

**Stock Exchange Release  
Talvivaara Mining Company Plc  
30 September 2014**

**Talvivaara Mining Company Interim Report for January-June 2014**

**Steady metals production and improved nickel price have allowed continuation of operations and corporate reorganisation while financing solutions remain pending**

**Highlights**

Q2 2014

- Nickel production of 3,189t (Q2 2013:1,776t) and zinc production of 5,836t (Q2 2013:4,465t)
- Metals production exceeded the amounts achieved in Q1 2014 and were the highest since Q3 2012 despite no new ore having been mined for leaching since November 2013
- Net sales EUR 39.2m (Q2 2013: EUR 13.0m)
- Operating loss EUR (4.2)m (Q2 2013: EUR (23.9)m)
- Loan and streaming holiday agreement with Nyrstar for an up to EUR 20m loan facility and option to sell up to 80,000t of zinc to Nyrstar at market prices for an additional financing impact of more than EUR 60m at current zinc prices
- Talvivaara Sotkamo was granted an environmental permit decision on 30 April 2014 relating to its whole operation and uranium recovery; however, operations continue under the old permit for the time being, as the new permit is not yet final and binding due to appeals

H1 2014

- Nickel production of 6,257t (H1 2013: 4,508t) and zinc production of 11,562t (H1 2013: 7,593t)
- Net sales EUR 68.2m (H1 2013: EUR 40.6m)
- Operating loss EUR (11.2)m (H1 2013: EUR (43.8)m)

Events after the reporting period

- Metals production has continued steady in Q3 2014, however at slightly declining quantities compared to the previous quarter due to the ageing of the current heaps and continuing suspension of mining and materials handling operations; production year-to-date through 28 September has amounted to 8,363t of nickel and 16,189t of zinc
- Water balance at the Talvivaara mine site improved over the summer and there is now significant capacity available for possible emergency situations
- Investments are on-going into additional reverse osmosis water treatment capacity and a further water storage area through the construction of the Kulju dam
- The consideration of charges relating to the gypsum pond leakage and discharges into water ways was completed on 22 September 2014; the prosecutor has decided to bring charges against four members of Talvivaara's management on aggravated impairment of the environment, as well as requested a corporate fine imposed on Talvivaara Sotkamo and compensation for the benefit obtained by the alleged crime; the Company does not share the prosecutor's view of the threshold for charges having been met
- The Company continues to draw down the up to EUR 20 million loan facility from Nyrstar agreed in April 2014 for short term funding; to date, EUR 10.7 million of the facility has been drawn

Corporate reorganisation

- According to the estimate of the Administrator of the corporate reorganisation proceedings of Talvivaara Mining Company Plc ("Talvivaara" or the "Company") and its operating subsidiary Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo"), the companies' business operations have during the restructuring proceedings proved to be viable, and the Administrator has on the date of this announcement submitted restructuring programme proposals for both companies to the Espoo District Court
- For Talvivaara, an eight-year restructuring programme is proposed and based on the cash flow from the services sold by it to its operating subsidiary and on its role as the entity responsible for the Group's fundraising
- In the Administrator's view, the value of the Group's restructuring debt secured by collateral is a maximum of EUR 56 million; the proposal suggests a 97% haircut to the Company's unsecured restructuring debts

- For Talvivaara Sotkamo, the proposal is based on realisation restructuring, in which the business operations and assets of Talvivaara Sotkamo are to be sold to a newly formed entity owned mainly by Talvivaara and the funds obtained from the sale are used to pay off or purchase restructuring debts; unsecured debts are to be repaid at 1% of their nominal value
- For both companies, implementation of the restructuring programmes remains subject to sufficient creditor support and an adequate long term financing solution; the Company continues to explore all possible sources of finance for Talvivaara and the new operating subsidiary to be formed, including e.g. a bond and/or share issue and the involvement of one or more cornerstone investors

### Key figures

EUR million	Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	FY 2013
Net sales	39.2	13.0	68.2	40.6	77.6
Operating loss	(4.2)	(23.9)	(11.2)	(43.8)	(701.8)
% of net sales	(10.6)%	(183.3)%	(16.5)%	(107.9)%	(904.7)%
Loss for the period	(14.1)	(27.6)	(31.2)	(51.5)	(812.4)
Earnings per share, EUR	(0.00)	(0.03)	(0.01)	(0.05)	(0.48)
Equity-to-assets ratio	(53.3)%	37.0%	(53.3)%	37.0%	(46.1)%
Net interest bearing debt	553.4	409.5	553.4	409.5	548.7
Debt-to-equity ratio	(173.7)%	81.2%	(173.7)%	81.2%	(190.9)%
Capital expenditure	0.1	15.3	1.6	32.6	60.5
Cash and cash equivalents at the end of the period	6.0	101.1	6.0	101.1	5.9
Number of employees at the end of the period	501	673	501	673	549

All reported figures in this release have been prepared on a going concern basis and are unaudited.

**CEO Pekka Perä comments:** "Our second quarter 2014 was another period of steady operational performance with production volumes exceeding those achieved in any quarter since Q3 2012. Furthermore, our January-June production of 6,257t of nickel was already 72% of the amount we produced in all of 2013, which further confirms the good leaching performance of our primary heaps 1 and 4 as well the coming of age of our metals recovery plant that has run at above 90% availabilities throughout the year to date.

Our mining and materials handling operations have remained suspended since November 2013 with the exception of a trial period of reclaiming old primary heaps over some weeks during the spring. Because we have not produced new ore under leaching for almost a year now, our production volumes have started to decline during the third quarter, as anticipated. However, our year-to-date nickel production through 28 September has amounted to 8,363t, which continues to be well ahead of last year's production pace.

Whilst the performance of the two currently operating heaps has been good, the overall production volumes compared to the planned full scale operations have, due to the Company's financial restrictions, still remained limited. This is reflected in our financial results, which for the second quarter showed an operating loss of EUR 4.2 million and for the first six months of the year EUR 11.2 million. Although loss making periods can never be considered satisfactory, we have nonetheless managed to narrow down the operating loss substantially over the recent quarters as a result of our own operational improvements and cost control measures and with the help of the improved nickel price, which was around USD 18,000-19,000 per tonne during the spring and early summer.

Environmental performance and in particular water management remains in our focus and I am pleased to note that water balance at the mine site has improved through the second quarter and also thereafter such that, heading into the autumn, there is now significant capacity available for possible emergency situations. To improve the situation further, we are proceeding with investments into additional reverse osmosis water treatment capacity and the construction of the Kulju dam. Moreover, we are in the process of applying for an environmental permit for a discharge pipe for purified waters to be led to Lake Nuasjärvi which, if approved, provides a sustainable long term solution for the mine's water management.

*The Company and Talvivaara Sotkamo's corporate reorganisation proceedings have now progressed to a stage where the Administrator has submitted restructuring programme proposals for both companies to the Espoo District Court. The implementation of the programmes remains subject to sufficient creditor support as well as completion of adequate financing solutions for the Group. For the short term, we continue generating revenues for our product sales and drawing down the up to EUR 20 million loan agreed with Nyrstar in April. The longer term solution still remains pending, and whilst we consider the completion of such solution achievable, potentially through e.g. a bond and/or share issue and the involvement of one or more cornerstone investors, we also have to acknowledge that reaching a positive outcome is not certain and that the Company can give no assurance that any reorganisation plan will be approved or that the reorganisation process will ultimately be successful.*

*Operationally, our outlook for the short term is based on continuing metals extraction from the existing heaps, mainly the primary heaps 1 and 4. Due to the high rate of depletion from these heaps, the metal grades in solution and therefore also our production volumes are anticipated to decline somewhat from the previous months' levels going into the fourth quarter. In order to reduce the rate of decline, we are evaluating the possibilities of re-starting the reclamation of the old, inactive primary heaps to boost their leaching. Whilst we anticipate being able to resume reclaiming in limited quantities in the near future, our mining operations will remain suspended until the longer term financing arrangements have been secured.*

*The short term market outlook appears slightly more cautious than in the beginning of the summer. Whilst the Indonesian ban on nickel ore exports has held well, the Chinese have been able to start sourcing part of their ore requirement for nickel pig iron production from the Philippines. This, in turn, has delayed the nickel market turning into deficit and contributed to the recent softness in nickel prices. In longer term, the nickel market continues to look more favourable with the stainless steel demand supporting the nickel market better than in the recent times, and an ore export ban being proposed also in the Philippines.*

