently not within the planning scope. For certain products and raw materials, e.g. manganese and sulphuric acid, joint ventures or other partnering arrangements will be investigated.

Investment into the expansion project is planned to be carried out in a modular fashion to allow stretching of the expenditure over an estimated 5-6 year period starting in 2013. 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.

Acquisition of an additional 4% shareholding in the operating subsidiary Talvivaara Sotkamo Ltd from Outokumpu Mining Oy

Talvivaara Mining Company signed an agreement on 1 June 2011 with Outokumpu Mining Oy and its parent company Outokumpu Oyj to acquire an additional 4% shareholding in Talvivaara Sotkamo Ltd. As a result of the acquisition, Talvivaara's ownership in Talvivaara Sotkamo increased from 80% to 84% and Outokumpu Mining's ownership decreased to 16%. The acquisition price for the 4% stake was EUR 60 million.

Simultaneously, Talvivaara entered into an exclusive option agreement with Outokumpu Mining Oy and Outokumpu Oyj (the "Option") whereby it will have the right, at its sole discretion, in one or more instalments, to acquire Outokumpu Mining's remaining 16% shareholding in Talvivaara Sotkamo for EUR 240 million at any time prior to 31 March 2012. Should Talvivaara choose to exercise the Option, entirely or partially, it will consider appropriate funding arrangements for the payment of the exercise price at that time.

Redemption of the Talvivaara-Murtomäki railroad by the Finnish State

In 2008-2009, Talvivaara constructed a 25 km railway connecting the Talvivaara mine with the national railway grid. Subject to agreed minimum transportation volumes on the railroad being achieved, the Finnish State agreed to reimburse the construction expenses to Talvivaara Infrastructure Ltd up to an amount of EUR 40 million (0% VAT) in two instalments and to redeem the railroad as part of the national rail grid. The first agreed transportation milestone was reached in 2010 and the Finnish State subsequently paid EUR 20 million in June 2010 as a partial reimbursement. The remaining minimum transportation volumes were reached in January 2011, and the Finnish State paid the remaining EUR 20 million in September 2011. In conjunction with the final reimbursement, the railroad became property of the Finnish State and part of the national rail network.

Inclusion of Talvivaara Mining Company in the OMX Helsinki 25 index

Talvivaara was included in the OMX Helsinki 25 index of the Helsinki Stock Exchange from 1 August 2011.

Annual General Meeting

Talvivaara's Annual General Meeting was held on 28 April 2011 in Sotkamo, Finland. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2010;
- that the annual fee payable to the members of the Board in 2012 be as follows: Chairman of the Board EUR 160,000, Deputy Chairman (Senior Independent Director) EUR 69,000, Chairman of the Audit Committee EUR 69,000, Chairman of the Nomination Committee EUR 53,000, Chairman of the Remuneration Committee EUR 53,000, Chairman of the Sustainability Committee EUR 53,000, other Non-executive Directors and Executive Directors EUR 48,000;
- that the number of Board members be seven and that Mr. Edward Haslam, Mr. Eero Niiva, Ms. Eileen Carr, Mr. D. Graham Titcombe, Mr. Pekka Perä, Mr. Tapani Järvinen and Ms. Saila Miettinen-Lähde be re-elected as Board Members;

- 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 2011;
- 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 repurchase authorisation is valid until 27 October 2012. The proposed authorisation replaces the authorisation to repurchase 10,000,000 shares granted by the Annual General Meeting of 15 April 2010; and
- that the Company shall issue stock options partly to the key employees and partly to the personnel of the Company and its subsidiaries. The maximum total number of stock options issued will be 5,500,000 and the stock options entitle their owners to subscribe for a maximum total of 5,500,000 new shares in the Company or to receive existing shares held by the Company. The beginning of the share subscription period shall require attainment of certain operational or financial targets determined by the Board annually.

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 relate to the ongoing ramp-up of operations. While the Company has demonstrated that all of its production processes work and can be operated on an industrial scale, the rate of ramp-up is still subject to risk factors, including various technical and operational risks, that may currently be unknown or are beyond the Company's control. In order to better mitigate operational risks going forward, Talvivaara has in place an ongoing production reliability programme, which targets at reducing downtime and risk of accidents through detailed evaluation of all equipment and processes and subsequent improvement of operating procedures and maintenance. The Company is also undertaking a detailed evaluation of management systems at the operational level and a concomitant performance improvement programme.

