

**Stock Exchange Release
Talvivaara Mining Company Plc
7 March 2016**

Talvivaara Mining Company annual results review for the year ended 31 December 2015

Key events of 2015

- Talvivaara's Financial Statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The chosen reporting basis results from the existence of material uncertainties that cast significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting
- The draft restructuring programme was supported by approximately 97.5 percent of the creditors of unsecured debt participating in the voting and over 53 percent of creditors whose receivables represent all known debts. The requisite support from the creditors set forth in the Restructuring of Enterprises Act for the approval of the draft restructuring programme was thereby obtained
- The Annual General Meeting held on 25 June 2015 authorised the Board of Directors to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the pre-emptive subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts. The decision made was one of the special conditions set for the confirmation and entry into force of the draft restructuring programme
- The Administration and Laboratory Services Agreement of 19 November 2014 and the Agreement on Lease of Lime and Limestone Handling Plant and Reception Station of 19 November 2014 were transferred to Terrafame Oy, a 100% subsidiary of the state-owned company Terrafame Group Oy on 13 August 2015. The transfer of the mining business from the bankruptcy estate of Talvivaara Sotkamo Ltd to Terrafame Oy was completed on 14 August 2015
- Nyrstar Sales & Marketing AG assigned all its rights, title, benefit and interest under the Zinc in Concentrate Purchase Agreement and the Loan and Streaming Holiday Agreement to Winttal Oy, a company fully owned by Terrafame Group Oy, under an assignment deed dated 30 November 2015
- The suspension of trading of Talvivaara Mining Company Plc's shares continues on the date of the Company's annual results announcement 7 March 2016
- Reported operating loss EUR 0.2 million

Key events of 2016 to date

- As a result of Terrafame Oy replacing the guarantee insurance of EUR 31.9 million placed by Talvivaara Sotkamo that covered the environmental bond requirement under the current environmental permit with a new environmental bond on 21 January 2016, Atradius Credit Insurance NV notified the Company that the original guarantee insurance and the corresponding counter-indemnity provided by the Company have terminated on 21 January 2016
- On 27 January 2016, Talvivaara, Terrafame Group Oy, Terrafame Oy and Winttal Oy, signed a letter of intent, in which the parties provisionally agreed on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. Assets to be sold would include, among others, the lime plant needed in the Sotkamo operations, laboratory business, as well as ownership of the geological data associated with the mine
- Upon completion of the arrangements under the letter of intent, all main assets of Talvivaara currently generating income for the Company would transfer to Terrafame Oy, whilst it would enable the completion of Talvivaara's corporate restructuring proceedings and the payments to the creditors under the restructuring programme, and facilitate the development of the Company's existing and potential new business opportunities

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TALVIVAARA'S ANNUAL RESULTS REVIEW 2015**Introduction**

Following the bankruptcy of Talvivaara Mining Company Plc's ("Talvivaara" or the "Company") operating subsidiary Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") on 6 November 2014, trading of Talvivaara's shares on the Helsinki Stock Exchange was suspended. The suspension of trading continues on the date of the Company's annual results announcement 7 March 2016.

Talvivaara has been in corporate reorganisation throughout the review period of 1 January 2015 - 31 December 2015. During the corporate reorganisation proceedings, all major decisions and decisions outside the ordinary course of business have required consent of the administrator of the corporate reorganisation proceedings (the "Administrator").

Talvivaara's Financial Statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The chosen reporting basis results from the existence of material uncertainties that cast significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting. Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is dependent on the successful completion of the Company's corporate reorganisation proceedings, which in turn requires that the Company is able to complete an arrangement that secures the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's viable business. In the view of the Company, the transactions contemplated by the Letter of Intent signed by and between Talvivaara, Terrafame Group Oy, Terrafame Oy and Winttal Oy, a subsidiary of Terrafame Group Oy, on 27 January 2016 would, when completed, constitute such an arrangement. More information is available in sections "*Reporting basis*" and "*Events after review period*".

Review of Operations

Prior to the bankruptcy of Talvivaara Sotkamo, the activities of the Talvivaara group comprised of the operations at the Talvivaara mine primarily carried out by Talvivaara Sotkamo and a broad range of support functions and expert services provided by the Company. Throughout its existence, the Company has employed the majority of the group's managerial resources and technical experts and therefore provided the operating subsidiary with e.g. administrative, financial, communications, technical, laboratory, commercial, legal and sustainability services against agreed fees. In addition, the Company owns a lime and limestone handling plant and reception station, which are critical for the production and water treatment processes of the mine, and which the Company has leased to Talvivaara Sotkamo since 2009.

Talvivaara and the bankruptcy estate of Talvivaara Sotkamo entered on 19 November 2014 into the Administration and Laboratory Services Agreement and the Agreement on Lease of Lime and Limestone Handling Plant and Reception Station. The agreements detailed the Company's personnel resources and equipment that are available and critical for the environmentally and occupationally safe operations at the Sotkamo mine and state the agreed pricing for the services provided. Invoicing of personnel resources is based on hourly rates, expenses incurred in the provision of the services are charged at cost added with an administrative margin, and for the limestone plant a monthly rent has been agreed. The rights and obligations of the bankruptcy estate of Talvivaara Sotkamo under the aforementioned agreements were transferred to Terrafame Oy, a 100% subsidiary of the state-owned company Terrafame Group Oy on 13 August 2015. The transfer of the mining business from the bankruptcy estate of Talvivaara Sotkamo to Terrafame Oy was completed on 14 August 2015.

The Annual General Meeting of the Company resolved on 25 June 2015 to authorise the Board of Directors to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the pre-emptive

subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts into new shares in the Company. The subscription price of the shares would be EUR 0.1144 per share and the subscription price shall be paid by setting off the subscriber's unsecured restructuring debt claim including any possible interest and costs relating thereto from the Company. The share issue authorisation is valid until 31 December 2017. The decision made was one of the special conditions set for the confirmation and entry into force of the Company's draft restructuring programme.

The liquidation processes of the Company's subsidiaries were completed and the subsidiaries dissolved on 26 June 2015. Talvivaara continues its business as a single reporting entity.

On 7 December 2015, Talvivaara was informed by Nyrstar Sales & Marketing AG ("Nyrstar") that Nyrstar has assigned all its rights, title, benefit and interest under the Zinc in Concentrate Purchase Agreement ("Streaming Agreement") and the Loan and Streaming Holiday Agreement ("Streaming Holiday Agreement") to Winttal Oy, a company fully owned by Terrafame Group Oy, under an assignment deed dated 30 November 2015. The liability of the Company under the Streaming Agreement is based on the guarantee issued by the Company for the due payment by its former subsidiary Talvivaara Sotkamo of the termination sum amounting to EUR 203.4 million and payable upon premature termination of the Streaming Agreement. Furthermore, upon the bankruptcy of Talvivaara Sotkamo, the holder of the loan receivable has been entitled to declare that all or part of the loans drawn by Talvivaara Sotkamo from Nyrstar under the Streaming Holiday Agreement (in total ca. EUR 12.8 million) shall be payable on demand by Talvivaara in its capacity as the guarantor.