*Although our personnel have had to endure continued uncertainty relating to the Company's future already for some time, they have tirelessly continued their work and achieved remarkable results. Recent demonstrations of this dedication have been for example the all-time monthly record in the average solution flow rate through our metals plant at 1,548 m<sup>3</sup>/h in August and the over 93% availability of the plant year-to-date. My sincere thanks and appreciation go to all our employees for their efforts and persistence, and I continue looking forward to a brighter future with them."*

**Enquiries:**

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Saila Miettinen-Lähde, Deputy CEO and CFO

**Press conference and conference call on 30 September 2014 at 12:00 pm UK / 2:00 pm Finland**

Talvivaara and the Administrator for Talvivaara's corporate reorganisation proceedings, Mr. Pekka Jaatinen, will host a joint press conference and conference call on 30 September 2014 at 12:00 pm UK / 2.00 pm Finland at Scandic Hotel Marski (Mannerheimintie 10, 00100 Helsinki). Participants that are not able to attend the event can listen to the press conference via conference call as well as present questions to the Company's management and the Administrator following the presentations. The press conference will be held in Finnish.

**The conference call facility can be accessed at**

Participant – Finland: +358 (0)9 2319 4455  
Participant – UK: +44 (0)1452 541 003  
Participant – US: +1 646 7412 120

**Conference ID: 10943603**

## Financial review

### Q2 2014 (April-June)

#### Net sales and financial result

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the quarter ended 30 June 2014 amounted to EUR 39.2 million (Q2 2013: EUR 13.0 million). Net sales grew by 202% compared to the year before and by 35.2% compared to Q1 2014 due to increased amounts or product deliveries and the improved nickel price. Product deliveries in Q2 2014 amounted to 3,004t of nickel, 79t of cobalt and 16,400t of zinc (Q2 2013: 1,756t of nickel, 67t of cobalt and 2,081t of zinc). The large quantity of zinc deliveries in Q2 2014 were the result of zinc being stored at the Kokkola port from November 2013 through early April 2014 while delivery conditions under the corporate reorganisation proceedings were being evaluated.

Changes in inventories of finished goods and work in progress amounted to EUR (4.2) million (Q2 2013: EUR 16.0 million). The work in progress decreased during the period, as ore production remained suspended and the inventories were reduced as a result of continued metals production from the existing ore heaps.

Operating loss for Q2 2014 was EUR (4.2) million (Q2 2013: EUR (23.9) million), corresponding to an operating margin of (10.6)% (Q2 2013: (183.3)%). During the period, materials and services amounted to EUR (18.8) million (Q2 2013: EUR (19.1) million) and other operating expenses to EUR (8.1) million (Q2 2013: EUR (12.7) million). The improvement in the operating result reflected primarily improved production volumes and a moderate increase in nickel price compared to the year before. The comparatively small net movement in production costs reflected on one hand the increase in variable costs resulting from higher volumes of metals production, and on the other hand the continued suspension of ore production and related savings.

Loss for the quarter amounted to EUR (14.1) million (Q2 2013: EUR (27.6) million).

#### Balance sheet and financing

Capital expenditure during the second quarter of 2014 totalled EUR 0.1 million (Q2 2013: EUR 15.3 million). Due to the tight liquidity situation, all capital expenditure was minimised and focused only on necessary maintenance and environmental investments.

### H1 2014 (January-June)

#### Net sales and financial result

Talvivaara's net sales for nickel and cobalt deliveries to Norilsk Nickel and for zinc deliveries to Nyrstar during the six month period ended 30 June 2014 amounted to EUR 68.2 million (H1 2013: EUR 40.6 million). The increase in net sales compared to the year before reflected primarily increased product deliveries. On average, the movement in nickel prices year-on-year was relatively minor with prices weakening from around USD 18,000/t to USD 13,000-14,000/t in H1 2013 and moving largely in the same range, but in opposite direction in H1 2014. Product deliveries in H1 2014 amounted to 6,124t of nickel, 142t of cobalt and 16,400t of zinc (H1 2013: 4,501t of nickel, 155t of cobalt, 4,297t of zinc).

The Group's other operating income amounted to EUR 0.6 million (H1 2013: EUR 1.2 million) and mainly resulted from sales of timber.

Changes in inventories of finished goods and work in progress amounted to EUR (5.4) million (H1 2013: EUR 23.3 million). Due to the suspension of mining and materials handling operations since November 2013, no new ore was stacked during H1 2014. Consequently, the work in progress decreased as metals were removed from the ore heaps as a result of continued metals production.

Employee benefit expenses were EUR (12.5) million in H1 2014 (H1 2013: EUR (15.5) million), with the reduced expenses attributable to the on-going lay-offs and decreased number of personnel.

The operating loss for H1 2014 was EUR (11.2) million (H1 2013: EUR (43.8) million). Materials and services amounted to EUR (33.7) million in H1 2014 (H1 2013: EUR (41.7) million) and other operating expenses were EUR (16.5) million (H1 2013: EUR (25.3) million). The largest cost items included chemicals used for metals precipitation and water purification, and electricity. Due to the ongoing suspension of ore production since

November 2013, mining and materials handling costs were limited to ongoing maintenance expenses and the costs associated with the reclaiming trials during the spring.

Finance income for H1 2014 was EUR 0.3 million (H1 2013: EUR 0.4 million). Finance costs were EUR (20.3) million (H1 2013: EUR (24.8) million) and consisted mainly of interest accrued on borrowings. However, due to the ongoing corporate reorganisation proceedings of the Company and Talvivaara Sotkamo, no interest payments on borrowings were made. The eventual treatment of interests and repayment of restructuring debt will be decided as part of the restructuring programmes, the proposals for which were submitted to the Espoo District Court on 30 September 2014, i.e. the day of this announcement.

Loss for the first half of 2014 and the total comprehensive income amounted to EUR (31.2) million (H1 2013: EUR (51.5) million). Earnings per share were EUR (0.01) in H1 2014 (H1 2013: EUR (0.05)).

#### Balance sheet

Capital expenditure in H1 2014 totalled EUR 1.6 million (H1 2013: EUR 32.6 million). The expenditure primarily related to water management. On the consolidated statement of financial position as at 30 June 2014, property, plant and equipment totalled EUR 294.9 million (31 December 2013: EUR 305.0 million), which in comparison to periods prior to Q4 2013 reflects the EUR 499.3 million impairment charge recognised at year-end 2013.

In the Group's assets, inventories amounted to EUR 256.7 million on 30 June 2014 (31 December 2013: EUR 261.5 million). At year-end 2013, an impairment charge of EUR 93.7 million was recognised on the inventory. Subsequently, the decrease in inventory in H1 2014 reflects metals production from the existing heaps while no new ore has been added to the inventory due to the suspension of ore production since November 2013.

Trade receivables amounted to EUR 3.6 million on 30 June 2014 (31 December 2013: EUR 10.4 million).

On 30 June 2014, cash and cash equivalents totalled EUR 6.0 million (31 December 2013: EUR 5.9 million).

In equity and liabilities, total equity amounted to EUR (318.7) million on 30 June 2014 (31 December 2013: EUR (287.5) million).

Talvivaara has continued to treat and discharge the excess waters retained at the mine site after the gypsum pond leakage of November 2012. As a result of the costs incurred in water treatment, primarily arising from the use of limestone and milk of lime, EUR 2.3 million of environmental provisions have been de-recognised during the first half of the year, from EUR 13.3 million on 31 December 2013 to EUR 11.0 million at the end of June 2014.

Borrowings increased from EUR 554.6 million on 31 December 2013 to EUR 559.4 million at the end of June 2014, with the net increase primarily due to the draw-downs of the up to EUR 20 million loan facility agreed with Nyrstar on 1 April 2014. The draw-downs progressed during the second quarter in relation to the amount of zinc delivered to Nyrstar and amounted to EUR 7.7 million at the end of the period.