The market price of nickel is, together with production volumes, the main determinant of Talvivaara's revenues. The volatility of nickel price has historically been high and the volatility is in the Company's view likely to persist also in the future. Talvivaara is unhedged against variations in nickel prices, which means that nickel price volatility will have a substantial effect on the Company's revenues and results. Full or substantially full exposure to nickel prices is in line with Talvivaara's strategy and supported by the Company's view that it can operate the Talvivaara mine profitably also during the lows of commodity price cycles.

Talvivaara's revenues are determined mostly 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 currency exchange risk relating 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.

Personnel

The number of personnel employed by the Group on 30 September 2011 was 446 (Q3 2010: 370).

Wages and salaries paid during the three months to 30 September 2011 totalled EUR 4.9 million (Q3 2010: EUR 3.8 million). Wages and salaries paid during the nine months to 30 September 2011 totalled EUR 16.2 million (Q1-Q3 2010: EUR 12.2 million).

As part of the Group's long term incentive plan, the employees of Talvivaara resolved on 18 June 2011 to establish 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. Registration of the fund is pending at the Ministry of Employment and Economy.

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 September 2011 was 245,781,803. Including the effect of the EUR 85 million convertible bond of 14 May 2008, the EUR 225 million convertible bond of 16 December 2010 and the Option Scheme of 2007, the authorised full number of shares of the Company amounted to 290,636,391.

The share subscription period for stock options 2007A is between 1 April 2010 and 31 March 2012 and for stock options 2007B between 1 April 2011 and 31 March 2013. By 30 September 2011 a total of 340,586 Talvivaara Mining Company's new shares had been subscribed for under the stock option rights 2007A and a total of 1,992,514 stock option rights 2007A remain unexercised. A total of 48,763 new shares of Talvivaara were subscribed for under the stock option rights 2007B and a total of 2,284,337 stock option rights 2007B remain unexercised. In addition, a total of 214,736 new shares of the Company were subscribed for under the convertible bonds due 2015.

As at 30 September 2011, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.0 %), Varma Mutual Pension Insurance Company (8.6%), Ilmarinen Mutual Pension Insurance Company (5.7%) and Solidium Oy (5.1%).

Events after the review period

Operational and Management update

On 7 October 2011, Talvivaara announced a revised operating plan and strategic decision to focus on maximising profitability of operations rather than the production volume over the remainder of 2011, in response to the heightened volatility and uncertainty in the commodity and financial markets. During Q4 2011, savings will be sought by deferring approximately EUR 10 million of capital expenditure into 2012, as well as minimizing the use of contractors and optimizing the scale of mining operations. Based on the short-term foreseen availability of the metals recovery plant, the Company also rebased its full year 2011 production guidance to a minimum of 16,000t of nickel.

Simultaneously, Talvivaara announced a number of measures to address the improvement requirements of the management systems applied at the Company. Effective as of 1 October 2011, the production organization has been restructured into two operating divisions: the ore processes, i.e. mining and materials handling, and the metals processes, i.e. bioheapleaching and metals recovery. The management systems at the operational level are addressed through a detailed evaluation and concomitant performance improvement programme commencing in Q4 2011. All management systems are under review also on the corporate level, including reorganisation of the Executive Committee and redefinition of the duties within it.

Retirement from active executive duties of CEO Pekka Perä

On 7 October 2011, Talvivaara announced that CEO Pekka Perä had stated to the Board of Directors his decision to retire from active executive duties over the coming months. Consequently, the Company will seek to appoint a new CEO at the earliest opportunity, and Mr Perä has agreed to continue with his current duties until that time. Mr Perä has also confirmed that he intends to continue as an active member of the Board and to retain his current shareholding in the Company.

The Board has commenced the search for a new CEO and will update the market as appropriate, to ensure a smooth handover of responsibilities and effective transition.

Signing of the revolving credit facility amendment agreement

In October, an amendment agreement was signed by Talvivaara and the lending banks to an originally EUR 100 million revolving credit facility agreement. In addition to certain amendments to reflect Talvivaara's current stage of development, the facility was expanded to EUR 130 million and the maturity was extended by one year to June 2014. The lenders and arrangers of the facility are Nordea Bank, Sampo Bank, Svenska Handelsbanken and Pohjola Bank. The facility, which is currently undrawn, carries a varying margin of 1.75-3.00% depending on the Company's leverage ratio.

The amended EUR 130 million facility replaced the EUR 80 million commitment by Nordea Bank signed in June 2011, primarily as back-up financing relating to the acquisition of Talvivaara Sotkamo shares from Outokumpu Mining.