To date, Talvivaara continues to pursue its target of securing sufficient financing to participate in the acquisition of the Sotkamo mining operations or securing a different financial and/or operative arrangement that will secure the viability of the Company's future business operations. The Company has on 27 January 2016 signed a letter of intent with Terrafame Group Oy, and its subsidiaries Terrafame Oy and Winttal Oy, in which the parties provisionally agree on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations against a cash consideration and a full and final discharge of the Company's secured debt and all liabilities transferred from Nyrstar to Winttal Oy (the "Letter of Intent").

Financial review

Financial result

The operating loss for 2015 was EUR (0.2) million (2014: EUR (702.6) million). Revenues of the Company consist mainly of income generated from equipment leases as well as laboratory and consultancy services rendered, whereas the costs are mainly personnel and other operating expenses. The operating loss for 2014 EUR (702.6) million resulted from substantial impairment charges and write-offs resulting from the bankruptcy of Talvivaara Sotkamo on 6 November 2014 and from the application of the non-going concern principle. In addition, a provision for the potential 203.4 EUR million termination sum guarantee liability towards Nyrstar as well as the write-off of the Company's 24.9 EUR million unsecured receivable from Talvivaara Sotkamo were booked in other operating expenses for 2014.

Finance income for 2015 was EUR 0.01 million (2014: EUR 37.5 million) and consisted mainly of interests on deposits and receivables. Finance costs of EUR (25.8) million (2014: EUR (109.7) million) resulted mainly from accrued interest and related financing expenses accrued on borrowings.

The loss for 2015 amounted to EUR (26.0) million (2014: EUR (774.9) million) mainly due to accrued finance costs. Earnings per share was EUR (0.01) (2014: EUR (0.41)).

Liquidity

As at 31 December 2015, the Company's cash and cash equivalents amounted to EUR 4.7 million (EUR 5.3 million as at 31 December 2014).

To date, the Company finances its day-to-day operations by providing administrative and technical services and the lease of machinery and equipment to Terrafame Oy (business previously operated by the bankruptcy estate of Talvivaara Sotkamo).

Financing

During 2015, the Company has financed its operations entirely with operative cash flow.

Equity

Following Talvivaara Sotkamo's bankruptcy in 2014, the Company wrote off fully its receivables from and the shares held in Talvivaara Sotkamo. As a result, Talvivaara lost its equity, which was acknowledged by the Company's Board and notified to the trade register. Talvivaara recognised the weakening of its financial position already in November 2013 and took measures to mitigate this by applying for corporate reorganisation.

Provisions and other items recognised based on restructuring programme

In the Company's 2014 Financial Statements, Talvivaara recorded a provision of EUR 203.4 million for the potential termination sum guarantee towards Nyrstar. The guarantee concerns the consequences of a premature termination of the Streaming Agreement between Nyrstar and Talvivaara Sotkamo, which as of 1 April 2014 was guaranteed by the Company. The Company provided the full amount as a provision in 2014.

The Company decided to leave the provision on the balance sheet in 2015, even if there are facts and circumstances which may lead to the unrecognition of the provision in the future. Reasons for possible unrecognition of the provision are twofold:

1. The provision of EUR 203.4 million would be settled if Talvivaara and Terrafame Oy conclude a final contract for selling the Company's assets related to the Sotkamo mining operations to Terrafame.

Talvivaara, Terrafame Group Oy, Terrafame Oy and Winttal Oy signed a Letter of Intent on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. By means of the contracts contemplated by the Letter of Intent, Talvivaara would pay to Winttal Oy EUR 3.8 million as a full and final settlement of all Talvivaara's debts and liabilities, which were transferred to Winttal Oy from Nyrstar in November 2015. The arrangement is, however, among others, conditional on a favorable decision by the Vaasa Administrative Court on the Nuasjärvi discharge pipe line, enabling the continuance of Terrafame's mining operations. The decision of the Vaasa Administrative Court has not been received by the date of the Company's Financial Statements 7 March 2016. More information on the transaction contemplated by the Letter of Intent is available in section "*Events after the Review Period*".

2. If the Letter of Intent does not result in a final contract between Talvivaara and the Terrafame entities, there will still be uncertainties related to the treatment of the Company's guarantee obligation. For example, the ranking priority of liabilities may cause that the guarantee obligation cannot be paid.

More information on the background of the potential termination sum guarantee is available in the Company's 2014 Financial Statements.

In addition, the Company has issued a floating charge security for the loans drawn from Finnvera by Talvivaara Sotkamo, amounting in aggregate to EUR 58.7 million, including accrued interest. The aggregate amount consists of two parts: EUR 50.7 million the Company has guaranteed as its own debt, and EUR 8.0 million the Company has secured with a floating charge security issued as a third-party-security. In the Administrator's final draft restructuring programme, liability of the Company under the floating charge security to Finnvera has been valued to EUR 3.4 million. This is a liability referred to in section 3(3) of the Restructuring of Enterprises Act, and it is subject to the same rules as the secured debt of the Company. As Finnvera's EUR 8.0 million claim is not the Company's own debt, it has not been taken into account as restructuring debt. However, this liability has been taken into account in the calculation of the amount of secured and business mortgage debt, and payments will be made on it in the same manner as on the Company's debts secured by collateral and business mortgages. However, due to the applied non-going concern principle, the Company has also recognised the full EUR 8.0 million as a liability on the balance sheet. Upon completion of the restructuring proceedings, the part of the Finnvera loans taken into account as secured debt (EUR 3.4 million) would be finally and fully discharged, whilst the balance would be treated as unsecured debt in the Company's restructuring programme and repaid according to the authorized payment schedule.

Off-balance sheet and contingent liabilities

Talvivaara Sotkamo covered largely the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius Credit Insurance NV ("*Atradius*"). As at 31 December 2015, the coverage amounted to EUR 31.9 million. As a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016. More information can be found in section "*Events after the Review Period*".

Following the authorisation by the Espoo District Court of the Company's corporate reorganization proceedings in accordance with the Administrator's final draft restructuring programme, the Company will pay one percent of the aggregate amount of the Company's unsecured restructuring debts not converted into equity, and a total of EUR 7.5 million for the debts secured with the business mortgage issued by the Company. The exact amount of the total payment on the unsecured restructuring debts will depend on the extent to which such debts have been converted into equity of the Company.

