

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 Corporate Governance Statement on 20 March 2017.

Talvivaara has been in corporate reorganisation throughout the year 2016. 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.

Talvivaara's Financial Statements for the reporting period 1 January – 31 December 2016 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 Administrator has on 6 March 2017 filed a request with the District Court of Espoo to confirm Talvivaara's final draft restructuring programme dated 10 April 2015, but Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is also dependent on the Company's ability to secure the necessary cash flow to discharge all of the Company's liabilities (including the remaining restructuring debts) and to continue transforming the identified business opportunities into viable businesses. The arrangement concluded with Terrafame Oy on 30 June 2016 and the confirmation request filed by the Administrator on 6 March 2017 have, in the view of the Company, materially improved the Company's possibilities for reaching the afore-mentioned targets. For more information, please refer to sections 'Review of Operations' and 'Events after the review period' and Note 6 of Talvivaara's Financial Statements 2016.

Corporate Governance Statement 2016

General

This corporate governance statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. The statement has been issued as a separate report and this statement and the Board of Directors' review for the year ended 31 December 2016 are available on the Company's web pages at www.talvivaara.com.

Talvivaara's Board of Directors has reviewed this corporate governance statement and the Company's external auditor, PricewaterhouseCoopers Oy, has confirmed that this statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with the Company's financial statements.

Regulatory framework

In 2016, Talvivaara complied with the Finnish Corporate Governance Code 2015 ("the Corporate Governance Code") for listed companies and the Insider Guidelines issued by NASDAQ OMX Helsinki Ltd. The Corporate Governance Code is available on the Securities Market Association's website at www.cgfinland.fi.

Administrative, management and supervisory bodies**General**

As a limited liability company incorporated in Finland, Talvivaara is governed under the provisions of the Finnish Companies Act and its Articles of Association. Responsibility for the control and management of the Company is divided between the General Meeting of Shareholders, the Board of Directors and the Chief Executive Officer. The shareholders participate in the control and management of Talvivaara through actions taken at the General Meetings of Shareholders. Typically, General Meetings of Shareholders are convened upon notice given by the Board of Directors. In addition, General Meetings of Shareholders are held when requested in writing by the auditor of the Company or by shareholders representing at least one-tenth of the total number of issued and outstanding shares.

General Meetings of Shareholders

Under the Finnish Companies Act, General Meetings of Shareholders must be held at the domicile of the company, unless the Articles of Association allow the meeting to be held in another designated location. General Meetings of Shareholders may be held at some other location only if there is an exceptional reason for this. According to the Company's Articles of Association, the General Meetings of Shareholders shall be held either at the domicile of the Company in Sotkamo, or in Helsinki or Espoo, Finland.

In order to have the right to attend and vote at a General Meeting of Shareholders, a shareholder must be registered no later than eight business days prior to the relevant General Meeting of Shareholders in the Register of shareholders maintained by Euroclear Finland Ltd ("Euroclear"). An owner whose shares have been registered under a nominee account wishing to attend and vote at the General Meeting of Shareholders should seek a temporary registration in the Register of Shareholders maintained by Euroclear. More detailed instructions for shareholders whose shares have been registered under a nominee account wishing to attend and vote at a General Meeting are given or referred to in the relevant notice convening the General Meeting.

There are no quorum requirements for General Meetings of Shareholders in the Finnish Companies Act or in the Company's Articles of Association. A shareholder may attend and vote at a General Meeting of Shareholders in person or through authorised representatives. A shareholder has a right to have a matter falling within the competence of the General Meeting dealt with by the General Meeting, if the shareholder so demands in writing from the Board of Directors well in advance of the meeting, so that the matter can be mentioned in the notice. The request is always considered to have arrived in time if it is given to the Board of Directors at least four weeks prior to publishing the notice to convene the General Meeting of Shareholders. The dead line for submitting requests concerning issues to be included in the agenda of the Annual General Meeting is published at the Company's website.

The Annual General Meeting was held on 15 June 2016 in Espoo, Finland. All the resolutions proposed, as set out in the notice of the meeting, were duly passed. A total of 79 shareholders of the Company representing approximately 21 per cent of the votes in the Company attended the meeting in person or by proxy.

