TALVIVAARA MINING COMPANY PLC
INTERIM REPORT
JANUARY - JUNE 2010

Interim Report
25 August 2010

Talvivaara Mining Company Interim Report for January - June 2010

Second quarter highlights

- Payable nickel and zinc production 2,729 tonnes and 5,575 tonnes, respectively; new production records set each month
- Net sales EUR 35.2 million, operating profit EUR 2.5 million
- EUR 100 million corporate revolving credit facility signed in June
- Second production line at the metals recovery plant successfully commissioned in June
- Permit application to extract uranium as a by-product lodged in April; Environmental Impact Assessment relating to uranium recovery ongoing

Half year highlights

- Payable nickel and zinc production 3,339 tonnes and 8,535 tonnes, respectively
- Net sales EUR 46.9 million, operating profit EUR 0.2 million
- Zinc streaming agreement with Nyrstar NV for 1.25 million tonnes of zinc in concentrate completed in February; pre-payment of USD 335 million received from Nyrstar
- Project Term Loan Facility of USD 320 million fully repaid in February using the proceeds of the zinc streaming agreement
- All nickel, zinc and foreign exchange risk hedging positions associated with the Project Term Loan Facility closed in February for net proceeds of EUR 46 million

Production guidance

Nickel output at the Talvivaara mine increased from 610 t in the first quarter to 2,729 t in the second quarter, demonstrating good progress in the production ramp-up. An additional ca. 50% increase in quarterly production is anticipated in the third quarter. With the commissioning of the second hydrogen plant in October 2010, the fourth quarter production is expected to reach a level that allows the Company to achieve total nickel production of ca. 15,000 t during the current year. Talvivaara continues to expect the annualized production rate to exceed 30,000 t before the year end and the full scale production target of 50,000 t per annum to be achievable in 2012.

Key figures

EUR million	**Q2 2010**	Q2 2009	**Q1-Q2 2010**	Q1-Q2 2009	Q1-Q4 2009
Net sales	**35.2**	1.7	**46.9**	1.8	7.6
Operating profit (loss)	**2.5**	(10.1)	**0.2**	(7.9)	(54.8)
Profit (loss) for the period	**(16.8)**	(2.4)	**(33.7)**	(11.2)	(55.0)
Earnings per share, EUR	**(0.06)**	(0.01)	**(0.12)**	(0.04)	(0.19)
Equity-to-assets ratio	**38.4%**	44.5 %	**38.4 %**	44.5%	43.5 %
Net interest-bearing debt	**190.7**	397.4	**190.7**	397.4	426.2
Debt-to-equity ratio	**51.6%**	108.4%	**51.6 %**	108.4 %	111.4 %
Capital expenditure	**36.3**	28.0	**55.3**	57.7	118.5
Cash and cash equivalents at the end of the period	**35.4**	24.3	**35.4**	24.3	11.9
Number of employees at the end of the period	**382**	276	**382**	276	308

CEO Pekka Perä:

"I am pleased to report that we set new production records every month during the second quarter. The positive development in ramp-up also helped us generate an operating profit both for the second quarter and the half year.

The successful commissioning of the second production line at our metals recovery plant was a major milestone and a pre-requisite for further increases in production volumes going forward. I am also happy to note that since its start-up in June, the new production line has demonstrated a clearly better early track record than the first line in terms of availability and consistency of operation.

Our main operational challenge during the period continued to be the mitigation of hydrogen sulphide odour discharges. At present, the issue is under control in normal operating conditions, but work continues to improve the gas scrubbing capacity to also handle occasional fluctuations in hydrogen sulphide discharges that may result from volume or other variations in the production process.

We regard the outlook for nickel as generally positive with industrial demand anticipated to improve after the summer season and going into the final quarter of the year. We anticipate this to support the recent price range, which has varied from around USD 19,000/t in June to more than USD 22,000/t in August. The upward trend over the summer appears to have been mainly financial investor driven with the euro/dollar movements and rather erratic macroeconomic signals also having played a role.

In the short term we expect to sustain our ramp-up in metal output and are confident that our cash flow will turn positive before the end of this financial year."

Webcast and conference call on 25 August 2010 at 12:00 pm UK / 2:00 pm Finland

A combined webcast and conference call on the interim report for January-June 2010 will be held at 12:00 pm UK / 2:00 pm Finland on 25 August 2010. The webcast can be accessed through the following link:

http://qsb.webcast.fi/t/talvivaara/talvivaara_2010_0825_q2/

Details for the conference call:
Conference id: 873473
Participant - UK: +44 (0)20 7162 0025
Participant - North America Free phone: +1 877 491 0064
Participant - Finland: +358 (0)9 2313 9201

Further details on the event can be found on the Talvivaara website, www.talvivaara.com. The webcast will also be available for viewing afterwards on the Talvivaara website and through the above link.

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Financial review

Second quarter 2010

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the three months ended 30 June 2010 amounted to EUR 35.2 million (Q2 2009: EUR 1.7 million).