Assets

On the statement of financial position as at 31 December 2015, property, plant and equipment totalled EUR 4.7 million (31 December 2014: EUR 5.0 million). Intangible assets totalled EUR 0.1 million (31 December 2014: EUR 0.6 million).

Corporate reorganisation

The Company and Talvivaara Sotkamo applied for corporate reorganisation on 15 November 2013 by filing related applications with the District Court of Espoo, Finland. The District Court of Espoo took the decision to commence a corporate reorganisation process in respect of the Company on 29 November 2013 and in respect of Talvivaara Sotkamo on 17 December 2013. The District Court of Espoo appointed Mr. Pekka Jaatinen, Attorney-at-Law, from Castrèn & Snellman Attorneys to act as the Administrator in respect of the corporate reorganisation of both the Company and Talvivaara Sotkamo. In reorganisation proceedings governed by the Finnish Restructuring of Enterprises Act (47/1993, as amended), both the business operations and the debts of a company may be reorganised and restructured. As a result of such reorganisation, a company can either continue its operations or, if the reorganisation fails, initiate bankruptcy proceedings.

On 13 March 2015, the Administrator of the corporate reorganisation of Talvivaara filed the final draft restructuring programme to the District Court of Espoo. The total amount of the restructuring debts to be taken into account in the restructuring proceedings is approximately EUR 513 million, out of which approximately EUR 508 million is considered unsecured debt. This amount does not include debts with lowest priority. In addition, the Company has approximately EUR 8 million liability relating to a granted third-party security. The Administrator proposed that the restructuring debts be cut by 99% which would leave 1% of the amount of such debt to be repaid. The restructuring debts secured by business mortgage will not be cut and no payments would be made on debts with lowest priority. The final draft restructuring programme does not include a provision on a duty to make supplementary payments.

The approval of the draft restructuring programme required inter alia explicit support from the necessary number of creditors. The creditors' voting procedure was completed on 6 May 2015 and the Administrator submitted the voting report on the outcome of the creditors' voting procedure to the District Court of Espoo on 25 May 2015. The Administrator's draft restructuring programme was supported by approximately 97.5 percent of the creditors of unsecured debt participating in the voting. In total, creditors whose receivables represent over 53 percent of all known debts recognized for the purposes of the voting procedure voted in favour of the draft restructuring programme. The requisite support from the creditors set forth in the Restructuring of Enterprises Act for the approval of the draft restructuring programme was thereby obtained.

The Annual General Meeting held on 25 June 2015 authorised the Board of Directors to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the pre-emptive subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts. The decision made was one of the special conditions set for the confirmation and entry into force of the draft restructuring programme.

The confirmation and entry into force of the final draft restructuring programme is still subject to a number of conditions relating to inter alia the business and financing arrangements of the Company.

Reporting basis

Talvivaara's financial statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The basis for preparation is that the operations of the Company may end in near future. This results from material uncertainties that cast significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business. There is also lack of visibility on the Company's operational environment twelve months beyond the date of reporting.

Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is to a paramount extent dependent on the successful completion of the Company's corporate reorganisation proceedings, which requires that:

- i. Talvivaara succeeds in completing an arrangement that will secure the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's viable business, and
- ii. the District Court of Espoo authorizes the execution of the Company's debt restructuring in accordance with the Administrator's final draft restructuring programme of 13 March 2015.

As of the date of the Company's annual results announcement 7 March 2016, there is no certainty as to whether all the set requirements can be fulfilled within the given time frame.

Business development projects

Talvivaara acquired in 2011-2012 an approximately 60MW capacity share in the Fennovoima nuclear project in Finland. Due to the Company's ongoing corporate reorganisation proceedings, Talvivaara is currently not in a position to make further investments into the project and has therefore not been able to commit to further funding of the project.

Legal proceedings

Investigation on Talvivaara's disclosure practices

In April 2015, Talvivaara confirmed that a number of current and former members of Talvivaara's management have been heard in connection with an investigation relating to the Company's disclosure practices. The police ended the pre-trial investigations and transferred the case for the consideration of charges in February 2016. The Company has already in the past gone through the applied disclosure practices extensively and in great detail with the Financial Supervisory Authority and sees no grounds for any charges being brought.

Alleged misuse of insider information

The Company was notified on 20 October 2015 that charges have been brought against a member of its Executive Committee in the Helsinki District Court on a case concerning alleged misuse of insider information. The Company is not a party to the case. In the Company's view, the charges have no impact on the Company, its financial position or on the employment of the member of the Executive Committee in the Company.

Gypsum pond leakages and discharges into water ways

The main hearing in the criminal case relating to the gypsum pond leakages at the Sotkamo mine site and the discharges of the mine into water ways, where the prosecutor has brought charges against four members of Talvivaara's management, including CEO Pekka Perä and former CEO Harri Natunen, ended on 1 October 2015. The ruling of the district court is expected during the spring of 2016.

Recovery claim from the bankruptcy estate of Talvivaara Sotkamo

The Company received on 21 October 2015 a recovery claim amounting to approximately EUR 700,000 from the bankruptcy estate of Talvivaara Sotkamo. The claim concerned payments made to the Company in early November 2014. The bankruptcy estate has requested the Company to either pay the required amount or to provide grounds for why the payments should not be recoverable to the bankruptcy estate. Although the Company contested the claim, the matter was settled amicably between the bankruptcy estate and the Company in December 2015.

Risk management and key risks

Talvivaara's near-term risk factors include particularly such risks that relate to its ongoing negotiations with the Terrafame group of companies, the corporate reorganisation proceedings, financing and sufficiency of funds to meet its actual and potential liabilities:

If an adequate overall financial solution for the continuance of Talvivaara's business operations is not found, Talvivaara's restructuring programme may not be authorised and stakeholders could lose their entire investment in the Company

The authorisation of the proposed restructuring programme of Talvivaara is conditional, among other things, on Talvivaara succeeding in completing an arrangement that will secure the necessary cash flow for the Company

to discharge all of its liabilities and restructuring debts and the continuance of the Company's viable business. Although completion of the transactions contemplated by the non-binding Letter of Intent signed by the Company and the Terrafame group of companies would secure or significantly facilitate achieving such target, there is, as of the date of the Company's annual results announcement 7 March 2016 no certainty as to whether the Company and the Terrafame group can complete the transactions and whether the Company can fulfil all the requirements set for the authorisation of the restructuring programme within the given time frame. If the restructuring programme is not authorised, the Company may have to file for bankruptcy and, as a result, the shareholders and creditors of the Company could lose their entire investment in the Company.