The Group's borrowings, with the exception of finance lease liabilities and new debt incurred since the Company and Talvivaara Sotkamo's filing for corporate reorganisation in November 2013, are restructuring debts, the payment terms of which, including repayment amounts, interests and repayment schedules, will be determined as part of the companies' restructuring programmes. Proposals for the restructuring programmes have been submitted by the Administrator to Espoo District Court on 30 September 2014, i.e. on the date of this announcement.

Total advance payments from Nyrstar and Cameco Corporation as at 30 June 2014 amounted to EUR 278.2 million (31 December 2013: 286.1 million).

Total equity and liabilities as at 30 June 2014 amounted to EUR 597.4 million (31 December 2013: EUR 623.3 million).

### Financing

On 1 April 2014, the Company and Talvivaara Sotkamo entered into a loan and streaming holiday agreement ('the Agreement') with Nyrstar Sales and Marketing AG ("Nyrstar"). Under the Agreement, Nyrstar makes available to Talvivaara a loan facility of up to EUR 20 million. Nyrstar makes the facility available in several tranches with the amount of each advance calculated with reference to a corresponding delivery by Talvivaara Sotkamo of zinc in concentrate under the original zinc streaming agreement of February 2010.

Subject to Talvivaara securing an adequate overall financial solution, the Company also has an option to enter into a streaming holiday for delivery volumes of up to 80,000 tonnes of zinc in concentrate. During the streaming holiday, Nyrstar commits, outside the framework of the original contract, to purchase zinc concentrate from Talvivaara at market terms. The streaming holiday, if used in full, has an over EUR 60 million additional financing impact for the Company at current zinc prices.

In return for the holiday, the value sharing mechanism of the original zinc streaming agreement will be amended to reduce on a pro rata basis such that, if the full holiday period is elected, the value sharing mechanism thereafter becomes nil. When applied, the value sharing mechanism allows Talvivaara to receive a cash consideration for its deliveries that is higher than the extraction and processing fee determined in the zinc streaming agreement.

Nyrstar's obligation to extend financing under the loan facility will cease at the earlier of the aggregate amount outstanding including accrued interest exceeding EUR 20 million or the commencement of a streaming holiday. As at 30 June 2014, Talvivaara had drawn EUR 7.7 million of the Nyrstar loan facility.

### **Going concern**

Talvivaara's interim results for January - June 2014 have been prepared on a going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company is working together with the Administrator towards finding appropriate financing solutions for the Group going forward. On 1 April 2014, Talvivaara entered into a loan and streaming holiday agreement with Nyrstar for a loan facility of up to EUR 20 million. Continuing draw-downs of this facility together with stable production performance and the positive development in nickel price over the recent months have provided Talvivaara with sufficient liquidity to continue the corporate reorganisation and its operations for the time being. To secure the Group's long term viability, Talvivaara is in discussions with potential cornerstone investor(s) relating to their participation in an overall financial solution for the Group through new financial instrument(s), which may include e.g. a bond and/or a share issue. The Company considers such overall financial solution to be achievable, however acknowledging that reaching a positive outcome is not certain and that the Company can give no assurance that the submitted restructuring programmes are approved or that the reorganisation process will ultimately be successful.

As of the date of the announcement of the Company's H1 2014 interim results, the Directors, Management and the Administrator do not contemplate the liquidation of Talvivaara, and the reorganisation of the Company is proposed to be carried out through a typical eight-year restructuring programme. Reorganisation of Talvivaara Sotkamo is proposed to be based on realisation restructuring, in which the business operations and assets of Talvivaara Sotkamo are to be sold to a newly formed entity in which Talvivaara is the main owner. The funds obtained from the sale are to be used to pay off or purchase Talvivaara Sotkamo's restructuring debts. Although the realisation restructuring is effectively a liquidation, the proposed procedure does not have an impact on the presentation of the Group's financial results as such, as the receiving entity is also a Group company and consolidated as part of the Group accounts.

With consideration to the proposed restructuring programmes, the Group's financial situation and plans for achieving an overall financial solution, the Directors and Management believe that the going concern basis of presentation is appropriate despite the uncertainties associated with the contemplated financing transactions as well as the reorganisation proceedings. However, the Directors and Management acknowledge that the Company's liquidity situation continues to cause material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the going concern basis prove inappropriate in the foreseeable future, adjustments to the carrying amounts and/or classifications of Talvivaara's assets and liabilities would be necessary.

The Group's ability to continue as a going concern is dependent not only on the successful completion of the contemplated financing transactions and authorisation and implementation of the proposed restructuring programmes, but also on Talvivaara's ability to successfully implement its business plan at the Talvivaara mine and on the prevailing market conditions. At the time of the Company's H1 2014 interim results on 30 September 2014, it is not possible to foresee whether Talvivaara will be able to execute its financing, reorganisation and operational plans or whether the execution of these will improve the Group's financial condition sufficiently to allow it to continue as a going concern.

The restructuring programmes to be authorised by the District Court of Espoo will, if approved as proposed, materially change the carrying amounts and classifications reported in the Group's financial statements. The assets and liabilities in the Company's H1 2014 interim results do not reflect any adjustments proposed or authorised as part of such restructuring programmes. Furthermore, the interim results do not aim to reflect or provide for the consequences of the corporate reorganisation proceedings, such as: (i) the realisable value of the Group's assets on a liquidation basis or their availability to satisfy liabilities, (ii) the amounts of loans and debts subject to restructuring and priority thereof, (iii) or the effect on the Group's consolidated income statement of any changes potentially made to its business as a result of the final restructuring programme. However, in view of the inherent uncertainty brought about by the corporate reorganization proceedings, operational challenges caused by and partly continuing as a result of water balance issues, and the weak nickel price environment that prevailed for most of 2013 and into early 2014, the Group has made substantial impairment charges in its FY 2013 financial statements related to its tangible assets, inventories and deferred tax assets. Further, the challenging liquidity position and the commencement of the corporate reorganisation proceedings for the Company and Talvivaara Sotkamo have resulted in breach of covenants and default events in accordance with the respective terms and conditions of the companies' loan agreements resulting in adjustments to the carrying values and classifications of such loans.

### **Production review**

During the second quarter, Talvivaara produced 3,189t of nickel (Q2 2013: 1,776t) and 5,836t of zinc (Q2 2013: 4,465t). During the first half of 2014, Talvivaara produced 6,257t of nickel (H1 2013: 4,508t) and 11,562t of zinc (H1 2013: 7,593t).

Talvivaara's metals production was mainly supported by the good performance of primary heaps 1 and 4, which were taken to production during the second half of 2013. However, as no new ore has been mined for leaching since November 2013, the production has been sustained by bleeding solution from the currently operating heaps at higher than designed rates. As a result, the nickel grade in solution pumped to the metals plant decreased during the quarter and was at the level of 1.0 g/l at the end of June.

The average feed flow to the metals recovery plant during the second quarter was 1,349 m<sup>3</sup>/h including all stoppages, but reached the running rate of 1,600 m<sup>3</sup>/h regularly. The cost efficiency of production at the metals plant remained satisfactory despite the declining metal grades in solution.

Talvivaara's ore production has been suspended since November 2013. Reclamation of the old primary heaps was commenced on trial basis in May, but suspended again in mid-June due to the Company's tight liquidity situation. In addition, the use of a surface miner for reclaiming was tested in June, yielding promising results. The Company has since continued evaluating relevant equipment requirements for capacity increase and cost savings for the reclaiming function in the future, and also utilized the surface miners for the maintenance of heap surfaces to improve heap permeability and quality of irrigation.

Production key figures

		Q2 2014	Q2 2013	Q1-Q2 2014	Q1-Q2 2013	FY 2013
<b>Mining</b>						
Ore production	Mt	-	1.8	-	1.8	7.4
Waste production	Mt	-	0.9	-	0.9	3.1
<b>Materials handling</b>						
Stacked ore	Mt	-	1.8	-	1.8	7.7
<b>Bioheapleaching</b>						
Ore under leaching	Mt	51.8	46.1	51.8	46.1	51.8
<b>Metals recovery</b>						
Nickel metal content	Tonnes	3,189	1,776	6,257	4,508	8,662
Zinc metal content	Tonnes	5,836	4,465	11,562	7,593	17,418

**Sustainable development, safety and permitting**Safety

At the end of the second quarter, the injury frequency among the Talvivaara personnel was 34.1 lost time injuries/million working hours on a rolling 12 month basis (30 June 2013: 19.5 lost time injuries/million working hours). Recent focus has been particularly on improved work hygiene with the target of mitigating any risk of unnecessary exposure by the employees to harmful substances present in the work place.