An Extraordinary General Meeting was held on 11 August 2016. The resolution proposed by the Board of Directors concerning Talvivaara's assets related to the Sotkamo mining operations to Terrafame Ltd ("Terrafame") was duly passed. The assets sold included, among others, the lime plant needed for the Sotkamo operations, laboratory, as well as rights to the geological, laboratory and production related data associated with the Sotkamo mine. The agreements included a cancellation clause whereby the transactions contemplated by the agreements would have become null and void in the event the Extraordinary General Meeting of shareholders of the Company would not have approved the transactions under the agreements. A total of 76 shareholders representing approximately 21 percent of all the shares in the Company were present at the meeting either in person, by legal representative or by proxy.

Shareholders' Nomination Panel

The Annual General Meeting of 2013 resolved to establish a Shareholders' Nomination Panel. The main purpose of the Panel is to ensure that the Board of Directors and its members maintain and represent a sufficient level of knowledge and competence for the needs of the Company and for this purpose to prepare well-founded proposals to the General Meetings for the election and remuneration of the members of the Board of Directors.

The Composition of the Nomination Panel

According to the charter of the Panel, the Shareholders' Nomination Panel comprises of four members nominated by shareholders, the Chairman of the Board of Directors and one other member of the Board of Directors appointed by the Board. The Shareholders' Nomination Panel will elect a Chairman from amongst its members.

The right to nominate the shareholder representatives lies with those four shareholders whose share of all the voting rights in the Company is the largest on the last working day of September preceding the next Annual General Meeting. The largest shareholders are determined on the basis of the shareholders' register of the Company held by Euroclear Finland Ltd. However, holdings by a shareholder who, under the Finnish Securities Market Act, has the obligation to disclose changes in shareholdings (flagging obligation) that are divided into several funds or registers, will be summed up when calculating the share of all the voting rights, provided that such shareholder presents a written request to that effect to the Chairman of the Board of Directors no later than on the penultimate working day of September preceding the Annual General Meeting. Should a shareholder not wish to use its nomination right, the right transfers to the next largest shareholder, who would otherwise not have a nomination right.

Should a shareholder cease to be amongst the ten largest shareholders of the Company, the appointed representative of such shareholder shall resign. The appointed representative shall exclude him/her from the work of the Panel or resign in case of conflict of interest. The Panel may appoint a new member to replace a prematurely vacated seat. It is in the discretion of the Panel to offer a vacant seat to a shareholder of the Company. The Panel must decide on replacements if the number of the Panel members decreases to less than four during its term of office.

The composition of the Nomination Panel which made the proposals to the Annual General Meeting of 2016 was the following:

- Mr. Kari Järvinen, CEO, nominated by Solidium Oy
- Mr. Olli Salo, nominated by Seppo Aho, a shareholder of the Company
- Mr. Kari Niskanen, a shareholder of the Company
- Mr. Pekka Perä, CEO of Talvivaara, as a shareholder of the Company
- Mr. Tapani Järvinen, Chairman of the Board of Directors of the Company and
- Ms. Solveig Törnroos-Huhtamäki, member of the Board of Directors of the Company and Chairman of the Audit Committee

Mr. Kari Järvinen acted as the Chairman of the Panel.

Duties of the Nomination Panel

The Nomination Panel shall:

- prepare and present the proposal to the General Meeting on matters pertaining to the remuneration of the members of the Board of Directors;
- prepare and present the proposal to the General Meeting on the number of the members of the Board of Directors;
- prepare and present the proposal to the General Meeting on the appointment of the members of the Board of Directors;
- take care of the succession planning of the members of the Board of Directors; and
- answer to shareholders' questions in the General Meeting.

Decision-making

The Panel shall have a quorum when at least half of its members are present. Decisions of the Panel shall be unanimous. If consensus cannot be reached, members of the Panel shall present their own proposals to the General Meeting individually or jointly with other members of the Panel.

The Board of Directors

Composition of the Board of Directors

According to the Company's Articles of Association, Talvivaara's Board of Directors consists of at least three and not more than twelve members. The Board of Directors is quorate when more than half of the members are present. All the members of the Board of Directors are appointed by the General Meeting of Shareholders. The term of the Directors ends with the conclusion of the Annual General Meeting following the appointment of the Director.

