

**Stock Exchange Release
Talvivaara Mining Company Plc
28 November 2014**

**Talvivaara Mining Company report on operational and financial status and
development for the period of January-November 2014**

Operating subsidiary Talvivaara Sotkamo filed for bankruptcy

Key events

- Talvivaara Mining Company Plc's ("Talvivaara" or the "Company") operating subsidiary Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") filed for bankruptcy on 6 November 2014
- Due to the bankruptcy the Company has lost control over Talvivaara Sotkamo, and the Talvivaara Group has dissolved as regards consolidation of the operating subsidiary into the Group accounts
- Talvivaara continues its operations for the time being with the target of securing sufficient financing to participate, as a member of a consortium, in the acquisition of the mining operations from the bankruptcy estate of Talvivaara Sotkamo
- Talvivaara finances its operations by providing administrative and technical services and the lease of critical machinery and equipment to the bankruptcy estate of Talvivaara Sotkamo under agreements entered into by the Company and the bankruptcy estate on 19 November 2014; similar arrangements were previously in place between the Company and Talvivaara Sotkamo
- Talvivaara's draft restructuring programme was submitted to the District Court of Espoo on 30 September 2014 and is being supplemented for re-submission; the Espoo District Court has today extended the deadline for the re-submission until 30 January 2015

Review of operations

Following the bankruptcy of Talvivaara Sotkamo on 6 November 2014, the Company no longer has control over the operations at the Talvivaara mine and is therefore not in a position to continue reporting on the status and development of the Sotkamo operations, including information on production levels and water management.

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

In order to minimise any environmental risks, assist the running of the ongoing operations and to facilitate the sales process of the mining assets, Talvivaara and the bankruptcy estate of Talvivaara Sotkamo have agreed that the services and equipment leases provided by the Company shall continue. To this effect, the parties entered into an Administration and Laboratory Services Agreement and an Agreement of Lease of Lime and Limestone Handling Plant and Reception Station on 19 November 2014. The agreements detail the Company's personnel resources and equipment that are available and critical for the environmentally and occupationally safe operations at the Talvivaara mine and state the agreed pricing for the services provided. Invoicing of personnel resources is based on hourly rates, expenses incurred in the provision of the services are charged at cost added with an administrative margin, and for the limestone plant a monthly rent has been agreed. The new agreements are largely in line with those previously in place between Talvivaara and Talvivaara Sotkamo with only minor modifications resulting from the changed circumstances following Talvivaara Sotkamo's bankruptcy.

Financial status and going concern

Liquidity development

As at 31 December 2013, the Talvivaara Group had cash and cash equivalents amounting to EUR 5.9 million. With the existing cash, income generated from nickel and cobalt sales to Norilsk Nickel Harjavalta Oy and the loan drawn down from Nyrstar Sales and Marketing AG ("Nyrstar") upon zinc deliveries, the Group was able to continue operations until 6 November 2014. On that date, following intensive financing discussions with key stakeholders, potential new investors and the Republic of Finland, Talvivaara was informed that short term financing to meet Talvivaara Sotkamo's immediate working capital needs was not available in the required time frame. As a result, the Board of Directors of Talvivaara Sotkamo decided to file Talvivaara Sotkamo for bankruptcy. The filing was done jointly with the Administrator of Talvivaara Sotkamo's corporate reorganisation proceedings and later the same day approved by the District Court of Espoo.

The listed parent company Talvivaara continues its operations for the time being with the target of securing sufficient third party financing to participate, as a member of a consortium, in the acquisition of the mining operations from the bankruptcy estate of Talvivaara Sotkamo. While such financing negotiations continue, the Company finances its day-to-day operations by providing administrative and technical services and the lease of critical machinery and equipment to the bankruptcy estate of Talvivaara Sotkamo.

Subsequent to Talvivaara Sotkamo's bankruptcy, the Company has declared EUR 31.5 million, including EUR 5.6 million in value added tax ("VAT"), of its sales receivables from Talvivaara Sotkamo as credit losses and accordingly claimed and received a refund of the associated VAT.

As at 28 November 2014, the Company's cash and cash equivalents amount to EUR 5.5 million.

Equity

Following Talvivaara Sotkamo's bankruptcy, the Company has fully written off its receivables from and the shares held in Talvivaara Sotkamo. As a result, Talvivaara has lost its equity, which has been acknowledged by the Company's Board and notified to the trade register. Talvivaara further notes that it has already in November 2013 recognised the weakening of its financial position and taken measures to mitigate this by applying for corporate reorganisation. The corporate reorganisation proceedings of the Company were commenced on 29 November 2013 and their continuation was approved by the Company's shareholders on 12 June 2014.

Off-balance sheet and contingent liabilities

Talvivaara Sotkamo has drawn down EUR 12.8 million, including interest through October 2014, in loans from Nyrstar under the Loan and Streaming Holiday Agreement of 1 April 2014 between Talvivaara, Talvivaara Sotkamo and Nyrstar. Upon the bankruptcy of Talvivaara Sotkamo, which constitutes an event of default, Nyrstar is entitled to declare that all or part of the loans, together with accrued interest, be payable on demand. Should Nyrstar demand full or partial payment of the loans, the Company as the guarantor would be liable for such payment.