The Group's other operating income mainly from fair value gains on biological assets (trees) amounted to EUR 1.3 million (Q2 2009: EUR 6.3 million). Other operating expenses amounted to EUR (7.8) million (Q2 2009: EUR (9.4) million) and included realised losses of EUR (1.1) million on interest rate swaps. Operating profit for Q2 2010 was EUR 2.5 million (Q2 2009: loss of EUR 10.1 million). The loss for the period amounted to EUR (16.8) million (Q2 2009: EUR (2.4) million).

Capital expenditure during the quarter totalled EUR 36.3 million (Q2 2009: EUR 28.0 million). The expenditure related primarily to earth works at the secondary heap foundations, installation of the second production line at the metals recovery plant, and to the secondary heap stacker and conveyors.

First half 2010

Talvivaara's net sales during the six months ended 30 June 2010 amounted to EUR 46.9 million (Q1-Q2 2009: EUR 1.8 million). 3,024 tonnes of nickel, 8,640 tonnes of zinc, and approximately 25 tonnes of cobalt were sold during the period.

The Group's other operating income mainly from fair value gains on biological assets (trees) and realised gains on nickel and zinc forwards amounted to EUR 16.7 million (Q1-Q2 2009: EUR 25.6 million).

Employee benefit expenses including the value of employee expenses related to the employee share option scheme of 2007 were EUR (9.9) million (Q1-Q2 2009: EUR (8.1) million). The increase was attributable to the increased number of personnel.

Other operating expenses amounted to EUR (19.3) million (Q1-Q2 2009: EUR (15.5) million) and included realised losses of EUR (4.0) million on interest rate swaps and USD forwards. Operating profit amounted to EUR 0.2 million (Q1-Q2 2009: loss of EUR 7.9 million).

Finance income for the six month period was EUR 4.9 million (Q1-Q2 2009: EUR 7.0 million) and consisted mainly of exchange rate gains of EUR 4.8 million on bank accounts. Finance costs of EUR (50.3) million (Q1-Q2 2009: EUR (13.8) million) were caused by exchange rate losses of EUR (41.5) million on the USD 320 million Project Term Loan Facility and on the USD 335 million Nyrstar advance payment as well as interests of EUR (8.5) million on borrowings.

The Company's loss for the period amounted to EUR (33.7) million (Q1-Q2 2009: EUR (11.2) million). The total comprehensive income for the first half of 2010 was EUR (39.6) million (Q1-Q2 2009: EUR (58.6) million), including a reduction in hedge reserves resulting from the occurrence of the hedged sales.

Capital expenditure during the first half of 2010 totalled EUR 55.3 million (Q1-Q2 2009: EUR 57.7 million). The expenditure related primarily to the construction of heap foundations, installation of the second production line of the metals recovery plant, and to the secondary heap stacker and conveyors. On the consolidated statement of financial position as at 30 June 2010, property, plant and equipment totalled EUR 663.2 million (31 December 2009: EUR 644.4 million).

During 2008-2009, Talvivaara Infrastructure Oy constructed a new railhead connecting the mine site with the national railway grid. As of 30 June 2010, the railway has been classified to assets held for sale. Property, plant and equipment was reduced by EUR 39.4 million due to the reclassification.

In the Group's assets, inventories amounted to EUR 136.8 million on 30 June 2010 (31 December 2009: EUR 109.5 million). The nickel, zinc and USD forwards were closed in Q1 2010 and as at 30 June 2010 the derivative financial instruments consisted of interest rate swaps, which were valued at EUR (2.4) million (derivative financial assets on 31 December 2009: EUR 33.1 million). Cash and cash equivalents totalled EUR 35.4 million (31 December 2009: EUR 11.9 million).

In equity and liabilities, the total equity amounted to EUR 369.9 million on 30 June 2010 (31 December 2009: EUR 382.6 million), including approximately EUR 25 million from a perpetual capital loan. A total of 135,000 new shares were subscribed and paid for during the first half of 2010 under the company's stock option rights 2007A and the entire subscription price of 0.4 million was recognized in equity.

Borrowings decreased from EUR 438.1 million on 31 December 2009 to EUR 226.2 million on 30 June 2010, reflecting the repayment of a USD 320 million Project Term Loan Facility in February 2010. Talvivaara received a total of EUR 292 million in advance payments during the period, comprising USD 335 million for the Zinc in Concentrate Streaming Agreement with Nyrstar NV, and EUR 20 million paid by the Finnish State as an advance payment for the redemption of the Talvivaara-Murtomäki railway. In short-term liabilities, accounts payable amounted to EUR 31.6 million (31 December 2009: EUR 29.7 million) and other payables amounted to EUR 39.8 million (31 December 2009: EUR 9.9 million). Other payables included a factoring debt of EUR 27.5 million relating to nickel and cobalt sales to Norilsk Nickel.

Total equity and liabilities as at 30 June 2010 amounted to EUR 963.8 million (31 December 2009: EUR 879.0 million).

Currency and commodity hedges and hedge accounting

In connection with the repayment of the USD 320 million Project Term Loan Facility in February 2010, the Group closed all of its commodity and foreign exchange risk hedging positions realising net proceeds of EUR 46.0 million. Cash flows from operating activities were positive due to the closing of the hedges.