The annual remuneration payable for Board and Committee work and the basis for its determination are decided by the General Meeting of Shareholders. Following the establishment of the Shareholders' Nomination Panel, the proposals to the General Meeting on the remuneration of the members of the Board are made by the Panel. There are no contracts on notice periods, remuneration or any other terms of appointment relating to a person's status as a member of the Board.

As proposed by the Shareholders' Nomination Panel the Annual General Meeting of Shareholders held on 15 June 2016 in Espoo resolved the number of Board members to be four (4) and re-elected Mr. Tapani Järvinen, Mr. Stuart Murray, Ms. Solveig Törnroos-Huhtamäki and Mr. Pekka Perä as Board members.

The Board of Directors shall elect the Chairman and the Deputy Chairman amongst the members of the Board of Directors. In 2016 Mr. Tapani Järvinen has acted as the Chairman of the Board and Mr. Stuart Murray as the Deputy Chairman of the Board of Directors.

All the members of the Board of Directors elected by the Annual General Meeting held on 15 June 2016 have been serving up to the date of this statement. All three non-executive members of the Board, Mr. Tapani Järvinen, Mr. Stuart Murray and Ms. Solveig Törnroos-Huhtamäki, are deemed to be independent of the Company and its significant shareholders.

In 2016, the Board of Directors convened twenty official meetings. In addition to the official meetings of the Board of Directors active dialogue between the management, the Board and the Administrator of the corporate reorganisation was maintained.

Meetings of the Board of Directors and the Audit Committee in 2016 (attendance)

Member	Board of Directors	Audit Committee
Tapani Järvinen	20/20	3/3
Pekka Perä	19/20	
Stuart Murray	18/20	3/3
Solveig Törnroos-Huhtamäki	20/20	3/3
Kari Järvinen	10/10 ¹	

1) a member of the Board until 15 June 2016

Shareholding of the members of the Board of Directors on 31 December 2016

Member	Number of the shares
Tapani Järvinen, Chairman of the Board	123,620
Stuart Murray, Deputy Chairman of the Board	-
Solveig Törnroos-Huhtamäki, Board Member	5,180
Pekka Perä, Board Member and the CEO	124,899,827

The main duties of the Board of Directors

The Board of Directors supervises the Company's administration and the appropriate organisation of the Company's operations. The Board also oversees the compliance of the operations with applicable rules and regulations and the Articles of Association of the Company as well as instructions given by General Meetings of Shareholders. The Board of Directors has general authority to decide on and act in any matters not specifically reserved by law or under the Articles of Association to any other governing body of the Company. The main duties and working principles of the Board are defined in its written charter.

The Board of Directors establishes the principles of the Company's strategy, organisation, development, accounting and financial control and risk management as well as approves the budget of the Company. The Board of Directors also supervises and controls the operative management and appoints and dismisses the Chief Executive Officer of the Company. The Board of Directors approves the financial statements and interim reports of the Company. The Board decides upon matters not belonging to the day-to-day management of the Company led by the Chief Executive Officer and considered having major importance including significant engagements and investments by the Company.

The Chairman of the Board of Directors is responsible for the leadership of the Board and creating the conditions for effective decision-making and work of the Board. The Chairman shall, with help of the Company Secretary, set the agenda for the meetings of the Board and ensure the timelines for and quality of the information to be circulated to the members of the Board.

The Board of Directors is always obliged to act in the best interest of the Company and in a manner such that any actions or measures taken by the Board of Directors are not likely to allow unjustified benefit to any shareholder of the Company or to any third party. A Director may not participate in the decision-making process where a contractual undertaking between such Director and the Company is being discussed. When votes are cast, the majority opinion will be the decision of the Board of Directors. In case of a tie, the Chairman will have the casting vote. A tie in connection with an election will be decided by drawing lots.

During the whole year the Board of Directors paid special attention to the cash flow development of the Company, the measures taken in order for the Company to complete the corporate reorganization proceedings and setting up a new foundation for the Company's future business endeavours. The Board of Directors has conducted a self-evaluation of its operations and working methods.