Strike of the Metal Workers Union and Trade Union Pro

The Finnish Metal Workers Union and the Trade Union Pro commenced a strike on 21 October 2011 across 40 companies within the technology industries. Certain mining companies including Talvivaara were however excluded from the scope of the strike. The strike ended on 24 October 2011.

Environmental permitting

The Kainuu Centre for Economic Development, Transport and the Environment (the "ELY Centre") resolved on 21 October 2011 that the increase in the annual production rate of the Talvivaara mine from approximately 30,000t to 50,000t of nickel will require a new Environmental Impact Assessment ("EIA"). The intended increase in the production rate was initially part of Talvivaara's renewal application for its existing environmental permit, submitted in March 2011. However, subsequent to the ELY Centre's decision, the target to increase the production rate was pulled from the renewal application in order to conduct the required EIA and to apply for the permit to produce 50,000tpa nickel separately.

The new EIA process has commenced and discussions with the authorities for the finalization of the programme are ongoing. The EIA relating to the 50,000tpa of nickel production rate will be conducted simultaneously with the EIA required for the potential increase of the production rate to up to 100,000tpa of nickel, and for the expansion of the mining concession area to 130 km^2. The EIA's are anticipated to be completed during the second half of 2012. Thereafter, Talvivaara intends to first apply for a permit to produce 50,000tpa of nickel with a separate application and, based on discussions with the authorities, anticipates obtaining the permit around mid-year 2013. The environmental permit application relating to the 100,000tpa of nickel production rate will also be submitted in 2012, but it is anticipated that the processing time of the application will be longer and that the permit can therefore only be obtained in early 2014.

Given that the environmental permit to produce 50,000tpa of nickel is expected to be obtained mid-year 2013, the change in the permitting agenda is not anticipated to have a material impact on Talvivaara's ramp-up schedule.

Short-term outlook

Operational outlook

The availability and utilization rate of the hydrogen sulphide generators and the overall metals recovery process are the critical factors in view of Talvivaara's short term production volumes. Since mid-October, both of Talvivaara's hydrogen sulphide generators are in production, and the entire metals recovery process is operating as anticipated. Talvivaara however expects to keep running the hydrogen sulphide generators below full capacity in order to avoid any further unscheduled downtime until a sufficient spare parts inventory has been received, expected by the year-end.

Based on current production output and the foreseen short term availability of the metals recovery plant, Talvivaara reiterates its production target for the current year at a minimum of 16,000 tonnes of nickel.

Production guidance for the coming year is being reassessed based on, amongst others, anticipated reliability and availability of the metals recovery plant, expected progress in the stacking of new ore and Talvivaara's revised short term operating plan. Further information relating to 2012 production and financial guidance will be released in connection with Talvivaara's Capital Markets Day on 17 November 2011.

Market outlook

The third quarter of 2011 was marked by heightened volatility and uncertainty across financial and commodity markets, driven by escalating macroeconomic concerns on global economic growth, Eurozone sovereign debt issues and robustness of the European banking system. The nickel price declined from a high of around USD 25,000 per tonne in July to a low of USD 17,570 per tonne at the quarter end.

In terms of nickel market fundamentals, however, LME nickel stocks have continued to decline and currently track around their lowest levels since early 2009. While a degree of new supply is expected to come on stream, the Company does not expect a significant shift of the supply-demand balance in the near term. Furthermore, as nickel prices declined during the quarter, a supply-side response especially from nickel pig iron producers was reported already at price levels around USD 19,000 per tonne. In a weaker nickel price environment, high-cost swing capacity is thus expected to be shut down also going forward, thereby supporting price levels.

While base metals, including nickel, have somewhat recovered during October and early November, volatility is expected to remain at an elevated level until there is more clarity on the growth trajectory of the global economy and on the policymakers' ability to contain the debt crisis in Europe. Barring a severe global recession, however, further significant downside to nickel prices would appear to be capped by marginal costs of production. Talvivaara continues to believe the longer term support level to be around USD 20,000 per tonne, although shorter term, macro-economy driven declines even substantially below this level remain possible.