Further, as a result of the completion of the transactions contemplated in the Letter of Intent, Talvivaara's guarantee liabilities relating to Talvivaara Sotkamo's obligations under the Zinc Streaming Agreement and the Streaming Holiday Agreement would be fully and finally settled. Therefore, failure to complete the transactions contemplated in the Letter of Intent would cause the guarantee liabilities to remain outstanding, which would have a significant negative effect on the Company's ability to raise new funds required for the successful fulfillment of the conditions for the entry into force of the Company's restructuring programme.

A payment demand by the holder of the EUR 12.8 million loan receivable guaranteed by the Company could result in a bankruptcy of the Company

Talvivaara Sotkamo has drawn down EUR 12.8 million (including interest through October 2014), in loans from Nyrstar under the Loan and Streaming Holiday Agreement of 1 April 2014 between Talvivaara, Talvivaara Sotkamo and Nyrstar. Upon the bankruptcy of Talvivaara Sotkamo, Nyrstar has been entitled to declare that all or part of the loans, together with accrued interest, be payable on demand by Talvivaara, in its capacity as the guarantor. If Winttal Oy, as the current holder of the receivable, was to demand immediate repayment of the EUR 12.8 million loans guaranteed by the Company, the Company might not have sufficient cash reserves or access to additional liquidity to make the required payment, which could result in the Company having to file for bankruptcy and, as a result, the shareholders and creditors could lose their entire investment in the Company.

If the corporate reorganisation proceedings of Talvivaara are not successful, stakeholders could lose their entire investment in the Company

Although the Board of Directors believes that a corporate reorganisation is a viable option for Talvivaara, there can be no assurance that the proposed restructuring programme of the Company will be authorised or be ultimately successful. The corporate reorganisation process can fail for a number of reasons, including due to an insufficiency of funds to implement or complete the restructuring programme, changes in circumstances affecting the financial viability of Talvivaara, or insufficient income from the services provided to Terrafame Oy. If the corporate reorganisation fails for these or any other reasons, it could result in the bankruptcy of the Company. As a result, shareholders and creditors could lose their entire investment in the Company.

The right of conversion of debt into equity included in the restructuring programme of Talvivaara and/or the issuance of new equity instruments may lead to a significant dilution of the existing shareholding of the Company

The right of conversion of debt into equity included in the restructuring programme of Talvivaara and/or the issuance of new equity instruments may lead to a significant dilution of the existing shareholding of the Company. The extent of dilution will eventually be determined by the aggregate amount of the restructuring debts to be converted into shares at the determined conversion rate of EUR 0.1144 per share as well as by the subscription price of the newly issued shares offered and the amount of funds raised in the potential equity financing.

In case Talvivaara acquires a stake in Terrafame Oy, the Sotkamo mine may not be able to successfully address various operational, environmental and other difficulties facing the mine and shareholders could ultimately lose their entire investment in the Company

The Sotkamo mine has faced various difficulties since the commissioning of the mine in 2008 and 2009. These difficulties include, among others, operational difficulties concerning the mine's production and performance, environmental issues as well as legal and administrative proceedings involving the Sotkamo mine and certain members of Talvivaara's and Terrafame Oy's management. Further, there can be no certainty that the financing potentially available to the Sotkamo mine would be sufficient to ramp-up production or that it would ever achieve profitability. Accordingly, even if Talvivaara were able to obtain sufficient financing in order to participate in the acquisition of the Sotkamo mining operations and the restructuring programme for Talvivaara would be authorized, shareholders and creditors could ultimately lose their entire investment in the Company, should the Sotkamo mining operations be the only or a significant part of the Company's business operations going forward.

Personnel

Headcount and remuneration

Talvivaara's headcount decreased somewhat from the previous year and was 39 at the end of 2015 (2014: 53). At the end of 2015, 59 % (2014: 49 %) of Talvivaara's employees were men and 41 % (2014: 51 %) were women. The average age of the Company's employees was 40.2 years (2014 40.5 years).

Talvivaara's personnel comprises an expert organisation, the core competences of which include, for example, analytical laboratory services, bioheapleaching and other production processes, procurement, environmental safety, risk management and communications. The organisation has in the past provided critical services to Talvivaara Sotkamo and it continues to provide similar services to Terrafame Oy, which currently operates the Sotkamo mine.

The salaries of Talvivaara's personnel are based on industry-wide collective agreements. The total compensation of the key individuals has traditionally consisted of a base salary and short and long term incentive schemes based on annual bonuses, stock options and other share-based incentive schemes. However, due to exceptional circumstances surrounding the Company there are currently no short term or long term incentive schemes in place.

Management changes

The finance function has been reporting to the Deputy CEO Pekka Erkinheimo since 1 February 2015 following the departure of CFO Saila Miettinen-Lähde.

The Chief Human Resources Officer Maija Kaski resigned from her position on 17 June 2015 to pursue her career outside the Company. The Chief Sustainability Officer Eeva Ruokonen resigned from her position on 17 August 2015.

Corporate governance statement

Talvivaara issues its Corporate Governance Statement of 2015 and publishes it on the Company's website at www.talvivaara.com on the week starting 21 March 2016. The Corporate Governance Statement does not form part of the Board of Directors' Report.

Resolutions of the Annual General Meeting

Talvivaara's Annual General Meeting was held on 25 June 2015 in Espoo, Finland. All the resolutions proposed, as set out in the notice of the meeting, were duly passed with the exception of the proposals of the Shareholders' Nomination Panel regarding the number of Board members and the composition of the Board, which were amended to include Mr. Kari Järvinen as a new member of the Board of Directors. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2014;
- that the annual fee payable to the members of the Board for the term until the close of the Annual General Meeting in 2016 be as follows: Chairman of the Board of Directors EUR 84,000/year and other Non-executive Directors: EUR 48,000/year. No separate meeting fees are paid for the Board or the Committee work. The remuneration of the Executive Directors is included in their base salary, and it is not paid out separately;
- that the number of Board members be five (5) and that Mr. Tapani Järvinen, Mr. Pekka Perä, Mr. Stuart Murray and Ms. Solveig Törnroos-Huhtamäki were re-elected. Mr. Kari Järvinen was elected as a new member to the Board;
- that the auditor be reimbursed according to the approved auditor's invoice and authorised public accountants PricewaterhouseCoopers Oy be elected as the Company's auditor for the financial year 2015;
- that the Board of Directors be authorised to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the pre-emptive subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts into new shares in the Company. The subscription price of the shares shall be EUR 0.1144 per share and the subscription price shall be paid by setting off the subscriber's unsecured restructuring debt claim including any possible interest and costs relating thereto from the Company. The share issue authorisation is valid until 31 December 2017.