Diversity of the Board of Directors

Although the personal qualities, experience and expertise should be the primary election criteria, the diversity of the Board of Directors should be taken into consideration when determining the composition of the Board as diversity of the Board of Directors is an essential element in ensuring efficient Board work and a high-performing Board of Directors. The Board of Directors approved the Principles on Diversity of the Board of Directors in June 2016. The Shareholders' Nomination Panel shall take the Principles on Diversity into account when preparing its proposals to the Annual General Meeting.

The composition of the Company's Board of Directors shall reflect the requirements set by the Company's operations and development stage at the time of election. Elected Board members must have the competence required by the position. When electing the members of the Board of Directors,

paramount emphasis should be put on the experience and expertise relating to the business and business environment relevant to the Company. For example, gender, age, religious or political conviction, ethnic origin or nationality cannot be either an obstacle to, or a requirement for, Board membership. Both genders have been represented in the Board of the Company throughout its history as a listed company, and the Company gives specific weight to this matter. The Board should also have sufficient international expertise. The Board of Directors elected by the Annual General meeting of 2016 is deemed to fulfil these diversity requirements.

The Company shall also regularly review its principles on diversity of the Board of Directors in their entirety upon reviewing the skill requirements of its Board members.

Board Committees

In its organizational meeting held on 15 June 2016 the Board of Directors resolved that due to the nature and scope of the Company's operations and the small number of Board members the efficient performance of Board duties does not require the Remuneration Committee, Nomination and Governance Committee or the Sustainability Committee to be established for the time being. As of 25 June 2015 the only Board committee continuing its work has been the Audit Committee. The duties previously delegated to the other committees are attended to by the entire Board of Directors to the extent applicable in the current situation of the Company.

Audit Committee

The composition and chairing of the Audit Committee is reviewed and decided annually by the Board. Whilst the Audit Committee has been conferred upon several significant tasks relating to the Company's finances and governance under the Finnish Companies Act the board committees have no independent decision-making power, but rather concentrate on matters delegated to them on a broader basis for the purpose of issuing recommendations to the Board of Directors and to the General Meeting of Shareholders. The Audit Committee reports regularly on its work to the Board.

The Audit Committee monitors Talvivaara's financial reporting, reporting process and financial forecasts. The Committee also oversees the statutory audit and considers the independence, effectiveness and objectivity of the external auditors, including the nature and extent of non-audit services provided. In addition, the auditors themselves have processes in place to ensure that their independence is maintained, including safeguards to ensure that where they do provide non-audit services, their independence is not compromised. Based on its consideration relating to the audit services, the Audit Committee prepares proposals pertaining to the election of the external auditors.

The Audit Committee considers and keeps under review the need for and effectiveness of the Company's internal reporting and internal control policies and procedures for the identification, assessment and reporting of risks. The Committee focuses particularly on the Company's compliance with legal requirements and accounting standards endeavouring to ensure that an effective system of internal and financial controls is maintained.

The members of the Audit Committee shall have the qualifications necessary to perform the responsibilities of the Audit Committee, and at least one member shall have expertise specifically in accounting, bookkeeping or auditing.

In 2016 the Audit Committee has been chaired by Ms. Solveig Törnroos-Huhtamäki and its other members have been Mr. Tapani Järvinen and Mr. Stuart Murray.

In 2016 the work of the Committee has been affected by several exceptional circumstances. Talvivaara's financial statements for the financial years ended 31 December 2015 and 31 December 2016 respectively have been prepared on a basis other than going concern. The chosen reporting basis has resulted from the existence of material uncertainty that has casted 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.

Following the bankruptcy of Talvivaara Sotkamo Ltd the business environment of the Company and risks relating thereto have significantly changed to be significantly less complex. The Audit Committee has paid special attention to limited human resources of the financial department and focused on overseeing that the resources are sufficient to secure the appropriate financial reporting and risk management of the Company. The Company prepared Interim Financial Statements for the period 1 January - 30 June 2016 and arranged the conversion issue in accordance with the draft restructuring programme. The Audit Committee reviewed both the Interim Financial Statements and the offering circular relating to the conversion issue.

During 2016, the Audit Committee had three official meetings. In addition, Audit Committee matters have been addressed in the Board meetings. Furthermore, the dialogue between the management, the members of the Audit Committee and the auditor has been active throughout the year.