9 November 2011

Talvivaara Mining Company Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	Unaudited three months to 30 Sep 11	Unaudited three months to 30 Sep 10	Unaudited nine months to 30 Sep 11	Unaudited nine months to 30 Sep 10
Net sales	**60,620**	**45,091**	**164,734**	**91,945**
Other operating income	1,136	532	2,557	17,243
Changes in inventories of finished goods and work in progress	2,562	20,938	42,236	53,097
Materials and services	(29,131)	(26,915)	(97,335)	(68,284)
Personnel expenses	(5,708)	(4,590)	(19,129)	(14,446)
Depreciation, amortization, depletion and impairment charges	(11,668)	(13,159)	(34,484)	(38,191)
Other operating expenses	(12,277)	(10,966)	(42,612)	(30,234)
Operating profit (loss)	**5,534**	**10,931**	**15,967**	**11,130**
Finance income	170	2,028	961	6,892
Finance cost	(10,025)	(6,137)	(27,781)	(27,026)
Finance income (cost) (net)	(9,855)	(4,109)	(26,820)	(20,134)
Profit (loss) before income tax	**(4,321)**	**6,822**	**(10,853)**	**(9,004)**
Income tax expense	921	(1,748)	1,909	2,154
Profit (loss) for the period	**(3,400)**	**5,074**	**(8,944)**	**(6,850)**
Attributable to:				
Owners of the parent	(3,577)	3,576	(10,178)	(7,889)
Non-controlling interest	177	1,498	1,234	1,039
	(3,400)	**5,074**	**(8,944)**	**(6,850)**
Earnings per share for profit (loss) attributable to the owners of the parent expressed in EUR per share)				
Basic and diluted	(0.02)	0.01	(0.05)	(0.03)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 30 Sep 11	Unaudited three months to 30 Sep 10	Unaudited nine months to 30 Sep 11	Unaudited nine months to 30 Sep 10
Profit (loss) for the period	**(3,400)**	**5,074**	**(8,944)**	**(6,850)**
Other comprehensive income, items net of tax				
Cash flow hedges	(2,506)	(2,696)	(7,385)	(8,572)
Other comprehensive income, net of tax	**(2,506)**	**(2,696)**	**(7,385)**	**(8,572)**
Total comprehensive income	**(5,906)**	**2,378**	**(16,329)**	**(15,422)**
Attributable to:				
Owners of the parent	(5,682)	1,419	(16,381)	(14,747)
Non-controlling interest	(224)	959	52	(675)
	(5,906)	**2,378**	**(16,329)**	**(15,422)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	**Unaudited As at 30 Sep 11**	**Audited As at 31 Dec 10**	**Unaudited As at 30 Sep 10**
ASSETS			
Non-current assets			
Property, plant and equipment	751,448	728,226	687,226
Biological assets	8,793	8,464	8,474
Intangible assets	7,485	7,737	7,758
Deferred tax assets	25,847	20,552	26,748
Other receivables	2,986	7,626	7,616
Available-for-sale financial assets	630	464	-
	797,189	773,069	737,822
Current assets			
Inventories	225,038	175,361	160,389
Trade receivables	47,602	52,354	33,716
Other receivables	5,806	8,702	6,189
Derivative financial instruments	237	40	-
Cash and cash equivalent	38,555	165,555	5,976
	317,238	402,012	206,270
Assets held for sale	-	39,391	39,391
Total assets	**1,114,427**	**1,214,472**	**983,483**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	80	80	80
Share issue	-	91	-
Share premium	8,086	8,086	8,086
Hedge reserve	1,665	7,494	9,709
Other reserves	448,802	433,012	439,784
Retained earnings	(152,646)	(80,068)	(79,257)
	305,987	368,695	378,402
Non-controlling interest in equity	14,238	16,895	16,091
Total equity	320,225	385,590	394,493
Non-current liabilities			
Borrowings	421,982	437,623	239,769
Advance payments	227,344	225,068	228,324
Trade payables	-	17	29
Derivative financial instruments	-	-	1,553
Provisions	5,860	3,935	2,987
	655,186	666,643	472,662
Current liabilities			
Borrowings	26,761	42,934	29,601
Advance payments	14,800	34,800	32,658
Trade payables	35,607	39,408	31,361
Other payables	61,074	43,820	21,880
Derivative financial instruments	774	1,277	828
	139,016	162,239	116,328
Total liabilities	794,202	828,882	588,990
Total equity and liabilities	**1,114,427**	**1,214,472**	**983,483**