Environment

Talvivaara continues to focus on minimising the environmental impact of its operations. Current primary focus is on water balance management.

Treatment and discharge of excess waters from the mine area continued throughout the second quarter, but discharge was minimized in June to avoid exceeding the permitted discharge quotas for sulphate and zinc. Treatment of contaminated waters within the mining area has, however, continued despite the limited discharge rate, which has improved the quality of water that continues to be stored at the mine site.

Emergency volumes in the water storage areas around the mine site increased through the second quarter and also later into the summer as a result of evaporation, recycling of process waters and discharge of purified water. Consequently, there is now significant capacity available for possible emergency situations. Excess free water from the gypsum ponds has been removed down to a level required by normal operations.

The environmental monitoring results of 2014 from the nearby lakes indicate no unexpected outcomes. The waters in the small lakes to the north (Lake Salminen and Lake Kalliojärvi) and to the south (Lake Kivijärvi) are still stratified. However, sulphate concentrations in the first larger water body to the north, Lake Kolmisoppi, have decreased substantially during the year and no long-term stratification has been detected. In Lakes Jormasjärvi and Laakajärvi, which are the first significant lakes outside the mine area in terms of their recreational use, the sulphate concentrations are at expected levels. Beyond the sulphate concentrations which are still elevated from their natural levels, no other effects, e.g. on fish, have been found.

Talvivaara places significant emphasis on timely and transparent communication on environmental matters with the neighbouring communities and other interested stakeholders. The locally focused Finnish language website [www.paikanpaalla.fi](http://www.paikanpaalla.fi) continued to be successfully used for the delivery of locally relevant, timely information and for interaction with interested stakeholders. The Company also conducted well received Twitter question and answer sessions with Talvivaara's sustainability experts.

Permitting

Talvivaara Sotkamo received an environmental permit decision relating to the whole Talvivaara operation and an environmental permit for the uranium recovery from the Northern Finland Regional State Administrative Agency



("AVI") on 30 April 2014. Talvivaara appealed against several parts of the permit decision, including the method of assessment of the guarantees to be set under the permit. The required guarantees under the new permit have been stated at EUR 107 million, which the Company does not believe to be justified under the applicable law and permitting practice, and which exceeds the current level of guarantees, EUR 34 million, by more than three-fold.

For the time being, Talvivaara continues operating under the previously obtained, existing permits until the new permit is final. It is expected that the appeal process in a case of this scale will last for a number of years.

### **Legal proceedings**

The Kainuu Centre for Economic Development, Transport and the Environment (the "ELY Centre") has issued administrative injunction decisions requesting Talvivaara Sotkamo to acquire additional reverse osmosis water purification capacity and to construct more pond capacity for excess waters at the mine area. The ELY Centre has also imposed a threat to purchase the required additional reverse osmosis capacity at Talvivaara Sotkamo's expense. In the meantime, Talvivaara Sotkamo has had its own plans to purchase additional reverse osmosis capacity and continued negotiations relating thereto. According to Talvivaara's plans the additional reverse osmosis capacity will be delivered and commissioned during the fall of 2014. Also the additional pond capacity is under construction and will be ready by the end of 2014. As the decisions of the ELY Centre are, due to Talvivaara Sotkamo's own plans, unnecessary and unfeasible and are not in the Company's view based on law, Talvivaara has appealed the ELY Centre's decisions to the Vaasa Administrative Court.

In September, the ELY Centre has concluded the Talvivaara Sotkamo's own actions in the acquisition of the required reverse osmosis capacity are sufficient, as further described in the events after the review period.

### **Business development and commercial arrangements**

#### *Participation in Fennovoima nuclear power project*

Talvivaara announced on 21 February 2014 its support for the Fennovoima nuclear power project, but noted that under the current circumstances the Company focuses all its financial resources on the Sotkamo operation and the ongoing corporate reorganisation process. For the time being Talvivaara is not in a position to commit to additional funding of the Fennovoima project, but will reassess its ability for further participation once more clarity into its financing situation is obtained and the corporate reorganisation process proceeds. There was no change in Talvivaara's position relating to Fennovoima during the second quarter of 2014.

### **Annual General Meeting**

Talvivaara's Annual General Meeting was held on 12 June 2014 in Sotkamo, Finland. The resolutions of the AGM included:

- that the annual fee payable to the members of the Board of Directors for the term until the close of the Annual General Meeting in 2015 be as follows: Chairman of the Board of Directors: EUR 84,000/year, Deputy Chairman (Senior Independent Director): EUR 48,000/year, Chairmen of the Board Committees: EUR 48,000/year, other Non-executive Directors: EUR 33,500/year and Executive Directors EUR 33,500/year. In addition to the annual fee, a fee of EUR 600 per meeting shall be payable.
- that the number of Board members be seven (7) and that Mr. Tapani Järvinen, Mr. Pekka Perä, Mr. Graham Titcombe, Mr. Edward Haslam, Mr. Stuart Murray and Ms. Maija-Liisa Friman be re-elected to the Board and that Ms. Solveig Törnroos-Huhtamäki be elected as a new member to the Board.
- that the corporate reorganisation application of the Company, based on which the Espoo District Court decided on 29 November 2013 to commence corporate reorganisation proceedings, be continued.
- that the Board of Directors be authorised to cancel the listing of the Company's shares on the official list maintained by the UK Financial Services Authority and to remove such shares from trading on the main market for listed securities of London Stock Exchange plc.
- that a share issue without consideration be directed to the Company; the number of the new shares issued is 190,615,000.
- that the Board of Directors be authorised to resolve on the conveyance and repurchase of a maximum of 190.615.000 treasury shares; the authorisation for share conveyance is valid through 11 June 2019 and the authorisation for share repurchase through 11 December 2015.

## Risk factors

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

In addition to the above, Talvivaara's risk factors in the short term include particularly such risks that relate to the ongoing corporate reorganisation proceedings, financing and going concern:

***If an adequate overall financial solution is not found, Talvivaara's restructuring programme may not be approved and authorised and shareholders could lose their entire investment in the Company***

The approval and authorisation of the proposed restructuring programmes of Talvivaara and Talvivaara Sotkamo are conditional, among other things, on an adequate long-term financing solution being secured. If such financial solution is not found, the restructuring programmes may not be approved and authorised, the Company and/or Talvivaara Sotkamo may have to file for bankruptcy and the shareholders could lose their entire investment in the Company.

***If the corporate reorganisation proceedings of Talvivaara and Talvivaara Sotkamo are not successful, shareholders could lose their entire investment in the Company***

Although the Board believes that a corporate reorganisation is a viable option for Talvivaara, there can be no assurance that the proposed restructuring programmes of Talvivaara and Talvivaara Sotkamo will be approved and authorised or be ultimately successful. The corporate reorganisation processes can fail for a number of reasons, including due to an insufficiency of funds to implement or complete the restructuring programmes, unforeseen operational or environmental issues facing Talvivaara's production facilities, changes in the operating environment affecting the financial viability of Talvivaara and various other factors. If the corporate reorganisation fails for these or any other reasons, it could result in the bankruptcy of the Company and/or Talvivaara Sotkamo unless other alternatives have materialised by that time. Currently, no such other alternatives are available. As a result, Shareholders could lose their entire investment in the Company.

***If Talvivaara and Talvivaara Sotkamo are not able to continue as a going concern, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business, which could lead to shareholders losing their entire investment in the Company***

The Company's liquidity situation continues to cause material uncertainty that casts significant doubt upon the Group's ability to continue as a going concern and that, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Should the going concern basis prove inappropriate in the foreseeable future, adjustments to the carrying amounts and/or classifications of Talvivaara's assets and liabilities would be necessary. Ultimately, not being able to continue as a going concern could lead to the bankruptcy of the Company and/or Talvivaara Sotkamo and the shareholders could lose their entire investment in the Company.

Risks related to going concern are further described in the Going Concern section of this announcement.