The Chief Executive Officer

The Chief Executive Officer ("CEO") is responsible for the implementation of the Company's strategy and for the day-to-day management of the Company's affairs in accordance with instructions and directions given by the Board of Directors. The CEO may undertake acts considered unusual or extensive having regard to the scope and nature of the operations of the Company only with the authorisation of the Board. The CEO is also responsible for overseeing that the Company's financial administration is in compliance with applicable laws and has been arranged in a reliable manner.

The CEO reports to the Board of Directors and provides the Board with information relating to the financial status of the Company, relevant business environment and other pertinent matters which are considered essential for the Board of Directors to fulfil its obligations.

The CEO of the Company is Mr. Pekka Perä.

Executive Committee

The role of Talvivaara's Executive Committee is to assist the CEO in the performance of his duties, manage Talvivaara's operations and administrative activities, and to prepare and plan issues in joint interest.

Following the bankruptcy of Talvivaara Sotkamo Ltd, the Company no longer has control over or responsibility for the operations at the Sotkamo mine. Until June 2016 the Company financed its operations by providing administrative and technical services and by leasing certain critical machinery and equipment to Terrafame Oy which currently operates the Sotkamo mine. On 30 June 2016, Talvivaara and Terrafame Oy signed agreements, in which the parties agreed on the sale of Talvivaara's assets related to the Sotkamo mining operations. Thus, the duties of the Executive Committee have changed following the bankruptcy of Talvivaara Sotkamo Ltd and the execution of the sale of the Company's assets related to the Sotkamo mine. The focus of the Executive Committee work has been on seeking solution for completing the corporate reorganization proceedings and on setting up a new foundation for the Company's future business endeavours.

The current members of the Executive Committee are:

- Mr. Pekka Perä, CEO
- Mr. Pekka Erkinheimo, Deputy CEO
- Mr. Pertti Pekkala, Chief Technology Officer; and
- Mr. Lassi Lamassaari, Chief Corporate Development Officer.

Shareholding of the members of the Executive Committee on 31 December 2016

Member	Number of the shares
Pekka Perä	124,899,827
Pekka Erkinheimo	196,500
Pertti Pekkala	-
Lassi Lamassaari	-

Corporate Reorganisation Proceedings

The Company 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 of the Company on 29 November 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 the Company. The Administrator is entitled to participate in meetings of administrative organs of a company and to be heard there. During the reorganisation proceedings the Administrator has participated in most of the Board meetings.

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. Despite the reorganisation proceedings, control over the business operations remains with the company except for certain decisions outside the ordinary course of business which require a consent of the Administrator. The basic rule of corporate reorganisation is that during the administration phase and before a reorganisation plan is adopted, the company's operations are continued in the same manner as before.

On 10 April 2015, the Administrator of the corporate reorganisation of the Company filed the final draft restructuring programme to the District Court of Espoo.

On 6 March 2017, Talvivaara announced that the Administrator of the Company's corporate reorganisation proceedings has filed a request for confirmation of the Restructuring Programme of Talvivaara to the District Court of Espoo. According to the Administrator, all the special conditions set for the confirmation and entry into force of the Restructuring Programme have been fulfilled.

In accordance with the draft restructuring programme of the Company, a supervisor shall be appointed to monitor the restructuring programme, and the supervisor's term of office will cover the implementation period of the restructuring programme. The supervisor shall monitor the implementation of the programme on the behalf of the creditors.

Insiders

Talvivaara complies with the Market Abuse Regulation (EU), Finnish Securities Market Act and NASDAQ OMX Helsinki Guidelines for Insiders.

Talvivaara's members of the Board of Directors and the CEO as well as the members of the Executive Committee have been determined, as persons discharging managerial responsibilities and having the requirement, together with their closely associated persons, to notify their transactions as required by the Market Abuse Regulation. Also the closed periods of 30 calendar days before the publication of interim reports and the financial statements apply to these above-mentioned persons. During the closed periods any trading with securities issued by Talvivaara is not permitted. In addition, the Company recommends that the persons involved in the preparation of Talvivaara's interim reports and financial statements would also comply with the closed periods.