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
1.1.2010	**80**	**-**	**8 086**	**16 567**	**401 248**	**16 200**	**(71 368)**	**370 813**	**11 784**	**382 597**
Profit (loss) for the period	-	-	-	-	-	-	(7 889)	(7 889)	1 039	(6 850)
Other comprehensive income										
- Cash flow hedges	-	-	-	(6 858)	-	-	-	(6 858)	(1 714)	(8 572)
Total comprehesive income for the period	**-**	**-**	**-**	**(6 858)**	**-**	**-**	**(7 889)**	**(14 747)**	**(675)**	**(15 422)**
Transactions with owners										
Stock options	-	-	-	-	364	-	-	364	-	364
Perpetual capital loan	-	-	-	-	-	19 925	-	19 925	4 982	24 907
Employee share option scheme										
- value of employee services	-	-	-	-	-	2 047	-	2 047	-	2 047
Total contribution by and distribution to owners	-	-	-	-	364	21 972	-	22 336	4 982	27 318
Total transactions with owners	-	-	-	-	364	21 972	-	22 336	4 982	27 318
30.9.2010	**80**	**-**	**8 086**	**9 709**	**401 612**	**38 172**	**(79 257)**	**378 402**	**16 091**	**394 493**
31.12.2010	**80**	**91**	**8 086**	**7 494**	**401 612**	**31 400**	**(80 068)**	**368 695**	**16 895**	**385 590**
1.1.2011	**80**	**91**	**8 086**	**7 494**	**401 612**	**31 400**	**(80 068)**	**368 695**	**16 895**	**385 590**
Profit (loss) for the period	-	-	-	-	-	-	(10 178)	(10 178)	1 234	(8 944)
Other comprehensive income										
- Cash flow hedges	-	-	-	(6 203)	-	-	-	(6 203)	(1 182)	(7 385)
Total comprehesive income for the period	**-**	**-**	**-**	**(6 203)**	**-**	**-**	**(10 178)**	**(16 381)**	**52**	**(16 329)**
Transactions with owners										
Stock options	-	(91)	-	-	658	-	-	567	-	567
Conversion of convertible bond	-	-	-	-	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	-	-	-	-	70	-	-	70	-	70
Convertible bond, equity component	-	-	-	-	9 018	-	-	9 018	-	9 018
Employee share option scheme						-				
- value of employee services	-	-	-	-	3 248	-	-	3 248	-	3 248
Total contribution by and distribution to owners	-	(91)	-	374	14 794	996	(62 400)	(46 327)	(2 709)	(49 036)
Total transactions with owners	-	(91)	-	374	14 794	996	(62 400)	(46 327)	(2 709)	(49 036)
30.9.2011	**80**	**-**	**8 086**	**1 665**	**416 406**	**32 396**	**(152 646)**	**305 987**	**14 238**	**320 225**

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	**Unaudited three months to 30 Sep 11**	**Unaudited three months to 30 Sep 10**	**Unaudited nine months to 30 Sep 11**	**Unaudited nine months to 30 Sep 10**
Cash flows from operating activities				
Profit (loss) for the period	(3,400)	5,074	(8,944)	(6,850)
Adjustments for				
Tax	(921)	1,748	(1,909)	(2,154)
Depreciation and amortization	11,668	13,159	34,484	38,191
Other non-cash income and expenses	(8,824)	(2,060)	(26,816)	(4,364)
Interest income	(170)	(2,028)	(961)	(6,892)
Fair value gains (losses) on financial assets at fair value through profit or loss	58	(3,638)	(327)	(20,280)
Interest expense	10,026	6,137	27,781	27,026
	8,437	18,392	23,308	24,677
Change in working capital				
Decrease(+)/increase(-) in other receivables	(23,324)	(10,030)	14,383	(19,774)
Decrease (+)/increase (-) in inventories	(5,934)	(23,566)	(49,677)	(50,878)
Decrease(-)/increase(+) in trade and other payables	30,673	(20,040)	8,026	14,253
Change in working capital	1,415	(53,636)	(27,268)	(56,399)
	9,852	(35,244)	(3,960)	(31,722)
Interest and other finance cost paid	(2,573)	(3,154)	(14,087)	(16,364)
Interest and other finance income	716	2,002	1,055	52,820
Net cash generated (used) in operating activities	7,995	(36,396)	(16,992)	4,734
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	-	-	(61,487)	-
Purchases of property, plant and equipment	(21,938)	(36,721)	(57,322)	(91,899)
Purchases of biological assets	(29)	-	(64)	(7)
Purchases of intangible assets	(71)	(153)	(175)	(277)
Proceeds from sale of property, plant and equipment	19,995	-	19,995	-
Proceeds from sale of biological assets	25	-	257	76
Proceeds from sale of intangible assets	5	-	5	-
Purchases of financial assets at fair value through profit or loss	-	-	(12,010)	-
Purchases of available-for-sale financial assets	(39)	-	(167)	-
Proceeds from sale of financial assets at fair value through profit or loss	12,022	-	12,022	-
Net cash generated (used) in investing activities	9,970	(36,874)	(98,946)	(92,107)
Cash flows from financing activities				
Realised stock options	156	13	567	364
Proceeds from interest-bearing liabilities	9,949	50,000	11,016	56,539
Perpetual capital loan	-	-	(3,042)	24,875
Proceeds from advance payments	-	-	7,000	263,419
Payment of interest-bearing liabilities	(24,143)	(6,198)	(26,603)	(263,725)
Net cash generated (used) in financing activities	(14,038)	43,815	(11,062)	81,472
Net increase (decrease) in cash and cash equivalents	3,927	(29,455)	(127,000)	(5,901)
Cash and cash equivalents at beginning of the period	34,628	35,431	165,555	11,877
Cash and cash equivalents at end of the period	38,555	5,976	38,555	5,976