## Personnel

The number of personnel employed by the Group on 30 June 2014 was 501 (Q2 2013: 673). Wages and salaries paid during the three months to 30 June 2014 totalled EUR 5.2 million (Q2 2013: EUR 6.8 million). Wages and salaries paid during the six months to 30 June 2014 totalled EUR 10.3 million (H1 2013: EUR 12.8 million).

Talvivaara concluded its co-operation consultations on 7 January 2014. All personnel groups in the Company and its subsidiaries Talvivaara Sotkamo and Talvivaara Exploration were within the scope of the consultations. Following the consultation process, Talvivaara decided to gradually lay off 246 employees for an indefinite period. The lay-offs were implemented to support the Company and Talvivaara Sotkamo's corporate reorganisation and to adjust the number of personnel to the current operating scheme under which ore production is temporarily suspended.

As at 31 March 2014, 97 employees were laid off, which is less than anticipated when the co-operation consultations were concluded. The smaller number of lay-offs resulted from previously sub-contracted work having been taken in-house and done by the Group's own workforce.

As at 30 June 2014, 41 employees were laid off. In the second quarter, Talvivaara recalled employees from lay-offs in order to re-commence reclaiming of old primary heaps on a trial basis. This reduced the number of laid-off employees further.

### **Shares and shareholders**

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 June 2014 was 1,906,167,480. Including the effect of the EUR 225 million convertible bond of 16 December 2010 and the Option Schemes of 2007 and 2011, the authorised full number of shares of the Company amounted to 2,041,901,379.

The share subscription period for stock options 2007A was between 1 April 2010 and 31 March 2012. By the end of the subscription period a total of 2,279,373 Talvivaara Mining Company's new shares were subscribed for under the stock option rights 2007A. A total of 53,727 stock option rights 2007A remained unexercised following the end of the subscription period and expired.

The share subscription period for stock options 2007B was between 1 April 2011 and 31 March 2013. By the end of the subscription period a total of 48,763 Talvivaara Mining Company's new shares were subscribed for under the stock option rights 2007B. A total of 2,284,337 stock option rights 2007B remained unexercised following the end of the subscription period and expired.

After the adjustments to terms and conditions of the 2007 stock options in April 2013, a total of 16,289,000 option rights 2007C have been issued to employees and the subscription period for stock options 2007C was between 1 April 2012 and 31 March 2014. No new shares of Talvivaara were subscribed for under the stock option rights 2007C between 1 January and 31 March 2014. A total of 16,289,000 stock option rights 2007C remained unexercised following the end of the subscription period and expired.

After the adjustments to terms and conditions of the 2011 stock options in April 2013, a total of 9,432,500 option rights 2011B have been issued to key employees and the subscription period for stock options 2011B is, according to the terms of the option programme, between 1 April 2015 and 31 March 2017. However, the implementation criteria for stock options 2011B were not fulfilled and the options were cancelled at the end of 2013. Stock options 2011A had similarly been cancelled at the end of 2012.

In March 2013 an Extraordinary General Meeting of Talvivaara Mining Company resolved to approve the proposal by the Board of Directors to authorise the Board of Directors to undertake a share issue for consideration pursuant to the shareholders' pre-emptive subscription rights. The share issue was completed in April 2013 and the total number of shares in Talvivaara Mining Company Plc increased to 1,906,167,480 shares.

In June 2014, the Annual General Meeting of shareholders of Talvivaara Mining Company Plc resolved on a share issue to the Company without consideration. The 190,615,000 new shares that were issued were registered with the Finnish Trade Register on 25 July 2014. Following the registration of the treasury shares, the total number of shares in Talvivaara is 2,096,782,480. The new shares, when held in treasury by the Company, will not carry voting rights or any other shareholder rights in the Company. Including the effect of the EUR 225 million convertible bond of 16 December 2010 and the Option Schemes of 2007 and 2011, the authorised full number of shares of the Company amounts to 2,232,516,379

As at 30 June 2014, the shareholders who held more than 5% of the shares and votes of Talvivaara were Solidium Oy (16.7%) and Pekka Perä (6.5%).

### **Events after the review period**

#### Progress of corporate reorganisation

According to the estimate of the Administrator of the corporate reorganisation proceedings of Talvivaara and Talvivaara Sotkamo, the companies' business operations have during the restructuring proceedings proved to be

viable, and the Administrator has on 30 September 2014 submitted restructuring programme proposals for both companies to the Espoo District Court.

For Talvivaara, an eight-year restructuring programme is proposed and based on the cash flow from the services sold by it to its operating subsidiary and on its role as the entity responsible for the Group's fundraising. In the Administrator's view, the value of the Group's restructuring debt secured by collateral is a maximum of EUR 56 million. The proposal suggests a 97% haircut to all unsecured restructuring debts.

For Talvivaara Sotkamo, the proposal is based on realisation restructuring, in which the business operations and assets of Talvivaara Sotkamo are sold to a newly formed entity owned mainly by Talvivaara and the funds obtained from the sale are used to pay off or purchase restructuring debts; unsecured debts are to be repaid at 1% of their nominal value

For both companies, approval and implementation of the restructuring programmes remains subject to sufficient creditor support and an adequate long term financing solution. The Company continues to explore all possible sources of finance for Talvivaara and the operating subsidiary to be established, including e.g. a bond and/or share issue and the involvement of one or more cornerstone investors.

#### Administrative injunction by ELY Centre

On 24 September 2014, Talvivaara was informed that the Kainuu ELY Centre is satisfied with Talvivaara Sotkamo's actions relating to the purchase of additional water purification capacity and the construction of additional pond capacity. Consequently, the Kainuu ELY Centre has ceased the planning and execution of its own actions relating to the matter. The administrative injunction decisions are in force until the end of 2014.

#### Consideration of charges relating to the gypsum pond leakages and discharges into water ways

The consideration of charges, which related to Talvivaara Sotkamo's gypsum pond leakages and the sodium, sulphate and manganese discharges that exceeded the anticipated amounts stated in the original environmental permit application of the mine, was completed on 22 September 2014.

The prosecutor decided not to bring charges against thirteen specialists and members of the middle management that were heard as suspects. However, the prosecutor has decided to bring charges against four members of Talvivaara's management, including CEO Pekka Perä and former CEO Harri Natunen. The charges concern aggravated impairment of the environment. The prosecutor also requests a corporate fine imposed on Talvivaara Sotkamo and compensation for the benefit obtained by the alleged crime.

The Company does not share the prosecutor's view of the threshold for charges having been met. The Company welcomes, however, the opportunity to have the facts relating to the matter as well as the then-current operating conditions of the Company discussed in an open court.

#### Permitting of a discharge pipeline for purified waters to Lake Nuasjärvi

On 2 September 2014 the Kainuu ELY Centre gave a decision on whether there is a need to conduct a full scale environmental impact assessment ("EIA") relating to the planned new pipeline for purified discharge waters. The ELY Centre stated that it is not necessary to conduct a separate EIA for the pipeline, but the prerequisites of the environmental permit and necessary permit conditions will be set by AVI in the environmental permit process.

The decision of the ELY Centre will accelerate the permitting process of the pipeline to some extent and Talvivaara anticipates being able to file an environmental permit application to AVI in the near future. The new pipeline would direct the purified discharge waters of the mine to Lake Nuasjärvi, the water mass of which is hundreds of times greater than that in the current small discharge waterways of the mine. Although a separate EIA process will not be needed, the environmental impacts of the pipeline shall be studied and presented in the environmental permit application.

#### Pre-trial investigations

The pre-trial investigation relating to the industrial accident of March 2012 is closing, and the case will be transferred to the prosecutor for consideration of charges in the near future.

The pre-trial investigation relating to the discharge of raffinate and dilute secondary heap solutions into the open pit will be completed shortly. The type of the suspected crime has been changed from impairment of the environment to environmental infraction (petty crime).

#### New shares registered with the Finnish Trade Register

On 12 June 2014, the Annual General Meeting of shareholders of Talvivaara resolved on the share issue to the Company without consideration. All 190,615,000 new shares issued were registered with the Finnish Trade Register on 25 July 2014. Following the registration of the treasury shares, the total number of shares in Talvivaara is 2,096,782,480. The new shares, when held in treasury by the Company, do not carry voting rights or any other shareholder rights in the Company.