At its constituent meeting on 25 June 2015, the Board of Directors re-elected Mr. Tapani Järvinen as the chairman of the Board.

Shares and shareholders

On 30 December 2015 the total number of Talvivaara shares increased by 2,035,396 to 2,098,817,876 as a result of conversions of the convertible bonds of 2010 amounting in aggregate to EUR 4,600,000. In addition, by the end of 2015 Talvivaara received conversion notices pursuant to which the bonds amounting in aggregate to EUR 21,100,000 were to be converted to a total of 9,336,276 new Talvivaara shares. These new Talvivaara shares were registered in the Trade Register on 14 January 2016.

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 December 2015 was 2,098,817,876. Including the effect of the EUR 225 million convertible bond of 16 December 2010, the authorized full number of shares of the Company amounted to 2,195,543,540.

As at 31 December 2015, the shareholders who held more than 5% of the shares and votes of Talvivaara were Solidium Oy (15.2%) and Mr. Pekka Perä (5.9%). Talvivaara held 9.2% of the shares in the Company. The shares held in treasury by the Company do not carry any voting rights.

As at 31 December 2015 the shares held in treasury by the Company amounted to in aggregate 192,883,000. The figure comprises of 190,615,000 new shares issued to the Company without consideration as resolved by the Annual General Meeting of shareholders of 2014 and 2,268,000 shares previously held by Talvivaara Management Oy. The Company dismantled the shareholding scheme organized through Talvivaara Management Oy in December 2014 by acquiring all the shares of Talvivaara Management Oy from the participants for a nominal purchase price. Talvivaara Management Oy was placed in liquidation together with Talvivaara's other dormant subsidiaries in December 2014 and Talvivaara Management Oy was dissolved in June 2015.

Share based incentive plans

The subscription periods for 2007A, 2007B and 2007C Stock Options issued to the Talvivaara group's key personnel expired on 31 March 2012, 31 March 2013 and 31 March 2014, respectively. As at 31 December 2015 there are no Stock Options 2007 outstanding.

As the vesting criteria for Stock Options 2011A, 2011B and 2011C issued to the key employees and personnel of the Company and its subsidiaries were not fulfilled the options were cancelled at the end of 2012, 2013 and 2014, respectively. As at 31 December 2015 there are no Stock Options 2011 outstanding.

Events after the review period

Release of the counter-indemnity given for the guarantee insurance issued by Atradius

Talvivaara Sotkamo covered largely the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius. As at 31 December 2015, the coverage amounted to EUR 31.9 million. In the event restoration of the mine's waste areas (gypsum ponds, heap areas) took place without Talvivaara Sotkamo carrying the cost, the expenses would have initially been covered by Atradius and eventually Atradius would have claimed the cost back from the Company, which has given counter-indemnity for such costs to Atradius. However, as a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond on 21 January 2016, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016 and that the beneficiary Kainuun ELY-keskus or Atradius have no claims against Talvivaara Sotkamo or the Company on the basis of the guarantee insurance or the counter-indemnity issued by the Company.

Therefore, the full amount of the liability under the counter-indemnity given by the Company will be removed from the Company's restructuring debts, and no payment will be made on it under the authorised payment schedule.

Letter of Intent on the sale of the Company's mining assets to Terrafame group

On 27 January 2016, Talvivaara, Terrafame Group Oy and its subsidiaries, Terrafame Oy and Winttal Oy, signed a Letter of Intent, in which the parties provisionally agreed on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. Assets to be sold would include, among

others, the lime plant needed in the Sotkamo operations, laboratory business, as well as ownership of the geological data associated with the mine.

The transactions under the Letter of Intent would consist of two separate phases. In the first phase, Terrafame Oy will buy the laboratory business required in the production process, and the geological data associated with the Sotkamo mine. The laboratory personnel will be transferred to Terrafame Oy as old employees. In addition, the possibility for Talvivaara's key personnel working at the mine to transfer to Terrafame Oy's service will be agreed. In the first phase of the arrangement, Terrafame Oy will pay a purchase price of EUR 3.8 million to Talvivaara.

Upon completion of the second phase of the arrangement, Terrafame Oy will buy from Talvivaara the lime plant required in the production process of the mine. Terrafame Oy shall pay to Talvivaara a purchase price of EUR 12.5 million. Simultaneously, Talvivaara will pay to Winttal Oy EUR 3.8 million as a full and final settlement of Talvivaara's debts and liabilities, which were transferred to Winttal Oy from Nyrstar in November 2015. These debts and liabilities comprise of Talvivaara's guarantee liability of approximately EUR 12.8 million under the Streaming Holiday Agreement and a guarantee liability for a termination sum of approximately EUR 203.4 million under the Streaming Agreement, which thereby shall be considered fully and finally settled upon completion of the arrangement.

In addition, as part of the arrangements, Terrafame Group Oy will acquire debts of Talvivaara from certain commercial banks and Finnvera Plc. The nominal value of these debts is approximately EUR 129.6 million in aggregate. These debts are considered restructuring debts under Talvivaara's draft restructuring programme, which will receive a payment of EUR 7.5 million under the business mortgage claims, whilst the unsecured part of the debts would be paid approximately EUR 1.2 million. Upon completion of the second phase of the arrangements, Talvivaara shall pay to Terrafame Group Oy for the debts transferred by the commercial banks and Finnvera Plc a total sum of EUR 8.7 million in accordance with the final restructuring programme.

The difference between the total purchase price and the sums payable by Talvivaara to Terrafame entities on the basis of Talvivaara's debts is thus EUR 3.8 million, which Terrafame Oy would pay to Talvivaara as a net purchase price for all assets transferred.

The signed Letter of Intent is, with certain limited exceptions, legally non-binding and conditional upon the detailed agreements concerning the arrangement being finalized and accepted by all parties no later than 3 February 2016, or on another date agreed by the parties, at which instant the first phase of the arrangements would be completed. The second phase of the arrangements is also conditional on the approval by Talvivaara's General Meeting of Shareholders and on confirmation of Talvivaara's restructuring programme with a targeted dead line of 30 April 2016. The whole arrangement under the Letter of Intent is also conditional on a favorable decision by the Vaasa Administrative Court on Nuasjärvi discharge pipe line, enabling the continuance of Terrafame Oy's mining operations.

Upon completion of the arrangements under the Letter of Intent, all main assets of Talvivaara currently generating income for the Company would transfer to Terrafame Oy. However, the completion of the arrangements would enable the completion of Talvivaara's corporate restructuring proceedings and the payments to the creditors under the restructuring programme, and it would facilitate the development of the Company's existing and potential new business opportunities. In connection with arrangements, Terrafame entities undertake to accept the cuts proposed in Talvivaara's draft restructuring programme and not to appeal the district court decision confirming the restructuring programme.