NOTES

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 2010.

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 11	336,59	21,035	257,613	206,227	821,473
Additions	329	56,916	73	4	57,322
Disposals	-	-	(66)	-	(66)
Transfer to assets held for sale	-	-	27	1	28
Transfers	10,888	(14,228)	2,584	756	-
Gross carrying amount at 30 Sep 11	347,815	63,723	260,231	206,988	878,757
Accumulated depreciation and impairment losses at 1 Jan 11	39,793	-	21,150	32,304	93,247
Depreciation for the period	19,852	-	8,571	5,639	34,062
Accumulated depreciation and impairment losses at 30 Sep 11	59,645	-	29,721	37,943	127,309
Carrying amount at 1 Jan 11	296,805	21,035	236,463	73,923	728,226
Carrying amount at 30 Sep 11	**288,170**	**63,723**	**230,510**	**169,045**	**751,448**

3. Trade receivables

(all amounts in EUR '000)

	30 Sep 11	31 Dec 10
Nickel-Cobalt sulphide	45,690	50,437
Zinc sulphide	1,912	1,917
Total trade receivables	**47,602**	**52,354**

4. Inventories

(all amounts in EUR '000)

	30 Sep 11	31 Dec 10
Raw materials and consumables	16,109	8,668
Work in progress	195,453	154,632
Finished products	13,476	12,061
Total inventories	**225,038**	**175,361**

5. Borrowings

(all amounts in EUR '000)

Non-current	**30 Sep 11**	**31 Dec 10**
Senior Unsecured Convertible Bonds due 2015	215,068	219,426
Senior Unsecured Convertible Bonds due 2013	80,125	78,086
Investment and Working Capital loan	57,771	57,324
Finance lease liabilities	42,953	53,018
Capital loans	1,405	1,405
Other	24,660	28,364
	421,982	**437,623**
Current		
Commercial papers	9,969	-
Railway Term Loan Facility	-	18,527
Finance lease liabilities	16,077	20,211
Interest Subsidy Loans	-	4,196
Investment and Working Capital loan	715	-
	26,761	**42,934**
Total borrowings	**448,743**	**480,557**

6. Advance payments

(all amounts in EUR '000)

Non-current	**30 Sep 11**	**31 Dec 10**
Deferred zinc sales revenue	220,344	225,068
Deferred uranium sales revenue	7,000	-
	227,344	**225,068**
Current		
Deferred zinc sales revenue	14,800	14,800
Advance payment on railway	-	20,000
	14,800	**34,800**
Total advance payments	**242,144**	**259,868**

Adjustments to reported financial information for prior periods

In February 2010, Talvivaara completed a long-term Zinc in Concentrate Streaming Agreement with Nyrstar. Under the terms of the agreement, Talvivaara shall deliver all of its zinc in concentrate production to Nyrstar until a total of 1,250,000 metric tonnes has been delivered. Talvivaara received an advance payment of USD 335 million from Nyrstar for the agreed deliveries. The advance payment was initially classified as a monetary liability and translated to euros on the basis of end-of-period exchange rates. Exchange rate gains and losses were recognised on the income statement as finance income or cost.