Financing

On 30 June 2010, Talvivaara signed a EUR 100 million three-year revolving multicurrency credit facility with Nordea Bank, Handelsbanken and Sampo Bank. The facility has a margin of 300 bps until 31 December 2010 and thereafter a varying margin of 175-300 bps depending on the Company's leverage ratio. The facility is intended for general corporate purposes.

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

In June, the Finnish Government paid the first 50% installment towards the EUR 40 million (0% VAT) reimbursement granted for the Talvivaara-Murtomäki railroad. The installment was used in its entirety to partially repay the EUR 41.0 million loan facility drawn down by Talvivaara Infrastructure Oy to finance the construction of the railroad.

In February 2010, Talvivaara completed a Zinc in Concentrate Streaming Agreement with Nyrstar NV. For the agreement, Nyrstar paid a USD 335 million advance payment, the majority of which was used to completely pre-pay the USD 320 million Project Term Loan Facility.

In February 2010, Talvivaara also drew down a EUR 25 million perpetual capital loan, which is recognized in equity according to IFRS, and a EUR 5 million convertible loan from Outokumpu Mining Ltd.

Commercial arrangements

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

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

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

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

Production review

Production ramp-up at the Talvivaara mine made significant progress during the second quarter despite some continued production restrictions due to the hydrogen sulphide odour. New production records were set by all departments in April-June and payable metals production for the period amounted to 2,729 t (Q2 2009: 298 t) of nickel and 5,575 t (Q2 2009: 706 t) of zinc. The corresponding figures for the half year were 3,339 t (Q1-Q2 2009: 460 t) for nickel and 8,535 t (Q1-Q2 2009: 706 t) for zinc.

The mining department increased its output both for ore and for waste rock compared to the first quarter as well as all earlier periods. The ore mined in the second quarter amounted to 3.5 Mt (Q2 2009: 2.4 Mt) and during the half year to 6.6 Mt (Q1-Q2 2009: 6.3 Mt). The waste mining was primarily targeted at providing material for levelling the ground for the secondary heap foundations, while increased ore mining was budgeted as part of the ongoing production ramp-up.

In materials handling, the amount of crushed and stacked ore in the second quarter was 3.7 Mt, hence exceeding the previous quarter's output of 3.3 Mt. The crushing output on a daily level already exceeded the volumes needed for the targeted full scale production of 22-24 million tonnes per year, but the availability of the circuit was not yet sufficient to maintain such levels for extended periods of time. In order to overcome this limitation, two additional crushers in the tertiary crushing stage were installed in June, with further increase in crushing volumes expected in the third quarter.

Bioheapleaching progressed in line with expectations with primary heap section 2 providing most of the leach solution treated at the metals recovery plant during the second quarter. Construction of heap section 3 was completed in early June and stacking of heap section 4 commenced thereafter. Heap section 1, which has suffered from back-precipitation of metals, is being turned over by excavators in order to increase metal grades in solution obtained from this section. This procedure is improving the solution grades and some solution from heap section 1 is being used for metals recovery since June. Construction of the secondary heap foundations continued throughout the second quarter with the target of commissioning the reclaiming and secondary stacking systems in October 2010, as planned.

A major milestone was achieved in metals recovery with the commissioning of the second production line in June. With experience gained from operating the first line, many of the technical issues that had affected the start-up of the first line had been fixed for the second one, making its commissioning relatively uneventful.

Metals recovery rates continued to be affected by the hydrogen sulphide odour that occasionally spreads to nearby communities. Measures were taken to improve the gas scrubbing capacity, and the situation improved towards the end of the second quarter to a level that allows normal operation of both production lines. However, installation of additional gas scrubbing capacity continues during the third quarter in order to build sufficient buffer into the system such that also occasional higher discharge levels can be satisfactorily handled.

Operating expenses during the half year were materially in line with the budget.

Production key figures

		Q2 2010	Q2 2009	Q1-Q2 2010	Q1-Q2 2009	Q1-Q4 2009
Mining						
Blasted ore	million tonnes	**3.5**	2.4	**6.6**	6.3	10.8
Excavated waste	million tonnes	**4.1**	0.9	**6.5**	1.8	4.3
Materials handling						
Stacked ore	million tonnes	**3.7**	2.1	**7.0**	4.0	8.5
Bioheapleaching						
Ore in primary heap	million tonnes	**18.0**	6.5	**18.0**	6.5	11.0
Metals recovery						
Nickel sulphide production	dry metric tonnes	**5,266**	402	**6,485**	460	1,525
Nickel metal content	tonnes	**2,729**	198	**3,339**	224	735
Zinc sulphide production	dry metric tonnes	**8,616**	794	**13,542**	1,254	5,271
Zinc metal content	tonnes	**5,575**	538	**8,535**	706	3,133

Permitting process ongoing for the extraction of uranium as a by-product

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

The planned investment in the solvent extraction plant is estimated at approximately EUR 30 million. Annual production costs are estimated at approximately EUR 2 million and the annual production volume at approximately 350 tonnes.