#### Cancellation of London Stock Exchange listing

Talvivaara announced on 14 July 2014 that it has applied to the Financial Conduct Authority, in its capacity as United Kingdom Listing Authority, to cancel the listing on the Official List of the United Kingdom Listing Authority of 1,906,167,480 shares (ISIN code: FI0009014716) (the "**Shares**") issued by it with effect from (and including) 14 July 2014. The Shares continue to trade on the Helsinki Stock Exchange.

#### **Short-term outlook**

##### Operational outlook

Talvivaara's short term operational outlook is based on continuing metals extraction from the existing heaps, mainly the primary heaps 1 and 4. Due to the high rate of depletion from these heaps, the metal grades in solution and therefore also the production volumes are anticipated to decline somewhat going into the fourth quarter. In order to reduce the rate of decline, the Company is evaluating the possibilities of re-starting the reclamation of the old, inactive primary heaps to boost their leaching. Whilst Talvivaara anticipates being able to resume reclaiming in limited quantities in the near future, the mining operations will remain suspended until the longer term financing arrangements have been secured.

##### Market outlook

The short term market outlook appears slightly more cautious than in the beginning of the summer. Whilst the Indonesian ban on nickel ore exports has held well, the Chinese have been able to start sourcing part of their ore requirement for nickel pig iron production from the Philippines. This, in turn, has delayed the nickel market turning into deficit and contributed to the recent softness in nickel prices. In longer term, the nickel market continues to look more favourable with the stainless steel demand supporting the nickel market better than in the recent times, and an ore export ban being proposed also in the Philippines.

30 September 2014

Talvivaara Mining Company Plc.  
Board of Directors

**CONSOLIDATED INCOME STATEMENT**

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

	Unaudited three months to 30 Jun 14	Unaudited three months to 30 Jun 13	Unaudited six months to 30 Jun 14	Unaudited six months to 30 Jun 13	Audited twelve months to 31 Dec 13
(all amounts in EUR '000)					
<b>Net sales</b>	<b>39 160</b>	<b>13 013</b>	<b>68 174</b>	<b>40 618</b>	<b>77 572</b>
Other operating income	102	448	649	1 177	1 864
Changes in inventories of finished goods and work in progress	(4 202)	15 974	(5 387)	23 262	53 651
Impairment charges on inventories					(93 685)
Materials and services	(18 838)	(19 126)	(33 734)	(41 740)	(95 593)
Personnel expenses	(6 302)	(8 211)	(12 490)	(15 496)	(30 879)
Depreciation and amortization	(5 945)	(13 300)	(11 977)	(26 399)	(53 197)
Impairment charges on PPE	-	-	-	-	(499 300)
Other operating expenses	(8 129)	(12 656)	(16 481)	(25 268)	(62 234)
<b>Operating loss</b>	<b>(4 154)</b>	<b>(23 858)</b>	<b>(11 246)</b>	<b>(43 846)</b>	<b>(701 801)</b>
Finance income	132	520	301	408	901
Finance cost	(10 113)	(13 131)	(20 308)	(24 760)	(57 143)
Finance income (cost) (net)	(9 981)	(12 611)	(20 007)	(24 352)	(56 242)
<b>Loss before income tax</b>	<b>(14 135)</b>	<b>(36 469)</b>	<b>(31 253)</b>	<b>(68 198)</b>	<b>(758 043)</b>
Income tax expense	4	8 889	4	16 686	(54 434)
<b>Loss for the period</b>	<b>(14 131)</b>	<b>(27 580)</b>	<b>(31 249)</b>	<b>(51 512)</b>	<b>(812 477)</b>
<b>Attributable to:</b>					
Owners of the parent	(8 974)	(24 010)	(23 544)	(45 015)	(680 920)
Non-controlling interest	(5 156)	(3 570)	(7 705)	(6 497)	(131 557)
	<b>(14 131)</b>	<b>(27 580)</b>	<b>(31 249)</b>	<b>(51 512)</b>	<b>(812 477)</b>
<b>Earnings per share for loss attributable to the owners of the parent (expressed in EUR per share)</b>					
Basic and diluted	(0,00)	(0,03)	(0,01)	(0,05)	(0,48)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

	Unaudited three months to 30 Jun 14	Unaudited three months to 30 Jun 13	Unaudited six months to 30 Jun 14	Unaudited six months to 30 Jun 13	Audited twelve months to 31 Dec 13
(all amounts in EUR '000)					
<b>Loss for the period</b>	<b>(14 131)</b>	<b>(27 580)</b>	<b>(31 249)</b>	<b>(51 512)</b>	<b>(812 477)</b>
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>(14 131)</b>	<b>(27 580)</b>	<b>(31 249)</b>	<b>(51 512)</b>	<b>(812 477)</b>
<b>Attributable to:</b>					
Owners of the parent	(8 974)	(24 010)	(23 544)	(45 015)	(680 920)
Non-controlling interest	(5 156)	(3 570)	(7 705)	(6 497)	(131 557)
	<b>(14 131)</b>	<b>(27 580)</b>	<b>(31 249)</b>	<b>(51 512)</b>	<b>(812 477)</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

	<b>Unaudited</b>	<b>Audited</b>
	<b>30 Jun 14</b>	<b>31 Dec 13</b>
(all amounts in EUR '000)		
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	294 850	304 956
Biological assets	6 435	6 641
Intangible assets	6 326	6 582
Investments in associates	7 067	6 968
Other receivables	8 394	8 412
Available-for-sale financial assets	2	2
<b>Total Non-current assets</b>	<b>323 074</b>	<b>333 560</b>
<b>Current assets</b>		
Inventories	256 739	261 451
Trade receivables	3 614	10 389
Other receivables	7 974	12 047
Cash and cash equivalent	5 950	5 867
<b>Total Current assets</b>	<b>274 277</b>	<b>289 754</b>
<b>Total assets</b>	<b>597 352</b>	<b>623 314</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	80	80
Share premium	8 086	8 086
Other reserves	764 626	764 603
Retained deficit	(949 398)	(925 854)
<b>Total equity attributable to owners of the parent</b>	<b>(176 606)</b>	<b>(153 085)</b>
Non-controlling interest in equity	(142 083)	(134 378)
<b>Total equity</b>	<b>(318 689)</b>	<b>(287 463)</b>
<b>Non-current liabilities</b>		
Borrowings	21 435	30 592
Advance payments	267 592	270 641
Other payables	21	270
Provisions	11 006	10 785
<b>Total non-current liabilities</b>	<b>300 054</b>	<b>312 288</b>
<b>Current liabilities</b>		
Borrowings	537 930	524 011
Advance payments	10 569	15 456
Trade payables	32 946	37 426
Other payables	34 542	19 065
Provisions	-	2 531
<b>Total current liabilities</b>	<b>615 987</b>	<b>598 489</b>
<b>Total liabilities</b>	<b>916 041</b>	<b>910 777</b>
<b>Total equity and liabilities</b>	<b>597 352</b>	<b>623 314</b>