The Company has reclassified the advance payment as a non-monetary liability and restated the financial statements of prior periods according to IAS 8. The reclassification better reflects the financial nature of the transaction, as the advance payment is repaid through physical deliveries and therefore there is no actual foreign exchange risk. The reclassification does not have any impact on the operating earnings or cash flows of prior periods. The adjusted amounts and financial statement line items affected are presented below for each prior period.

Deferred tax assets	31 Mar 10	30 Jun 10	30 Sep 10	31 Dec 10	31 Mar 11	30 Jun 11
Initial value	28,222	35,199	27,272	22,421	18,927	21,104
Adjustment	(1,330)	(7,652)	(524)	(1,869)	1,939	2,943
Adjusted value	26,892	27,547	26,748	20,552	20,866	24,047
Equity	**31 Mar 10**	**30 Jun 10**	**30 Sep 10**	**31 Dec 10**	**31 Mar 11**	**30 Jun 11**
Initial value	388,779	369,915	393,000	380,272	399,204	333,635
Adjustment	3,786	21,776	1,493	5,318	(5,516)	(8,377)
Adjusted value	392,565	391,691	394,493	385,590	393,688	325,258
Advance payments	**31 Mar 10**	**30 Jun 10**	**30 Sep 10**	**31 Dec 10**	**31 Mar 11**	**30 Jun 11**
Initial value	248,535	291,571	262,999	267,055	257,713	252,547
Adjustment	(5,116)	(29,428)	(2,017)	(7,187)	7,456	11,320
Adjusted value	243,419	262,143	260,982	259,868	265,168	263,867
Profit/loss (-) for the period	**1.1.-31.3.10**	**1.4.-30.6.10**	**1.7.-30.9.10**	**1.10.-31.12.10**	**1.1.-31.3.11**	**1.7.-30.6.11**
Initial value	(16,936)	(16,764)	25,357	(4,709)	12,784	(4,633)
Adjustment	3,786	17,990	(20,283)	3,825	(10,834)	(2,861)
Adjusted value	(13,150)	1,226	5,074	(884)	1,950	(7,494)
Earnings per share	**1.1.-31.3.10**	**1.4.-30.6.10**	**1.7.-30.9.10**	**1.10.-31.12.10**	**1.1.-31.3.11**	**1.7.-30.6.11**
Initial value	(0.06)	(0.06)	0.08	(0.02)	0.03	(0.02)
Adjustment	0.02	0.06	(0.07)	0.01	(0.04)	(0.01)
Adjusted value	(0.04)	(0.00)	0.01	(0.01)	(0.00)	(0.03)

Key figures have been adjusted accordingly.

7. Changes in the number of shares issued

	Number of shares
31 Dec 10	**245,316,718**
Stock options 2007A and 2007B	249,349
Conversion of senior unsecured Convertible Bonds due 2015	215,736
30 Sep 11	**245,781,803**

8. Contingencies and commitments

(all amounts in EUR '000)

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

	30 Sep 11	31 Dec 10
Not later than 1 year	1,722	1,175
Later than 1 year and not later than 5 years	1,935	1,993
Later than 5 years	-	11
	3,657	3,179

Capital commitments

At 30 September 2011, the Group had capital commitments 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.

Talvivaara Mining Company Plc

Key financial figures of the Group

		Three months to 30 Sep 11	Three months to 30 Sep 10	Nine months to 30 Sep 11	Nine months to 30 Sep 10	Twelve months to 30 Dec 10
Net sales	EUR '000	60,620	45,091	164,734	91,945	152,163
Operating profit (loss)	EUR '000	5,534	10,931	15,967	11,130	25,456
Operating profit (loss) percentage		9.1 %	24.2 %	9.7 %	12.1 %	16.7 %
Profit (loss) before tax	EUR '000	(4,321)	6,822	(10,853)	(9,004)	(2,722)
Profit (loss) for the period	EUR '000	(3,400)	5,074	(8,944)	(6,850)	(7,734)
Return on equity		-1.1 %	1.3 %	-2.5 %	-1.8 %	-2.0 %
Equity-to-assets ratio		28.7 %	40.1 %	28.7 %	40.1 %	31.7 %
Net interest-bearing debt	EUR '000	410,188	263,394	410,188	263,394	315,002
Debt-to-equity ratio		128.1 %	66.8 %	128.1 %	66.8 %	81.7 %
Return on investment		0.9 %	1.7 %	2.3 %	2.7 %	2.8 %
Capital expenditure	EUR '000	22,038	36,874	57,561	92,183	115,658
Research & development expenditure	EUR '000	-	-	-	63	365
Property, plant and equipment	EUR '000	751,448	687,226	751,448	687,226	728,226
Derivative financial instruments	EUR '000	(537)	2,381	(537)	2,381	(1,237)
Borrowings	EUR '000	448,743	269,370	448,743	269,370	480,557
Cash and cash equivalents at the end of the period[1]	EUR '000	38,555	5,976	38,555	5,976	165,555