The Company maintains project specific insider lists for insider projects. Project specific insiders are prohibited from trading in the Company's securities until the termination of the relevant project.

External auditor

According to its Articles of Association, Talvivaara has one auditor elected by the Annual General Meeting of Shareholders. The term of the auditor terminates at the close of the Annual General Meeting of Shareholders following the election. The auditor of the Company is the company of authorised auditors PricewaterhouseCoopers. Mr. Juha Wahlroos, APA, has principal responsibility for the conduct of the audit.

The auditors are paid based on approved invoices. In 2016, the compensation for their services amounted to tEUR 51.5 in audit fees, tEUR 15 in fees for audit related assignments and tEUR 34.25 in fees for other services. In 2016 the audit related assignments related to auditing of the Interim Financial Statements for the period 1 January -30 June 2016. The other services related to the debt to equity conversion issue of the Company. The auditor is responsible for auditing the Company's accounting records for the financial period and the financial statements. In addition, the auditor also monitors the legality of the Company's administration.

The Company prepared the interim financial statements for the period 1 January - 30 June 2016 and the financial statements for the financial years ended 31 December 2014, 31 December 2015 and 31 December 2016 respectively applying non-going concern principle. As the auditor of the Company was not able to verify the existence or non-existence of the liability originating from the certain guarantee amounting to approximately EUR 203 million provided by the Company, the auditor was also unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, the auditor did not express opinions on the Company's financial statements and the reports of the Board of Directors for the financial period ended on 31 December 2014 and 31 December 2015, respectively. This guarantee liability was fully and finally settled in connection with the sale of the mining related assets executed on 30 June 2016. The auditor's reports for the period 1 January - 30 June 2016 and the financial year ended 31 December 2016 were modified by the Auditor drawing attention to the basis of preparation of the financial statements on a non-going concern basis, the uncertainties relating to the Company's ability to revise its reporting basis and to regain its status as a going concern as well as to near term risk factors that related to the continuance of the Company's business operations. For more information about the matter, please refer to the financial statements and auditor's reports of the Company.

Dialogue with institutional and major shareholders

Due to the Company's corporate reorganisation proceedings and the uncertainties pertaining to the Company's future, the Company had little resources for maintaining its investor relations programme and the interest by analysts and investors towards the Company was also limited throughout 2016. However, dialogue with major shareholders continued and often also involved the Administrator.

Financial reports, releases, and other information about Talvivaara released in 2016 are available on the Company's website at www.talvivaara.com.

The main features of the internal control and risk management systems pertaining to the financial reporting process

Talvivaara's internal control and risk management practices relating to financial reporting seek to ensure the reliability and objectivity of financial reporting, compliance with applicable laws and regulations, and effectiveness and efficiency of operations.

Whilst Talvivaara's aim has been to continuously improve its internal control and risk management practices, the Company acknowledges that the lack of personnel and financial resources and the uncertainties relating to the continuation of its operations have affected its control environment. Due to the prevailing situation, it has not been possible to develop, nor test the controls. Rather, the existing processes and controls have been adapted to the changing personnel and operational situation to the extent it has practicably been possible. Also, the corporate reorganisation proceedings have introduced an additional element of control through the involvement of the Administrator, whose consent has been obtained for all substantial transactions that are not considered part of the Company's day-to-day business.

Following the bankruptcy of Talvivaara Sotkamo Ltd, the operating environment to which the monitoring and risk management activities of the Company relate have become less complex.

Control environment

Talvivaara's Board of Directors bears the overall responsibility for ensuring that an effective system of internal control and risk management is established. The Audit Committee periodically reviews the status of the relevant processes and reports of its findings to the Board. The Audit Committee also oversees that appropriate relations with the auditor are maintained. Operationally, the responsibility for maintaining and improving the internal control and risk management systems is delegated to the CEO and the Executive Committee.

Risk management

The objective of Talvivaara's risk management is to support the achievement of the Company's strategic and operational targets while protecting the Company against loss, uncertainty and lost opportunities.