On 20 April 2010, Talvivaara Sotkamo Ltd lodged an application in accordance with the Nuclear Energy Act to the Ministry of Employment and Economy for the extraction of uranium as a by-product. The Environmental Impact Assessment relating to the uranium extraction process also commenced at the mine site during the period.

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

Environment, health and safety

Safety among the Talvivaara personnel was good during the second quarter, as no Lost Time Injuries (LTI's) were suffered. The number of LTI's during the half year was five. The LTI frequency at the end of June was 17 accidents per million hours worked year to date and 14 during the last 12 months.

Planning and implementation of the ISO 14001 Environmental Management System continued during the first half of the year with the target of having the system audited by the end of 2010.

Talvivaara commenced research work relating to the Global Reporting Initiative, GRI, as part of its quest to improve its sustainability reporting. The Company also participated the Carbon Disclosure Project.

Personnel

The number of personnel on 30 June 2010 was 382 (Q2 2009: 276), up by 46 from 336 on 31 March 2010 (Q1 2009: 272) and by 74 from 308 at the end of 2009. The average number of employees during the first half of 2010 was 344 (Q1-Q2 2009: 268). In addition, Talvivaara employed over 30 trainees during the summer of 2010.

Wages and salaries paid during the half year totalled EUR 8.4 million (Q1-Q2 2009: EUR 6.9 million).

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

Annual General Meeting

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

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

Risks and uncertainties

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

Talvivaara's operations are affected by various risks common to the mining industry, such as risks relating to the development of Talvivaara's mineral deposits, estimates of reserves and resources, infrastructure risks, and volatility of commodity prices. There are also risks related to currency exchange ratios, management and control systems, historical losses and uncertainties about the future profitability of Talvivaara, dependence on key personnel, effect of laws, governmental regulations and related costs, environmental hazards, and risks related to Talvivaara's mining concessions and permits.

In the short term, Talvivaara's key operational risks relate to the ongoing ramp-up of operations. While the Company has demonstrated that all of its production processes work and can be operated on an industrial scale, the rate of ramp-up is still subject to risk factors, including various technical and operational risks, that are currently unknown or beyond the Company's control.

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 it is in the Company's view likely that the volatility will continue also in the future. Talvivaara is, since February 2010, unhedged against variations in metal prices, which means that nickel price volatility will have a substantial effect on the Company's revenues and result. 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 is, since January 2010, unhedged against the currency exchange risk relating to the US dollar. The Company considers its unhedged position justified for the time being, but it may hedge against currency exchange volatility at least on a case by case basis going forward.

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 June 2010 was 245,180,718. Including the effect of the convertible bond of 14 May 2008 and the Option Scheme of 2007, the authorised full number of shares of the Company amounted to 263,669,291 at the end of the period.

A total of 135,000 Talvivaara Mining Company Plc’s new shares were subscribed and paid for during the period between 1 April 2010 and 30 June 2010 under the Company's stock option rights 2007A. The entire subscription price of EUR 350,212.33 was entered into the invested unrestricted equity reserve and the share issue reserve and a total of 2,198,100 stock option rights 2007A remain unexercised.

The share subscription period for stock options 2007A commenced on 1 April 2010 and ends on 31 March 2012.

As at 30 June 2010, the shareholders who held more than 5% of the shares and votes of Talvivaara were Pekka Perä (23.3 %), Varma Mutual Pension Insurance Company (8.6%), and BlackRock Investment Management Ltd (6.2%).

Events after the review period

Draw downs from committed loan facilities
On 9 July 2010, Talvivaara drew down the EUR 10 million investment and working capital facility signed with Finnvera Plc in June.

On 10 August 2010, Talvivaara drew down EUR 30 million of the EUR 100 million revolving corporate facility signed in June.

Registration of shares subscribed under Talvivaara’s stock option rights 2007A
131,000 of the 135,000 total shares subscribed during the period ending 30 June 2010 were entered into the Trade Register on 14 July 2010, as of which date the new shares have established shareholder rights. As a result of the share subscriptions, the number of Talvivaara Mining Company Plc shares increased to 245,311,718.

Short-term outlook

Talvivaara anticipates its production ramp-up to continue towards the ca. 15,000 t production target for nickel during the current year. While the newer heap sections are contributing to metals recovery as expected, it appears likely that the majority of the back-precipitated metal in the first heap section will only be recovered in secondary leaching which will gradually start during Q4 2010. Therefore, the contribution of the first heap section to the current year’s metal production will remain relatively small, but is expected to play a role in the later stages of ramp-up towards the full scale production of ca. 50,000 t of nickel in 2012.

The nickel fundamentals have improved during the early part of 2010 and this development is expected to continue into the latter part of the year, driven in part by recovery in the stainless steel markets. The 30% drop in LME nickel inventories from the peak of 166,000 t in February to around 116,000 t in mid August also speaks for a normalisation in the supply-demand ratio.

The improving underlying demand is anticipated to support the nickel price in its recent range of around USD 19,000 – 22,000 per tonne, but a relatively high degree of volatility driven by financial investors and mixed macroeconomic data is likely to remain.