[1)] Including financial assets at fair value through profit or loss

Share-related key figures

		Three months to 30 Sep 11	Three months to 30 Sep 10	Nine months to 30 Sep 11	Nine months to 30 Sep 10	Twelve months to 30 Dec 10
Earnings per share	EUR	(0.02)	0.01	(0.05)	(0.03)	(0.04)
Equity per share	EUR	1.25	1.54	1.25	1.54	1.50
Development of share price at London Stock Exchange						
Average trading price[1]	EUR	3.95	4.98	5.19	4.59	4.89
	GBP	3.44	4.15	4.56	3.94	4.20
Lowest trading price[1]	EUR	2.89	4.32	2.87	3.99	3.99
	GBP	2.52	3.60	2.52	3.42	3.42
Highest trading price[1]	EUR	5.24	5.90	7.09	5.74	7.11
	GBP	4.57	4.92	6.22	4.92	6.10
Trading price at the end of the period[2]	EUR	2.91	5.72	2.91	5.72	6.92
	GBP	2.52	4.92	2.52	4.92	5.96
Change during the period		-45.8 %	34.7 %	-57.7 %	27.3 %	54.2 %
Price-earnings ratio		neg.	392	neg.	neg.	neg.
Market capitalization at the end of the period[3]	EUR '000	714,672	1,402,951	714,672	1,402,951	1,697,196
	GBP '000	619,370	1,206,468	619,370	1,206,468	1,460,861
Development in trading volume						
Trading volume	1000 shares	15,709	11,247	42,056	77,074	93,802
In relation to weighted average number of shares		6.4 %	4.6 %	17.1 %	31.4 %	38.2 %
Development of share price at OMX Helsinki						
Average trading price	EUR	3.87	5.09	5.46	4.66	5.18
Lowest trading price	EUR	2.97	4.35	2.97	3.99	3.99
Highest trading price	EUR	5.11	5.72	7.34	5.72	7.18
Trading price at the end of the period	EUR	2.97	5.68	2.97	5.68	7.07
Change during the period		-42.4 %	27.6 %	-58.0 %	31.2 %	63.3 %
Price-earnings ratio		neg.	389	neg.	neg.	neg.
Market capitalization at the end of the period	EUR '000	730,464	1,392,829	730,464	1,392,829	1,734,389
Development in trading volume						
Trading volume	1000 shares	34,256	21,058	116,983	97,450	140,115
In relation to weighted average number of shares		14.0 %	8.6 %	47.6 %	39.7 %	57.1 %
Adjusted average number of shares		245,540,343	245,216,366	245,540,343	245,216,366	245,241,660
Fully diluted average number of shares		244,436,343	257,969,064	244,436,343	257,969,064	245,241,660
Number of shares at the end of the period		245,781,803	245,316,718	245,781,803	245,316,718	245,316,718

1) Trading price is calculated on the average of EUR/GBP exchange rates published by the European Central Bank during the period.
2) Trading price is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.
3) Market capitalization is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.

Employee-related key figures

		Three months to 30 Sep 11	Three months to 30 Sep 10	Nine months to 30 Sep 11	Nine months to 30 Sep 10	Twelve months to 30 Dec 10
Wages and salaries	EUR '000	4,927	3,828	16,189	12,209	16,652
Average number of employees		471	379	443	356	362
Number of employees at the end of the period		446	370	446	370	389

Other figures

	Three months to 30 Sep 11	Three months to 30 Sep 10	Nine months to 30 Sep 11	Nine months to 30 Sep 10	Twelve months to 30 Dec 10
Share options outstanding at the end of the period	5,735,851	5,065,100	5,735,851	5,065,100	5,950,822
Number of shares to be issued against the outstanding share options	5,735,851	5,065,100	5,735,851	5,065,100	5,950,822
Rights to vote of shares to be issued against the outstanding share options	2.3 %	2.0 %	2.3 %	2.0 %	2.4 %

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

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

Share-related key figures

Earnings per share

$$\frac{\text{Profit (loss) attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$$

Equity per share

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

Market capitalization at the end of the period

Number of shares at the end of the period * trading price at the end of the period