Following the bankruptcy of Talvivaara Sotkamo Ltd on 6 November 2014, the strategic and operational focus of the Company has substantially changed and the Company has lost the control over and responsibility for the Sotkamo mining operations. The risks relating to the operations of the Company have changed accordingly. Therefore, the enterprise risk management policy and other risk management practices of the former Talvivaara Group are no longer applicable as such either from the operational or the organizational point of view. An adequate risk management policy with focus on the risks relevant to the Company's future business shall be prepared once the new businesses of the Company have been brought into operation.

Control activities

Talvivaara's management is responsible for setting up and maintaining an adequate internal control structure and procedures for reliable financial reporting. The Chief Executive Officer, the Executive Committee and other members of the senior management of Talvivaara are responsible for ensuring, under the supervision of the Board of Directors of the Company, that the accounting and governance in their respective lines of duty comply with the applicable laws as well as with the guidance given by the Board of Directors.

For the time being, the previously applied controls continue to be applied to the extent applicable in the organizational and operational circumstances prevailing from time to time. Also, an additional layer of control has been introduced as part of the corporate reorganisation proceedings, during which Administrator's consent has been sought to all substantial transactions that are not considered part of the Company's day-to-day business.

For the time being special attention has been paid to the weekly cash flow forecasting and follow-up of the actual cash balance.

Internal controls are a recurring agenda item in Audit Committee meetings, where they are discussed with the representatives of the senior management as well as the Company's auditors. The Audit Committee plays an important role in further communicating the status, targets and development of the Company's internal controls to the Board of Directors.

The effectiveness of the internal controls is overseen by the Board of Directors and operationally monitored by the management.

Talvivaara does not have a separate internal audit function to evaluate and test the operating procedures and processes relating to internal controls. The current operational scope of the Company does, in the Board of Directors' view, not warrant establishment of an internal audit function.

APPENDIX: The Biographies of the members of the Board of Directors and the Executive Committee

THE BIOGRAPHIES OF THE DIRECTORS AND THE MANAGEMENT**BOARD OF DIRECTORS*****Tapani Järvinen***

Born 1946, Lic. Sc. (Tech.) Helsinki University of Technology

Non-Executive Chairman of the Board since November 2012, Non-Executive Director since April 2010

Independent of the Company and significant shareholders

Other key positions of trust: Member of the Board of Directors of Normet Oy (since 2007), Member of the Board of Directors of Mustavaaran Kaivos Oy (since 2011), Member of the Board of the Directors (since 2014) and Chairman of the Board of directors of Crisolteq Oy (since 2016).

Primary experience: Member of the Board of Directors and Human Capital Committee (2010 to 2015) Outotec Oyj, Member of the Board of Directors and Audit Committee (2009 to 2015) Konecranes Oyj, Member of the Board of Directors (2008 - 2011) and Vice Chairman (2011 to 2014) of the Board of Okmetic Oyj, Member of the Board of Directors (2003 to 2013) and Remuneration and Compensation Committee (2011 to 2013) of Dragon Mining Limited, Australia. President and CEO of Outotec Oyj, (Oct 2006 to 2009), President and CEO of Outokumpu Technology (2003 to 2006), Executive Vice President and Member of the Group Executive Committee of Outokumpu Oyj (2000 to 2005), General Manager & CEO of Compañía Minera Zaldivar, Chile (1994 to 2000), various positions with the Outokumpu Group in Finland and elsewhere from 1985 to 2000 and prior to joining Outokumpu various positions at Kone Corporation from 1971 to 1985.

Pekka Perä

Born 1964, M.Sc. (Mining) Helsinki University of Technology

Executive Director and CEO since November 2012, Executive Chairman of the Board since April 2012 until November 2012, Executive Director and CEO of the company since its incorporation 2003 until April 2012

Other key positions of trust: Chairman of the Board of Directors of Priven Oy (since 2011).

Primary experience: Project Manager of Mining at Arctic Platinum Partnership (2001 to 2003) and as a Project Manager at Pyhäsalmi Mine Oy (1999 to 2001), various positions with the Outokumpu Group in Finland and elsewhere (1991 to 1999).

Stuart Murray

Born 1962, B.Sc. (Chemical Eng.) Imperial College of Science and Technology, University of London

Non-Executive Director since April 2012, Deputy Chairman of the Board since June 2015

Independent of the Company and significant shareholders

Other key positions of trust: Non-Executive Chairman of Sylvania Platinum Limited (since 2013), Executive Director of Luiru Gold Limited (since 2015), Non-Executive Chairman of Emeraldfields Limited (since 2016).