Espoo 25 August 2010

Talvivaara Mining Company Plc
Board of Directors

CONSOLIDATED INCOME STATEMENT

(all amounts in EUR '000)	**Unaudited three months to 30 Jun 10**	**Unaudited three months to 30 Jun 09**	**Unaudited six months to 30 Jun 10**	**Unaudited six months to 30 Jun 09**	**Audited twelve months to 31 Dec 09**
Net sales	**35,248**	**1,652**	**46,854**	**1,778**	**7,571**
Other operating income	1,283	6,296	16,711	25,553	43,118
Changes in inventories of finished goods and work in progress	13,084	17,795	32,159	32,077	75,587
Materials and services	(21,439)	(13,869)	(41,369)	(27,504)	(65,156)
Personnel expenses	(5,004)	(4,282)	(9,856)	(8,065)	(17,695)
Depreciation, amortization, depletion and impairment charges	(12,786)	(8,351)	(25,032)	(16,219)	(37,061)
Other operating expenses	(7,843)	(9,369)	(19,268)	(15,525)	(61,140)
Operating profit (loss)	**2,543**	**(10,128)**	**199**	**(7,905)**	**(54,776)**
Finance income	3,713	14,462	4,864	7,013	11,526
Finance cost	(28,988)	(7,201)	(50,316)	(13,797)	(31,835)
Finance cost (net)	(25,275)	7,261	(45,452)	(6,784)	(20,309)
Loss before income tax	**(22,732)**	**(2,867)**	**(45,253)**	**(14,689)**	**(75,085)**
Income tax expense	5,968	507	11,553	3,491	20,127
Profit (loss) for the period	**(16,764)**	**(2,360)**	**(33,700)**	**(11,198)**	**(54,958)**
Attributable to:					
Equity holders of the Company	(15,025)	(1,943)	(28,886)	(9,105)	(45,267)
Minority interest	(1,739)	(417)	(4,814)	(2,093)	(9,691)
	(16,764)	**(2,360)**	**(33,700)**	**(11,198)**	**(54,958)**
Earnings per share for profit (loss) attributable to the equity holders of the Company (expressed in € per share)					
Basic and diluted	(0.06)	(0.01)	(0.12)	(0.04)	(0.19)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(all amounts in EUR '000)	Unaudited three months to 30 Jun 10	Unaudited three months to 30 Jun 09	Unaudited six months to 30 Jun 10	Unaudited six months to 30 Jun 09	Audited twelve months to 31 Dec 09
Profit (loss) for the period	**(16,764)**	**(2,360)**	**(33,700)**	**(11,198)**	**(54,958)**
Other comprehensive income, items net of tax					
Cash flow hedges	(2,857)	(54,573)	(5,876)	(47,367)	(69,705)
Other comprehensive income, net of tax	**(2,857)**	**(54,573)**	**(5,876)**	**(47,367)**	**(69,705)**
Total comprehensive income	**(19,621)**	**(56,933)**	**(39,576)**	**(58,565)**	**(124,663)**
Attributable to:					
Equity holders of the Company	(17,311)	(45,602)	(33,587)	(46,999)	(101,031)
Minority interest	(2,310)	(11,331)	(5,989)	(11,566)	(23,632)
	(19,621)	**(56,933)**	**(39,576)**	**(58,565)**	**(124,663)**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(all amounts in EUR '000)	**Unaudited 30 Jun 10**	**Audited 31 Dec 09**	**Unaudited 30 Jun 09**
ASSETS			
Non-current assets			
Property, plant and equipment	663,154	644,356	590,486
Biological assets	8,112	6,614	6,503
Intangible assets	7,734	7,846	7,586
Deferred tax assets	35,199	21,548	-
Derivative financial instruments	-	-	60,141
Other receivables	7,600	7,582	11,449
	721,799	687,946	676,165
Current assets			
Inventories	136,824	109,512	66,514
Trade receivables	26,736	3,913	1,823
Other receivables	3,680	15,477	13,978
Derivative financial instruments	-	50,244	41,875
Cash and cash equivalent	35,431	11,877	24,259
	202,671	191,023	148,449
Assets held for sale	39,372	-	-
Total assets	**963,842**	**878,969**	**824,614**
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	80	80	80
Share issue	340	-	-
Share premium	8,086	8,086	8,086
Hedge reserve	11,866	16,567	34,438
Other reserves	439,020	417,448	335,273
Retained earnings	(100,254)	(71,368)	(35,206)
	359,138	370,813	342,671
Minority interest in equity	10,777	11,784	23,904
Total equity	369,915	382,597	366,575
Non-current liabilities			
Borrowings	196,756	384,301	420,896
Advance payments	259,559	-	-
Derivative financial instruments	1,557	3,110	2,801
Deferred tax liabilities	-	-	2,938
Provisions	2,453	1,594	959
	460,325	389,005	427,594
Current liabilities			
Borrowings	29,404	53,810	780
Advance payments	32,012	-	-
Trade payables	31,580	29,669	20,646
Other payables	39,788	9,875	7,587
Derivative financial instruments	818	14,013	1,432
	133,602	107,367	30,445
Total liabilities	593,927	496,372	458,039
Total equity and liabilities	**963,842**	**878,969**	**824,614**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