Extension of the dead line set in the Letter of Intent

Since the decision of the Vaasa Administrative Court was not received by the original dead line of 3 February 2016, the parties agreed on 3 February 2016 to extend the deadline set for the finalization and approval of the detailed agreements until such time as the decision of the Administrative Court has been received.

Short-term outlook

The operational outlook for Talvivaara is greatly dependent on the successful completion of the Company's corporate reorganisation proceedings and the success to closing, timing and extent of the requisite transactions currently under contemplation. Whilst the Administrator's final draft restructuring programme gives the Company reasonably ample time to fulfill the requirements set forth for the entry into force of the restructuring programme, there is no certainty that the Company can fulfill all the requirements within the given time frame.

Board of Directors proposal for profit distribution

The Board of Directors is proposing to the Annual General Meeting that no dividend is declared in respect of the year 2015 and that the loss of the financial period is entered into the Company's profit/loss account on the balance sheet.

Talvivaara Mining Company Plc
Board of Directors

STATEMENT OF FINANCIAL POSITION

(All amounts in EUR)	Audited as at 31 Dec 15	Audited as at 31 Dec 14
ASSETS		
Non-current assets		
Property, plant and equipment	4,692,782	5,010,758
Intangible assets	94,547	554,887
Other investments	0	0
Other receivables	27,640	31,094
Total non-current assets	4,814,970	5,596,738
Current assets		
Trade receivables	37,850	284,466
Other receivables	188,138	35,336
Cash and cash equivalents	4,662,572	5,346,381
Total Current assets	4,888,559	5,666,183
TOTAL ASSETS	9,703,529	11,262,921
EQUITY AND LIABILITIES		
Equity attributable to the owners		
Share capital	80,000	80,000
Share premium	8,085,842	8,085,842
Other reserves	797,348,200	771,648,200
Retained deficit	(1,535,766,741)	(1,509,757,176)
Total equity	(730,252,700)	(729,943,134)
Current liabilities		
Provisions	203,444,456	203,444,456
Borrowings	477,845,205	500,720,066
Trade payables	2,723,003	2,759,678
Other payables	55,943,564	34,281,855
Total liabilities	739,956,228	741,206,055
TOTAL EQUITY AND LIABILITIES	9,703,529	11,262,921

INCOME STATEMENT

(All amounts in EUR)	Audited as at 31 Dec 15	Audited as at 31 Dec 2014
Other operating income	6,702,480	12,339,864
Materials and services	(257,536)	(305,207)
Personnel expenses	(3,807,345)	(5,316,937)
Depreciation and amortisation	(971,024)	(996,610)
Impairment charges on investments	421,333	(470,596,157)
Other operating expenses	(2,267,625)	(232,984,659)
Operating profit/loss	(179,717)	(702,649,108)
Finance income	12,841	37,492,941
Finance cost	(25,842,689)	(109,742,838)
Finance cost (net)	(25,829,848)	(72,249,897)
Profit/Loss before income tax	(26,009,565)	(774,899,005)
Income tax	0	(181)
PROFIT/LOSS FOR THE FINANCIAL PERIOD	(26,009,565)	(774,899,185)
Loss attributable to the owners of the Company, (€/share)	2015	2014
Diluted and undiluted	(0.01)	(0.41)

STATEMENT OF CASH FLOW

(all amounts in EUR)	Audited as at 31 Dec 15	Audited as at 31 Dec 14
Cash flows from operating activities		
Profit/Loss for the year	(26,009,565)	(774,899,185)
Adjustments for		
Tax	0	181
Depreciation and amortisation	971,024	996,610
Other non-cash income and expenses	215,257	229,395,770
Impairment charges on property, plant and equipment	0	3,113,402
Impairment charges on investments	(421,333)	472,272,157
Interest income	(12,841)	(37,492,941)
Interest expenses	25,842,689	109,742,838
Cash flow before change in working capital	585,230	3,128,831
Change in working capital		
Decrease(+)/increase(-) in trade and other receivables	98,898	344,830
Decrease(-)/increase(+) in trade and other payables	(1,287,347)	179,970
Change in working capital	(1,188,449)	524,801
Net cash used in operating activities before financing activities and taxes	(603,219)	3,653,632
Interest and other finance cost paid	(91,801)	(1,078,564)
Interest and other finance income	11,211	328,170
Net cash generated (used) in operating activities	(683,809)	2,903,237
Cash flows from investing activities		
Purchases of intangible assets	0	(9,439)
Purchases of other shares	0	(279,702)
Investments to subsidiaries	0	(1,965,381)
Net cash generated (used) in investing activities	0	(2,254,522)
Cash flows from financing activities		
Net cash generated from financing activities	0	0
Net (decrease)/increase in cash and bank overdrafts	(683,809)	648,715
Cash and bank overdrafts at beginning of the year	5,346,381	4,697,666
Cash and bank overdrafts at end of the year	4,662,572	5,346,381

STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share issue	Share premium	Other reserves	Retained deficit	Total
31 Dec 2014	80,000	0	8,085,842	771,648,200	(1,509,757,176)	(729,943,134)
Conversion of convertible bonds	-	-	-	25,700,000	-	25,700,000
Profit (loss) for the year	-	-	-	-	(26,009,565)	(26,009,565)
31 Dec 2015	80,000	-	8,085,842	797,348,200	(1,535,766,741)	(730,252,700)

NOTES**1. Basis of presentation and non-going concern**

The 2015 Financial Statements of the Company are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union taking into account the corporate reorganisation proceedings that commenced in respect of the Company on 29 November 2013. In addition, the Company has taken into account IAS 1.25 and IAS 1.26 requirements regarding the disclosure under the non-going concern basis. Talvivaara's Financial Statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The basis of preparation is that operations may end in near future.

The chosen reporting basis results from the existence of material uncertainty that casts significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting.

Talvivaara currently finances its day-to-day operations by providing administrative and technical services and the lease of machinery and equipment critical to Terrafame Oy. These contractual arrangements have helped the Company to discharge all of its new liabilities as and when they fell due.

The requisite adjustments resulting from the chosen reporting basis have, where applicable, been made in the 2015 financial statements to the carrying amounts of the Company's assets and liabilities, but no reserve has been made in the Company's balance sheet for the costs relating to winding down of the operations.

Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is dependent, among other things, on the successful completion of the Company's corporate reorganisation proceedings, which requires that

- (i) Talvivaara succeeds in completing an arrangement that will secure the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's viable business, and
- (ii) the District Court of Espoo authorizes the execution of the Company's debt restructuring in accordance with the Administrator's final draft restructuring programme of 13 March 2015.