Primary experience: Chief Executive Officer of Aquarius Platinum Limited (2001 to 2012), Chairman of Mimosa Mining Company (Pvt) Limited (2004 to 2012), Chairman of Mimosa Investments Ltd. (2004 to 2012), Director of Aquarius Platinum Corporate Services (SA) (Pty) Limited (2004 to 2012), Executive Chairman of Aquarius Platinum (SA) (Pty) Limited (2004 to 2012), Non – executive director of Signature Metals Limited (ASX listed gold miner) (2008 to 2011), Non – executive director of Simmer and Jack Mines Limited (JSE listed gold miner) (2007 to 2009 and 2010 to 2011), Managing Director of Aquarius Platinum (SA) (Pty) Limited (2001 to 2003), Managing Director of Kroondal Platinum Mines Limited (2001 to 2003), Chief Operating Officer at Impala Refining Services (Pty) Limited (1997 to 2001), various positions at Impala Platinum Limited – Refineries & Head Office, Middelburg Steel and Alloys, Barplats Refineries and Rand Mines (1984 to 2001).

Solveig Törnroos-Huhtamäki

Born 1954, B.Sc. (Economics), Swedish School of Economics in Helsinki, former Authorised Public Accountant in Finland and Sweden

Non-Executive Director since June 2014, Chairman of the Audit Committee since June 2015

Independent of the Company and significant shareholders

Other key positions of trust: Member of the Board of Finnish Hospital Clowns Association (since 2015).

Primary experience: Member of the Business unit of Otso Forest Services and Chairman of the Audit Committee (2014 – 2016), Member of the Board of Directors and Chairman of the Audit Committee of Destia Group Oyj (2014 – 3/2016), Member of the Board and Audit Committee of Destia Oy (2009-2014), and Member of the Board and Chairman of the Risk management steering committee of KPMG Oy Ab (2002-2006), Authorized Public Accountant (1986 – 2010), Audit Partner (1989 to 2009) and Member of Management Board (various senior business and risk management positions 1991 to 2002) of KPMG Oy Ab. Auditor (1979 to 1986) in Price Waterhouse Oy.

EXECUTIVE COMMITTEE

Pekka Perä

CEO and Executive Director

Pekka Erkinheimo

Born 1972, Deputy CEO since October 2014, LL.M

Mr. Erkinheimo's area of responsibility covers commercial and legal affairs as well as general administration. The finance department has reported to Mr. Erkinheimo as of 1 February 2015.

Primary experience: Mr. Erkinheimo was Chief Commercial Officer 2006 – Oct 2014. Joined Talvivaara in 2006, senior associate at Castren & Snellman Attorneys (1999 to 2006) and has also worked as a tax consultant at Arthur Andersen in Helsinki and Zürich.

Pertti Pekkala

Born 1967, acting Chief Operations Officer since March 2014, Chief Technology Officer since December 2013, M.Sc. (Chemical engineering) and B.Sc. (Process engineering)

Mr. Pekkala has main responsibility for the technology development and commercialization projects.

Primary Experience: Joined Talvivaara in 2011, prior to joining the Company he held several technical and management positions at Outotec Oyj and its predecessor Outokumpu Research Oy (1995 to 2011) in international exports and technology projects. Before being appointed Chief Technology Officer Mr. Pekkala was Chief Production Officer Jan 2013 – Dec 2013, General Manager Research and Development 2011 – 2012.

Lassi Lammasaari

Born 1972, Chief Corporate Development Officer since March 2014, M. Sc. (Environmental Engineering)

Mr. Lammasaari leads the Company's corporate development projects.

Primary experience: Mr. Lammasaari has held several positions at Talvivaara since 2005; He was Senior Vice President – Projects between May 2012 and March 2014, COO between 2008 and May 2012 and General Manager of Environment and Infrastructure during 2005 – 2008. Prior to joining the Company, he worked for Pöyry Infra Ltd as Project Manager during 1998-2002, Arctic Platinum Partnership as Environmental Manager during 2002-2003 and LVT Ltd as Project Manager during 2003-2004.