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

(all amounts in EUR '000)	A	B	C	D	E	F	G	H	I	J
1 Jan 09										
	80	**-**	**8,086**	**320,607**	**72,332**	**13,412**	**(26,101)**	**388,416**	**35,470**	**423,886**
Profit (loss) for the period	-	-	-	-	-	-	(9,105)	(9,105)	(2,093)	(11,198)
Cash flow hedges	-	-	-	-	(37,894)	-	-	(37,894)	(9,473)	(47,367)
Total comprehensive income for the period	-	-	-	-	(37 894)	-	(9,105)	(46,999)	(11,566)	(58,565)
Employee share option scheme										
- value of employee services	-	-	-	-	-	1,254	-	1,254	-	1,254
30 Jun 09	**80**	**-**	**8,086**	**320,607**	**34,438**	**14,666**	**(35,206)**	**342,671**	**23,904**	**366,575**
31 Dec 09	**80**	**-**	**8,086**	**401,248**	**16,567**	**16,200**	**(71,368)**	**370,813**	**11,784**	**382,597**
1 Jan 10	**80**	**-**	**8,086**	**401,248**	**16,567**	**16,200**	**(71,368)**	**370,813**	**11,784**	**382,597**
Profit(loss) for the period	-	-	-	-	-	-	(28,886)	(28,886)	(4,814)	(33,700)
Cash flow hedges	-	-	-	-	(4,701)	-	-	(4,701)	(1,175)	(5,876)
Total comprehensive income for the period	-	-	-	-	(4,701)	-	(28,886)	(33,587)	(5,989)	(39,576)
Realized stock options	-	340	-	11	-	-	-	351	-	351
Perpetual capita loan	-	-	-	-	-	19,925	-	19,925	4,982	24,907
Employee share option scheme										
- value of employee services	-	-	-	-	-	1,636	-	1,636	-	1,636
30 Jun 10	**80**	**340**	**8,086**	**401,259**	**11,866**	**37,761**	**(100,254)**	**359,138**	**10,777**	**369,915**

CONSOLIDATED STATEMENT OF CASH FLOWS

(all amounts in EUR '000)	Unaudited three months to 30 Jun 10	Unaudited three months to 30 Jun 09	Unaudited six months to 30 Jun 10	Unaudited six months to 30 Jun 09	Audited twelve months to 31 Dec 09
Cash flows from operating activities					
Profit (loss) for the period	(16,764)	(2,360)	(33,700)	(11,198)	(54,958)
Adjustments for					
Tax	(5,968)	(507)	(11,553)	(3,491)	(20,127)
Depreciation and amortization	12,786	8,351	25,032	16,219	37,061
Other non-cash income and expenses	(2,459)	1,187	(2,320)	2,724	845
Interest income	(3,713)	(14,462)	(4,864)	(7,013)	(11,526)
Fair value gains on financial assets at fair value through profit or loss	(2,987)	10,266	(16,642)	(8,190)	27,507
Interest expense	28,988	7,201	50,316	13,797	31,834
	9,883	9,676	6,269	2,848	10,636
Change in working capital					
Decrease(+)/increase(-) in other receivables	(14,063)	(11,640)	(9,744)	6,781	2,055
Decrease (+)/increase (-) in inventories	(12,517)	(20,934)	(27,312)	(34,718)	(77,820)
Decrease(-)/increase(+) in trade and other payables	39,181	3,926	34,293	(25,855)	(16,421)
Change in working capital	12,601	(28,648)	(2,763)	(53,792)	(92,186)
	22,484	(18,972)	3,506	(50,944)	(81,550)
Interest and other finance cost paid	(8,809)	(7,571)	(13,210)	(11,554)	(22,318)
Interest income	3,702	388	50,818	3,378	3,821
Net cash used in operating activities	**17,377**	**(26,155)**	**41,114**	**(59,120)**	**(100,047)**
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	-	-	-	-	(54)
Purchases of property, plant and equipment	(36,218)	(27,985)	(55,178)	(57,660)	(117,738)
Purchases of biological assets	(7)	-	(7)	(35)	(35)
Purchases of intangible assets	(110)	(35)	(124)	(42)	(741)
Proceeds from sale of property, plant and equipment	-	-	-	9	9
Proceeds from sale of biological assets	33	-	92	-	273
Proceeds from sale of intangible assets	-	49	-	49	49
Proceeds from government grant related to tangible assets	-	5,000	-	5,000	5,000
Proceeds from government grant related to intangible assets	-	-	-	13	228
Net cash used in investing activities	**(36,302)**	**(22,971)**	**(55,217)**	**(52,666)**	**(113,009)**
Cash flows from financing activities					
Proceeds from share issue net of transaction costs	-	-	-	-	80,641
Realized stock options	351	-	351	-	-
Proceeds from interest-bearing liabilities	1,539	52,988	6,539	53,357	63,924
Proceeds from perpetual capital loan	-	-	24,875	-	-
Proceeds from other liabilities	20,000	-	263,419	-	-
Payment of interest-bearing liabilities	(23,448)	(25)	(257,527)	(25)	(2,345)
Net cash generated in financing activities	**(1,558)**	**52,963**	**37,657**	**53,332**	**142,220**
Net (decrease)/increase in cash and bank overdrafts	**(20,483)**	**3,837**	**23,554**	**(58,454)**	**(70,836)**
Cash and bank overdrafts at beginning of the period	55,914	20,422	11,877	82,713	82,713
Cash and bank overdrafts at end of the period	**35,431**	**24,259**	**35,431**	**24,259**	**11,877**