As of the date of the Company's annual results announcement 7 March 2016, there is no certainty as to whether the Company can fulfil all the set requirements within the given time frame. More information can be found in Note 2 below and in the Company's 2014 Financial Statements.

2. Illustrative balance sheet after execution of the Letter of Intent and Restructuring Programme

Should the draft restructuring programme be approved as proposed by the Administrator, the following illustrative calculations presented on equity position can be drawn. The calculation does not take into account potential revaluation of the Company's remaining assets resulting from regaining the going concern reporting status.

It should be noted that this calculation is illustrative and aims to give only an indication of the balance sheet following execution of the Restructuring Programme as proposed by the Administrator and the transactions contemplated by the Letter of Intent. All the numbers presented in the calculation are subject to change.

A. Closing non-going concern IFRS balance sheet as at 31 Dec 2015

B. Debts under the restructuring programme recognised on the Balance sheet (including all accrued interest)

C. Illustrative Balance sheet after the approval of the restructuring programme

D. Execution of Letter of Intent, settlement of Nyrstar's and restructuring liabilities

E. Illustrative Balance sheet as at 31 Dec 2015 after execution of the Letter of Intent and Restructuring Programme

F. Add-back if all restructuring debt convert to shares

G. Illustrative Balance sheet as at 31 Dec 2015 if all debts are converted to shares

ASSETS (All amounts in EUR '000)	A.	B.	C.	D.	E.	F.	G.
Non-current assets							
Property, plant and equipment	4,693	0	4,693	(4,672)	21	0	21
Intangible assets	95	0	95	0	95	0	95
Other receivables	28	0	28	0	28	0	28
Current assets		0		0		0	
Trade receivables	38	0	38	0	38	0	38
Other receivables	188	0	188	0	188	0	188
Cash and cash equivalent	4,663	0	4,663	(87)	4,576	3,866	8,442
TOTAL ASSETS	9,704	0	9,704	(4,759)	4,945	3,866	8,811
SHAREHOLDERS EQUITY AND LIABILITIES							
Share capital	80	0	80	0	80	0	80
Share premium	8,086	0	8,086	0	8,086	0	8,086
Retained deficit and other reserves	(738,419)	500,510	-237,908	232,394	(5,514)	3,866	(1,648)
Total equity	(730,253)	500,510	-229,743	232,394	2,652	3,866	6,518
LIABILITIES							
Current liabilities							
Provisions	203,444	0	203,444	(203,444)	0	0	0
Borrowings	477,845	(444,246)	33,599	(33,599)	0	0	0
Trade payables	2,723	(2,052)	671	0	671	0	671
Other payables	55,944	(54,212)	1,731	(109)	1,622	0	1,622
TOTAL LIABILITIES	739,956	(500,510)	239,446	(237,152)	2,293	0	2,293
TOTAL EQUITY AND LIABILITIES	9,704	0	9,704	(4,759)	4,945	3,866	8,811

3. Property, plant and equipment

(All amounts in EUR)	Machinery and Construction			Total
	Buildings	equipment	in progress	
Gross carrying amount at 1 Jan 14	11,899,045	19,837,595	-	31,736,640
Gross carrying amount at 31 Dec 14	11,899,045	19,837,595	0	31,736,640
Accumulated depreciation and impairment losses at 1 Jan 14	8,521,159	14,265,990	-	22,787,149
Depreciation for the year	292,173	560,847	-	853,020
Impairment losses	3,085,712	-	-	3,085,712
Accumulated depreciation and impairment losses at 31 Dec 14	11,899,045	14,826,837	-	26,725,882
Carrying amount at 1 Jan 14	3,377,885	5,571,605	0	8,949,490
Carrying amount at 31 Dec 14	0	5,010,758	0	5,010,758
Gross carrying amount at 1 Jan 15	11,899,045	19,837,595	-	31,736,640
Additions	-	266,843	-	266,843
Deductions	-	-3,463	-	-3,463
Gross carrying amount at 31 Dec 15	11,899,045	20,100,975	0	32,000,020
Accumulated depreciation and impairment loss at 1 Jan 15	11,899,045	14,826,837	-	26,725,882
Depreciation for the year	-	581,356	-	581,356
Accumulated depreciation and impairment losses at 31 Dec 15	11,899,045	15,408,193	-	27,307,238
Carrying amount at 1 Jan 15	0	5,010,758	0	5,010,758
Carrying amount at 31 Dec 15	0	4,692,782	0	4,692,782

4. Borrowings and capital loans

EUR	2015	2014
Restructuring loan capital	427,500,000	453,754,499
Restructuring loan interest	16,510,880	18,567,844
Accrued interest on restructuring loans after commencement of restructuring proceedings	12,822,068	7,465,075
Other borrowings during procedure	21,012,257	20,932,648
	477,845,205	500,720,066

As at 31 December 2015, the Company had borrowings amounting to EUR 477.8 million with contractual maturities of the facilities ranging from 2014 to 2018 (2014: EUR 500.7 million). Following the breach of covenants or events of default stemming from the Company applying for corporate restructuring, the Company has reclassified all of its long-term borrowings as current.

Due to the restructuring programme, the interest expense recognised is subject to significant changes, should the restructuring programme be approved. The Company has accrued the interest on the balance sheet for all borrowings despite the fact that the all interests on restructuring debts stopped when the restructuring proceedings commenced.

Other borrowings include Winttal Oy loan facility of EUR 12.8 million and Finnvera loan facility of EUR 8.2 million.

The Company has assessed the carrying value and fair value to be equal for all borrowings and capital loans. The Company's borrowings are denominated in euros.

Of the above tabled borrowings and capital loans, all except other borrowings during the procedure are reorganisation debts that may be restructured as part of the corporate reorganisation programme. The secured borrowings, which comprise Revolving Credit Facility and the Investment and Working Capital Loan, may only be reduced if and to the extent the security pledged to them does not cover their nominal amount.

All amounts of reorganisation debts remain subject to change at the time of the Company's financial statements and may only be finalised as the eventual reorganisation programmes are authorised. Total borrowings include the following:

Senior unsecured convertible bonds due 2015

In December 2010 the Company completed an offering of EUR 225.0 million of senior unsecured convertible bonds due 2015. The bonds are convertible into 98,617,935 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. The bonds are convertible into Talvivaara's ordinary shares following the resolution by the Extraordinary General Meeting of the Company's shareholders in January 2011 to issue special rights in relation to the Bonds. To the extent the bonds have not been converted into shares by 10 December 2015, Talvivaara shall repay the debt in one instalment on maturity date 16 December 2015. The value of the equity component for the senior unsecured convertible bonds due 2015 was determined after resolution of the EGM and it is recognised in equity.