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Share capital	Share premium	Invested unrestricted equity	Other reserves	Retained deficit	Total	Non-controlling interest	Total equity
<b>1 Jan 13</b>	<b>80</b>	<b>8 086</b>	<b>490 749</b>	<b>48 810</b>	<b>(242 962)</b>	<b>304 763</b>	<b>1 989</b>	<b>306 752</b>
Loss for the period	-	-	-	-	(45 015)	(45 015)	(6 497)	(51 512)
Other comprehensive income	-	-	-	-	-	-	-	-
- Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(45 015)</b>	<b>(45 015)</b>	<b>(6 497)</b>	<b>(51 512)</b>
<b>Transactions with owners</b>								
Senior unsecured convertible bonds due 2013	-	-	-	(2 417)	-	(2 417)	-	(2 417)
Perpetual capital loan	-	-	-	2 612	(1 851)	761	121	882
Rights issue	-	-	250 827	-	-	250 827	-	250 827
Incentive arrangement for Executive Management	-	-	-	(140)	-	(140)	-	(140)
Employee share option scheme	-	-	-	-	-	-	-	-
- value of employee services	-	-	-	123	-	123	-	123
Total contribution by and distribution to owners	-	-	250 827	178	(1 851)	249 154	121	249 275
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>250 827</b>	<b>178</b>	<b>(1 851)</b>	<b>249 154</b>	<b>121</b>	<b>249 275</b>
<b>30 Jun 13</b>	<b>80</b>	<b>8 086</b>	<b>741 576</b>	<b>48 988</b>	<b>(289 828)</b>	<b>508 902</b>	<b>(4 387)</b>	<b>504 515</b>
<b>31 Dec 13</b>	<b>80</b>	<b>8 086</b>	<b>741 576</b>	<b>23 028</b>	<b>(925 854)</b>	<b>(153 085)</b>	<b>(134 378)</b>	<b>(287 463)</b>
<b>1 Jan 14</b>	<b>80</b>	<b>8 086</b>	<b>741 576</b>	<b>23 028</b>	<b>(925 854)</b>	<b>(153 085)</b>	<b>(134 378)</b>	<b>(287 463)</b>
Loss for the period	-	-	-	-	(23 544)	(23 544)	(7 705)	(31 249)
Other comprehensive income	-	-	-	-	-	-	-	-
- Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23 544)</b>	<b>(23 544)</b>	<b>(7 705)</b>	<b>(31 249)</b>
<b>Transactions with owners</b>								
Incentive arrangement for Executive Management	-	-	-	23	-	23	-	23
Total contribution by and distribution to owners	-	-	-	23	-	23	-	23
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>23</b>
<b>30 Jun 14</b>	<b>80</b>	<b>8 086</b>	<b>741 576</b>	<b>23 051</b>	<b>(949 398)</b>	<b>(176 606)</b>	<b>(142 083)</b>	<b>(318 689)</b>



**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Applications for corporate reorganisation proceeding filed on 15 Nov 2013)

(all amounts in EUR '000)	Unaudited three months to 30 Jun 14	Unaudited three months to 30 Jun 13	Unaudited six months to 30 Jun 14	Unaudited six months to 30 Jun 13	Audited twelve months to 31 Dec 13
<b>Cash flows from operating activities</b>					
Loss for the period	(14 131)	(27 580)	(31 249)	(51 512)	(812 477)
Adjustments for					
Tax	(4)	(8 889)	(4)	(16 686)	54 434
Depreciation and amortization	5 945	13 300	11 977	26 399	53 197
Impairment charges on PPE	-	-	-	-	499 300
Impairment charges on inventories	-	-	-	-	93 685
Other adjustments	(1 488)	(6 877)	(627)	(13 635)	(6 052)
Interest income	(132)	(794)	(301)	(408)	(901)
Interest expense	10 113	13 405	20 308	24 760	57 143
	303	(17 435)	104	(31 082)	(61 671)
Change in working capital					
Decrease(+)/increase(-) in other receivables	1 318	9 691	2 845	17 982	6 523
Decrease (+)/increase (-) in inventories	4 390	(22 505)	4 712	(31 207)	(61 009)
Decrease(-)/increase(+) in trade and other payables	(4 951)	(16 558)	(7 067)	(20 863)	(2 006)
Change in working capital	757	(29 372)	490	(34 088)	(56 492)
	1 060	(46 807)	594	(65 170)	(118 163)
Interest and other finance cost paid	(667)	(17 204)	(1 076)	(17 993)	(27 938)
Interest and other finance income	13	(37)	25	176	346
Income taxes paid and received	4	(12)	4	(12)	(17)
<b>Net cash generated (used) in operating activities</b>	410	(64 060)	(453)	(82 999)	(145 772)
<b>Cash flows from investing activities</b>					
Investments in associates	(100)	(530)	(100)	(1 016)	(1 274)
Purchases of property, plant and equipment	(112)	(15 039)	(1 583)	(32 124)	(60 051)
Purchases of biological assets	-	(193)	-	(245)	(262)
Purchases of intangible assets	(5)	(36)	(34)	(212)	(221)
Proceeds from sale of biological assets	154	-	798	92	1 194
<b>Net cash used in investing activities</b>	(63)	(15 798)	(919)	(33 505)	(60 614)
<b>Cash flows from financing activities</b>					
Proceeds from share issue net of transactions costs	-	193 355	-	247 390	247 390
Related party investment in Talvivaara shares	-	(186)	-	(186)	(186)
Proceeds from interest-bearing liabilities	7 641	-	7 641	-	-
Proceeds from advance payments	-	8	-	19 488	19 488
Payment of interest-bearing liabilities	(1 376)	(78 943)	(2 742)	(80 260)	(82 288)
Payment of financial leasing liabilities	(1 732)	(1 927)	(3 444)	(4 846)	(8 209)
<b>Net cash generated in financing activities</b>	4 533	112 307	1 455	181 586	176 195
<b>Net increase (decrease) in cash and cash equivalents</b>	4 880	32 449	83	65 082	(30 191)
Cash and cash equivalents at beginning of the period	1 070	68 691	5 867	36 058	36 058
<b>Cash and cash equivalents at end of the period</b>	5 950	101 140	5 950	101 140	5 867

Presentation of consolidated statement of cash flows has been changed by splitting the paid leasing charges to interest cost paid and repayment of liabilities.

The comparison information of 2013 has been adjusted accordingly.

## NOTES

## 1. Basis of preparation

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

The interim financial information set out herein has been prepared on the same basis and using the same accounting policies as were applied in drawing up the Group's statutory financial statements for the year ended 31 December 2013.

## 2. Property, plant and equipment

(all amounts in EUR '000)	Machinery and equipment	Construction in progress	Land and buildings	Other tangible assets	Total
Gross carrying amount at 1 Jan 14	407 082	105 153	294 778	242 146	1 049 159
Additions	108	1 474	-	-	1 582
Disposals	-	(11 139)	-	-	(11 139)
Transfers	4 098	(20 846)	400	16 348	-
Gross carrying amount at 30 Jun 14	411 288	74 642	295 178	258 494	1 039 601
Accumulated depreciation and impairment losses at 1 Jan 14	293 421	67 305	205 469	178 010	744 204
Disposals	-	(11 139)	-	-	(11 139)
Transfers	2 407	(12 249)	235	9 607	-
Depreciation for the period	7 867	-	2 172	1 647	11 686
Accumulated depreciation and impairment losses at 30 Jun 14	303 695	43 917	207 876	189 264	744 751
Carrying amount at 1 Jan 14	113 662	37 849	89 309	64 136	304 955
<b>Carrying amount at 30 Jun 14</b>	<b>107 594</b>	<b>30 725</b>	<b>87 302</b>	<b>69 230</b>	<b>294 850</b>

## 3. Trade receivables

(all amounts in EUR '000)

	As at 30 Jun 14	As at 31 Dec 13
Nickel-Cobalt sulphide	3 150	9 977
Zinc sulphide	464	375
Copper sulphide	-	37
<b>Total trade receivables</b>	<b>3 614</b>	<b>10 389</b>

## 4. Inventories

(all amounts in EUR '000)

	As at 30 Jun 14	As at 31 Dec 13
Raw materials and consumables	25 476	24 800
Work in progress	228 169	234 193
Finished products	3 095	2 457
<b>Total inventories</b>	<b>256 739</b>	<b>261 451</b>

**5. Borrowings**

(all amounts in EUR '000)

	<b>As at 30 Jun 14</b>	<b>As at 31 Dec 13</b>
<b>Non-current</b>		
Finance lease liabilities	13 715	17 000
Other	7 720	13 593
	<b>21 435</b>	<b>30 592</b>
<b>Current</b>		
Capital loans	1 405	1 405
Perpetual capital loan	35 106	35 106
Investment and Working Capital loan	57 855	57 855
Finance lease liabilities	6 866	7 032
Revolving Credit Facility	70 000	70 000
Senior Unsecured Bonds due 2017	110 000	110 000
Senior Unsecured Convertible Bonds due 2015	245 848	242 613
Other	10 850	-
	<b>537 930</b>	<b>524 011</b>
<b>Total borrowings</b>	<b>559 365</b>	<b>554 603</b>

**6. Advance payments**

(all amounts in EUR '000)

	<b>As at 30 Jun 14</b>	<b>As at 31 Dec 13</b>
<b>Non-current</b>		
Deferred zinc sales revenue	213 663	216 713
Deferred uranium sales revenue	53 928	53 928
	<b>267 591</b>	<b>270 641</b>
<b>Current</b>		
Deferred zinc sales revenue	10 569	15 456
	<b>10 569</b>	<b>15 456</b>
<b>Total advance payments</b>	<b>278 160</b>	<b>286 097</b>