NOTES

1. Basis of preparation

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

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

Revenue recognition

When Talvivaara enters into long-term supply contracts with customers and receives advance payments for product to be delivered in future periods, the advance payments are recognised in long-term liabilities. A portion of the advance payments are recognized as short-term liabilities based on the expected production during the following 12 months. The advance payments are gradually recognized as revenues over the term of the contracts as shipments are made and title and risk of loss pass to the customer according to the terms of the relevant supply agreement.

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 10	209,907	51,671	223,036	202,791	687,405
Additions	28,115	54,841	151	10	83,117
Transfer to assets held for sale	-	-	-	(40,610)	(40,610)
Disposals	-	-	(149)	-	(149)
Transfers	56,161	(86,228)	(15,211)	14,856	-
Gross carrying amount at 30 Jun 10	294,183	20,284	238,249	177,047	729,763
Accumulated depreciation and impairment losses at 1 Jan 10	16,949	-	10,230	15,870	43,049
Transfer to assets held for sale	-	-	-	(1,238)	(1,238)
Depreciation for the year	10,824	-	5,026	8,948	24,798
Accumulated depreciation and impairment losses at 30 Jun 10	27,773	-	15,256	23,580	66,609
Carrying amount at 1 Jan 10	192,958	51,671	212,806	186,921	644,356
Carrying amount at 30 Jun 10	**266,410**	**20,284**	**222,993**	**153,467**	**663,154**

3. Trade receivables

	30 Jun 10	31 Dec 09
Nickel-Cobalt sulphide	25,880	3,096
Zinc sulphide	856	817
	26,736	3,913

4. Inventories

	30 Jun 10	31 Dec 09
Raw materials and consumables	5,072	9,919
Ore on leach pads	73,362	57,726
Work in progress	54,841	39,403
Finished products	3,549	2,464
Inventories total	**136,824**	**109,512**

5. Assets held for sale

During 2008-2009, Talvivaara Infrastructure Oy constructed a new railhead connecting the mine site with the national railway grid. The Finnish State has committed to reimburse the construction expenses to Talvivaara Infrastructure Oy up to an amount of EUR 40.0 million (VAT 0%) in two instalments in 2010-2011, provided that agreed criteria for minimum transportation volumes on the railroad have been fulfilled. The first agreed transportation milestone was reached in May 2010 and subsequently the Finnish State paid the first EUR 20 million instalment in June 2010. The remaining minimum transportation volumes are anticipated to be achieved within the next 12 months. The railway has been classified to assets held for sale from 30 June 2010.

Assets held for sale	**30 Jun 10**	**31 Dec 09**
Railway	39,372	-

6. Borrowings

(all amounts in EUR '000)

Non-current	**30 Jun 10**	**31 Dec 09**
Capital loans	1,405	1,405
Investment and Working Capital loan	46,395	45,417
Project Term Loan Facility [1]	-	189,505
Senior Unsecured Convertible Bonds	76,804	75,477
Convertible bond	5,070	-
Railway Term Loan Facility	-	19,861
Finance lease liabilities	36,312	15,306
Interest Subsidy Loans	-	4,187
Other	30,770	33,143
	196,756	**384,301**
Current		
Project Term Loan Facility[1]	-	32,625
Railway Term Loan Facility	18,444	19,898
Finance lease liabilities	6,770	1,287
Interest Subsidy Loans	4,190	-
	29,404	**53,810**
Total borrowings	**226,160**	**438,111**

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

7. Advance payments

(all amounts in EUR '000)

Non-current	30 Jun 10	31 Dec 09
Deferred zinc sales revenue	259,559	-
	259,559	**-**
Current		
Deferred zinc sales revenue	12,012	-
Advance payment on railway	20,000	-
	32,012	**-**
Total	**291,571**	**-**

During the first quarter of 2010, Talvivaara received an advance payment of USD 335 million from Nyrstar NV relating to a long-term zinc supply agreement between the companies. During the term of the agreement, Talvivaara is to deliver 1.25 million tonnes of zinc in concentrate to Nyrstar NV. The deliveries commenced in March 2010 and by 30 June 2010 Talvivaara had delivered 6,549 tonnes of zinc to Nyrstar. Accordingly, the advance payment had decreased by approximately USD 1.8 million based on the delivered zinc.