The Company's application for corporate reorganisation on 15 November 2013 constituted an event of default under the convertible bonds. Therefore, as at 31 December 2014 and 2015 the convertible bonds have been reclassified as current borrowings and any unamortised costs have been expensed to the income statement accreting the loan carrying amount to the redemption value as at 31 December 2014 and 2015. The repayment schedule and amount of the convertible bonds will be decided and authorized as part of the Company's contemplated reorganisation programme.

Senior unsecured bonds due 2017

In March 2012, Talvivaara issued a EUR 110 million senior unsecured bond. The 5-year bond has an issue price of 100%, pays a coupon of 9.75% and is callable after 3 years. The bond issue was sold to both Finnish and international institutional and selected private investors. The bond was settled and the notes were listed on NASDAQ OMX Helsinki in April 2012. The Company's application for corporate reorganisation on 15 November 2013 constituted an event of default under the senior unsecured bonds. Therefore, as at 31 December 2014 and 2015 the bonds have been reclassified as current borrowings and any unamortised transaction costs have been expensed to the income statement accreting the loan carrying amount to the nominal value.

The repayment schedule and amount of the senior unsecured bonds will be decided and authorized as part of the Company's contemplated reorganisation programme.

Revolving credit facility

On 30 September 2013, Talvivaara had an outstanding revolving credit facility of EUR 100 million with a carrying amount of EUR 70 million (the "Revolving Credit Facility"). With a waiver and amendment letter dated 30 October 2013, the terms of the facility were amended such that the maximum margin was increased to 4.50% from the previous range of 1.75-3.00%, the undrawn amount of EUR 30 million was cancelled, and the liquidity covenant levels were adjusted to levels relevant at the time. Despite these amendments, an event of default occurred in November 2013 as the Company and Talvivaara Sotkamo applied for corporate reorganisation. As a result, and due to the original maturity of the loan being October 2014, the loan has been reclassified as current borrowings and any unamortized transaction costs have been expensed to the income statement accreting the loan carrying amount to the nominal value. The repayment schedule and amount of the revolving credit facility will be decided and authorized as part of the Company's contemplated reorganisation programme. As at 31 December 2014 and 2015, the outstanding loan amount was EUR 70 million.

5. Contingencies and commitments

Counter indemnity given as a guarantee for the guarantee insurance provided by Atradius Credit Insurance N.V to Kainuu ELY Centre

EUR	<u>31 Dec 15</u>	<u>31 Dec 14</u>
Counter indemnity given as a guarantee	31,940,000	31,940,000
	<u>31,940,000</u>	<u>31,940,000</u>

Talvivaara Sotkamo has covered the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius Credit Insurance NV ("Atradius"). The coverage currently amounts to EUR 31.9 million. According to the environmental permit, the required bond is to be placed to cover the cost of the restoration of waste areas (gypsum ponds, heap areas), which is anticipated to take place partly during the life of the mine, as waste areas are filled to their maximum levels, and partly as part of the eventual closure of the mine. In the event such restoration activities took place without Talvivaara Sotkamo carrying the cost, the expenses would initially be covered by Atradius. However, eventually Atradius would claim the cost back from the Company, which has given counter-indemnity for such costs to Atradius. The guaranteed liability is part of the Company's restructuring debt and any payments that fall due under the guarantee are finally determined in the Company's restructuring programme and repaid according to the authorized payment schedule. Hence, the counter-indemnity has been recognized as an off-balance sheet liability.

As at 31 December 2015, the coverage amounted to EUR 31.9 million. As a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016.

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

EUR	<u>31 Dec 15</u>	<u>31 Dec 14</u>
No later than 1 year	93,497	97,637
Later than 1 year and not later than 5 years	41,000	4,672
	<u>134,497</u>	<u>102,309</u>

The Company has not terminated lease agreements on the basis of section 27 of the Restructuring of Enterprises Act.

Securities given by the Company under the Multicurrency Revolving Facility Agreement and the Finnvera Financing Agreements

The securities given under the Multicurrency Revolving Facility Agreement (EUR 70 million) and the Finnvera Financing Agreements (EUR 50 million and EUR 10 million) include:

- Pledge of all shares owned by the Company in Talvivaara Sotkamo
- Pledge of floating charge notes registered over assets of the Company in the amount of EUR 300 million
- Pledge of intra-group receivables of the Company from Talvivaara Sotkamo
- Pledge of insurance receivables

In addition, the Company has guaranteed the obligations of Talvivaara Sotkamo under the Finnvera Promissary Note in the amount of EUR 60 million by a specific Surety Obligation.

Talvivaara Mining Company Plc
Key financial figures

		Twelve months to 31 Dec 15	Twelve months to 31 Dec 14
Other operating income	EUR '000	6,702	12,340
Operating profit/loss	EUR '000	(180)	(702,649)
Operating profit/loss percentage		(2.7 %)	(5,694.1 %)
Profit/loss before tax	EUR '000	(26,010)	(774,899)
Profit/loss for the period	EUR '000	(26,010)	(774,899)
Return on equity		n/a	n/a
Equity-to-assets ratio		(7,525.6 %)	(6480.9 %)
Net interest-bearing debt	EUR '000	473,183	495,374
Debt-to-equity ratio		(64.8%)	(67.9 %)
Return on investment		n/a	(558.1 %)
Capital expenditure	EUR '000	284	2,717
Property, plant and equipment	EUR '000	4,693	5,011
Borrowings	EUR '000	477,845	500,720
Cash and cash equivalents	EUR '000	4,663	5,346

Share-related key figures

		Twelve months to 31 Dec 15	Twelve months to 31 Dec 14
Earnings per share	EUR	(0.01)	(0.41)
Equity per share	EUR	(0.35)	(0.38)

Employee-related key figures

		Twelve months to 31 Dec 15	Twelve months to 31 Dec 14
Salaries	EUR '000	3,206	4,436
Average number of employees		50	56
Number of employees at the end of the period		39	53

Key financial figures of the Company

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

Equity-to-assets ratio $\frac{\text{Total equity}}{\text{Total assets}}$

Net interest-bearing debt Interest-bearing debt - Cash and cash equivalent

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

Return on investment $\frac{\text{Loss for the period} + \text{Finance cost}}{(\text{Total equity at the beginning of period} + \text{Total equity at the end of period})/2 + (\text{Borrowings at the beginning of period} + \text{Borrowings at the end of period})/2}$

Share-related key figures

Earnings per share $\frac{\text{Loss attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$

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