**7. Provisions**

	Gypsum pond leakage	Water balance management	Environmental restoration	Mining fee	Total
<b>31 Dec 13</b>	<b>3 775</b>	<b>2 531</b>	<b>6 849</b>	<b>162</b>	<b>13 316</b>
Additional provisions	-	-	196	21	217
Unwinding of discount	-	-	3	-	3
Used during the period	-	(2 531)	-	-	(2 531)
<b>30 Jun 14</b>	<b>3 775</b>	<b>-</b>	<b>7 048</b>	<b>183</b>	<b>11 006</b>

The non-current and current portions of provisions are as follows:

	As at 30 Jun 14	As at 31 Dec 13
<b>Non-current</b>		
Gypsum pond leakage	3 775	3 775
Environmental restoration	7 048	6 849
Mining fee	183	161
	11 006	10 785
<b>Current</b>		
Water balance management	-	2 531
	-	2 531
<b>Total</b>	<b>11 006</b>	<b>13 316</b>

**8. Changes in the number of shares issued**

	Number of shares
<b>31 Dec 13</b>	<b>1 906 167 480</b>
Changes	-
<b>30 Jun 14</b>	<b>1 906 167 480</b>

**9. Contingencies and commitments**

(all amounts in EUR '000)

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

	As at 30 Jun 14	As at 31 Dec 13
Not later than 1 year	1 663	1 812
Later than 1 year and not later than 5 years	478	552
Later than 5 years	21	29
	<b>2 162</b>	<b>2 393</b>

**Capital commitments**

At 30 June 2014, the Group had capital commitments amounting to EUR 0.1 million (31 December 2013: EUR 1.2 million) principally relating to the completion of the Talvivaara mine, improving the reliability and expansion of production capacity. These commitments are for the acquisition of new property, plant and equipment.

**Talvivaara Mining Company Plc**
**Key financial figures of the Group**

		<b>Three months to 30 Jun 14</b>	<b>Three months to 30 Jun 13</b>	<b>Six months to 30 Jun 14</b>	<b>Six months to 30 Jun 13</b>	<b>Twelve months to 31 Dec 13</b>
Net sales	EUR '000	39 160	13 013	68 174	40 618	77 572
Operating loss	EUR '000	(4 154)	(23 858)	(11 246)	(43 846)	(701 801)
Operating loss percentage		-10,6 %	-183,3 %	-16,5 %	-107,9 %	-904,7 %
Loss before tax	EUR '000	(14 135)	(36 469)	(31 253)	(68 198)	(758 043)
Loss for the period	EUR '000	(14 131)	(27 580)	(31 249)	(51 512)	(812 447)
Return on equity		na	-6,6 %	na	-12,7 %	-8424,0 %
Equity-to-assets ratio		-53,4 %	37,0 %	-53,4 %	37,0 %	-46,1 %
Net interest-bearing debt	EUR '000	553 415	409 505	553 415	409 505	548 736
Debt-to-equity ratio		-173,7 %	81,2 %	-173,7 %	81,2 %	-190,9 %
Return on investment		-1,6 %	-1,5 %	-4,3 %	-2,8 %	-128,7 %
Capital expenditure	EUR '000	114	15 268	1 617	32 581	60 535
Property, plant and equipment	EUR '000	294 850	813 418	294 850	813 418	304 956
Borrowings	EUR '000	559 365	510 645	559 365	510 645	554 603
Cash and cash equivalents at the end of the period	EUR '000	5 950	101 140	5 950	101 140	5 867

## Share-related key figures

		Three months to 30 Jun 14	Three months to 30 Jun 13	Six months to 30 Jun 14	Six months to 30 Jun 13	Twelve months to 31 Dec 13
Earnings per share	EUR	(0,00)	(0,03)	(0,01)	(0,05)	(0,48)
Equity per share <sup>1</sup>	EUR	(0,09)	0,90	(0,09)	0,90	(0,19)
Development of share price at London Stock Exchange						
Average trading price <sup>2</sup>	EUR	0,09	0,17	0,08	0,27	0,12
	GBP	0,07	0,15	0,07	0,23	0,10
Lowest trading price <sup>2</sup>	EUR	0,05	0,14	0,04	0,14	0,03
	GBP	0,04	0,12	0,03	0,12	0,03
Highest trading price <sup>2</sup>	EUR	0,12	0,21	0,12	1,33	1,34
	GBP	0,10	0,18	0,10	1,14	1,14
Trading price at the end of the period <sup>3</sup>	EUR	0,07	0,15	0,07	0,15	0,08
	GBP	0,06	0,13	0,06	0,13	0,07
Change during the period		64,6 %	-39,8 %	-21,1 %	-87,8 %	-93,2 %
Price-earnings ratio		neg.	neg.	neg.	neg.	neg.
Market capitalization at the end of the period <sup>4</sup>	EUR '000	131 517	277 964	131 517	277 964	159 759
	GBP '000	105 411	238 271	105 411	238 271	133 622
Development in trading volume						
Trading volume	1000 shares	330 837	117 832	417 826	160 267	776 597
In relation to weighted average number of shares		17,4 %	12,4 %	21,9 %	16,9 %	54,2 %
Development of share price at OMX Helsinki						
Average trading price	EUR	0,09	0,17	0,08	0,25	0,11
Lowest trading price	EUR	0,06	0,14	0,04	0,14	0,03
Highest trading price	EUR	0,12	0,22	0,12	1,39	1,39
Trading price at the end of the period	EUR	0,07	0,14	0,07	0,14	0,08
Change during the period		61,8 %	-37,0 %	-7,5 %	-88,5 %	-93,9 %
Price-earnings ratio		neg.	neg.	neg.	neg.	neg.
Market capitalization at the end of the period	EUR '000	134 194	272 582	134 194	272 582	145 059
Development in trading volume						
Trading volume	1000 shares	953 119	532 927	1 226 905	646 009	3 086 423
In relation to weighted average number of shares		50,0 %	56,1 %	64,4 %	68,0 %	215,6 %
Adjusted average number of shares		1 906 167 480	949 322 557	1 906 167 480	949 322 557	1 431 677 258
Fully diluted average number of shares		1 903 899 480	947 054 557	1 903 899 480	947 054 557	1 530 295 193
Number of shares at the end of the period		1 906 167 480	1 906 167 480	1 906 167 480	1 906 167 480	1 906 167 480

<sup>1)</sup> The funds entered into share issue reserve are not included in the calculation.

<sup>2)</sup> Trading price is calculated on the average of EUR/GBP exchange rates published by the European Central Bank during the period.

<sup>3)</sup> Trading price is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.

<sup>4)</sup> Market capitalization is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period.

**Employee-related key figures**

		<b>Three months to 30 Jun 14</b>	<b>Three months to 30 Jun 13</b>	<b>Six months to 30 Jun 14</b>	<b>Six months to 30 Jun 13</b>	<b>Twelve months to 31 Dec 13</b>
Wages and salaries	EUR '000	5 221	6 756	10 313	12 787	23 274
Average number of employees		502	629	513	607	603
Number of employees at the end of the period		501	673	501	673	549

**Other figures**

		<b>Three months to 30 Jun 14</b>	<b>Three months to 30 Jun 13</b>	<b>Six months to 30 Jun 14</b>	<b>Six months to 30 Jun 13</b>	<b>Twelve months to 31 Dec 13</b>
Share options outstanding at the end of the period		0	25 721 500	0	25 721 500	16 289 000
Number of shares to be issued against the outstanding share options		0	25 721 500	0	25 721 500	16 289 000
Rights to vote of shares to be issued against the outstanding share options		0,0 %	1,3 %	0,0 %	1,3 %	0,8 %

**Talvivaara Mining Company Plc**
**Key financial figures of the Group**

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

**Share-related key figures**

Earnings per share	$\frac{\text{Profit (loss) attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Equity per share	$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Price-earnings ratio	$\frac{\text{Trading price at the end of the period}}{\text{Earnings per share}}$
Market capitalization at the end of the period	Number of shares at the end of the period * trading price at the end of the period