Talvivaara Mining Company Plc
Key financial figures of the Group

		Three months to 30 Jun 10	Three months to 30 Jun 09	Six months to 30 Jun 10	Six months to 30 Jun 09	Twelve months to 31 Dec 09
Net sales	EUR '000	35,248	1,652	46,854	1,778	7,571
Operating profit (loss)	EUR '000	2,543	(10,128)	199	(7,905)	(54,776)
Operating profit (loss)percentage		7.2 %	-613.1 %	0.4 %	-444.6 %	-723.5 %
Profit (loss) before tax	EUR '000	(22,732)	(2,867)	(45,253)	(14,689)	(75,085)
Profit (loss) for the period	EUR '000	(16,764)	(2,360)	(33,700)	(11,198)	(54,958)
Return on equity		-4.4 %	-0.6 %	-9.0 %	-2.8 %	-13.6 %
Equity-to-assets ratio		38.4%	44.5 %	38.4 %	44.5 %	43.5 %
Net interest-bearing debt	EUR '000	190,729	397,417	190,729	397,417	426,234
Debt-to-equity ratio		51.6%	108.4 %	51.6 %	108.4 %	111.4 %
Capital expenditure	EUR '000	36,335	28,020	55,308	57,737	118,514
Research & development expenditure	EUR '000	63	-	63	-	261
Property, plant and equipment	EUR '000	663,154	590,486	663,154	590,486	644,356
Derivative financial instruments	EUR '000	(2,375)	97,783	(2,375)	97,783	33,121
Borrowings	EUR '000	226,160	421,676	226,160	421,676	438,111
Cash and cash equivalents at the end of the period	EUR '000	35,431	24,259	35,431	24,259	11,877

Share-related key figures		Three months to 30 Jun 10	Three months to 30 Jun 09	Six months to 30 Jun 10	Six months to 30 Jun 09	Twelve months to 31 Dec 09
Earnings per share	EUR	(0.06)	(0.01)	(0.12)	(0.04)	(0.19)
Equity per share	EUR	1.46	1.54	1.46	1.54	1.51
Development of share price at London Stock Exchange						
Average trading price[1]	EUR	4.60	3.36	4.48	3.01	3.57
	GBP	4.00	2.95	3.90	2.69	3.18
Lowest trading price[1]	EUR	3.94	2.26	3.94	1.44	1.45
	GBP	3.42	1.99	3.42	1.29	1.29
Highest trading price[1]	EUR	5.63	4.69	5.63	4.61	4.68
	GBP	4.90	4.12	4.90	4.12	4.17
Trading price at the end of the period[2]	EUR	4.47	3.99	4.47	3.99	4.35
	GBP	3.65	3.40	3.65	3.40	3.86
Change during the period		-17.8%	56.5%	-5.5%	185.7%	224.6%
Market capitalization at the end of the period[3]	EUR '000	1,094,758	889,390	1,094,758	889,390	1,066,454
	GBP '000	894,910	757,849	894,910	757,849	947,118
Development in trading volume						
Trading volume	1000 shares	26,722	65,151	65,827	83,504	153,421
In relation to weighted average number of shares		10.9%	29.2%	26.8%	37.5%	65.6%
Development of share price at OMX Helsinki						
Average trading price[1]	EUR	4.71	3.97	4.55	3.97	4.21
Lowest trading price[1]	EUR	4.04	3.05	3.99	3.05	3.05
Highest trading price[1]	EUR	5.62	4.85	5.62	4.85	4.86
Trading price at the end of the period[2]	EUR	4.45	4.05	4.45	4.05	4.33
Change during the period		-10.4%	29.4%	2.8%	29.4%	38.3%
Market capitalization at the end of the period[3]	EUR '000	1,091,545	902,732	1,091,545	902,732	1,061,615
Development in trading volume						
Trading volume	1000 shares	36,300	41,398	76,392	41,398	113,077
In relation to weighted average number of shares		14.8%	18.6%	31.2%	18.6%	48.4%
Adjusted average number of shares		245,177,646	222,896,718	245,177,646	222,896,718	233,762,033
Number of shares at the end of the period		245,180,718	222,896,718	245,180,718	222,896,718	245,176,718

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

Employee-related key figures

		Three months to 30 Jun 10	Three months to 30 Jun 09	Six months to 30 Jun 10	Six months to 30 Jun 09	Twelve months to 31 Dec 09
Wages and salaries	EUR '000	4,145	3,581	8,381	6,850	14,876
Average number of employees		365	272	344	268	272
Number of employees at the end of the period		382	276	382	276	308

Other figures

	Three months to 30 Jun 10	Three months to 30 Jun 09	Six months to 30 Jun 10	Six months to 30 Jun 09	Twelve months to 31 Dec 09
Share options outstanding at the end of the period	5,333,100	4,442,500	5,333,100	4,442,500	5,352,500
Number of shares to be issued against the outstanding share options	5,333,100	4,442,500	5,333,100	4,442,500	5,352,500
Rights to vote of shares to be issued against the outstanding share options	2.1 %	2.0 %	2.1 %	2.0 %	2.1 %

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