Under the Loan and Streaming Holiday Agreement the Company has also undertaken to guarantee the termination sum stated in the Zinc Streaming Agreement of 2010 between Talvivaara Sotkamo and Nyrstar. The termination sum is calculated with reference to the remaining delivery commitment for zinc under the Zinc Streaming Agreement, and as at 6 November 2014 amounted to EUR 206 million. The liability of the guarantor in respect of the termination sum will fall due and payable on the date falling 12 months after the date on which Talvivaara Sotkamo was placed in bankruptcy, in order to provide the guarantor with sufficient time to try to continue the business of Talvivaara Sotkamo. If the guarantor is successful in re-gaining control of the Talvivaara Sotkamo operations within the given time, it may take over the Zinc Streaming Agreement, in which case the termination sum will not fall due. In the event the guarantor is placed in bankruptcy, the liability of the guarantor in respect of the termination sum terminates with immediate effect.

The Company has given a guarantee for a EUR 50 million investment and working capital loan drawn from Finnvera by Talvivaara Sotkamo in 2009. In addition, the Company has given a floating charge security for the loans drawn from Finnvera by Talvivaara Sotkamo. The guaranteed liability is part of the Company's restructuring debt and any payments that fall due under the guarantee are finally determined in the Company's restructuring programme and re-paid according to the authorized payment schedule.

Talvivaara Sotkamo has largely covered the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius Credit Insurance NV ("Atradius"). The coverage currently amounts to EUR 31.9 million. According to the environmental permit, the required bond is to be placed to cover the cost of the restoration of waste areas (gypsum ponds, heap areas), which is anticipated to take place partly during the life of the mine, as waste areas are filled to their maximum levels, and partly as part of the eventual closure of the mine. In the event such restoration activities took place without Talvivaara Sotkamo carrying the cost, the expenses would initially be covered by Atradius. However, eventually Atradius would claim the cost back from Talvivaara, which has given counter-indemnity for such costs to Atradius. The continuance of the guarantee insurance is under discussion with the bankruptcy estate of Talvivaara Sotkamo.

Going Concern

In view of the Company's current cash position and the income anticipated from the service and lease agreements now in place between Talvivaara and Talvivaara Sotkamo's bankruptcy estate, the Company anticipates having sufficient liquidity to continue its currently foreseen day-to-day operations as a going concern for the foreseeable future. The Directors, Management and the Administrator do not contemplate the liquidation of Talvivaara and continue their efforts aimed at securing sufficient financing for the Company to participate, as a member of a consortium, in the acquisition of the mining operations from the bankruptcy estate of Talvivaara Sotkamo. However, there is substantial uncertainty relating to the Company's ability to access sufficient funds for the contemplated transaction. Furthermore, even if the Company were successful in re-gaining partial ownership of the assets, there is no certainty that the arrangement would be such that it would provide sufficient liquidity for the Company to successfully complete its contemplated restructuring programme in the long term. In the event that Talvivaara cannot re-gain any ownership of the mining assets, its continuation on a going concern basis is unlikely to be feasible.

Talvivaara Sotkamo's bankruptcy constitutes an event of default under the Loan and Streaming Holiday Agreement with Nyrstar of 1 April 2014. This entitles Nyrstar to demand immediate partial or full payment of the EUR 12.8 million loans drawn by Talvivaara Sotkamo and guaranteed by the Company under the agreement. Should Nyrstar present such a demand, the Company may not have sufficient cash reserves or access to additional liquidity to make the required payment and may therefore not be able to continue its operations as a going concern.

Progress of corporate reorganisation

The corporate reorganisation proceedings of Talvivaara were commenced on 29 November 2013. The Administrator has subsequently on 30 September 2014 submitted a preliminary restructuring programme proposal for the Company to the Espoo District Court.

The Administrator has recorded the Company's reorganisation debt at EUR 482 million in the restructuring programme proposal, including the EUR 50 million guarantee for Talvivaara Sotkamo's loans from Finnvera. According to the Administrator, the amount of reorganisation debt will not materially change in the forthcoming re-submission of the programme proposal.

The reorganisation debts will be restructured according to the restructuring programme eventually authorised by the Espoo District Court. In the preliminary programme proposal the Administrator has suggested a 97 per cent haircut to all unsecured debts of the Company and an eight year payment schedule. The Administrator has also stated that he is evaluating the possibility of allowing conversion of the reorganisation debt into the Company's equity.

The Espoo District Court has today granted an extension to the deadline for the re-submission of the restructuring programme proposal until 30 January 2015.

Financing and commercial arrangements

Loan and Streaming Holiday Agreement with Nyrstar

Talvivaara entered, together with Talvivaara Sotkamo, into a Loan and Streaming Holiday Agreement with Nyrstar on 1 April 2014. Whilst Talvivaara is not in control of the actions of the Talvivaara Sotkamo bankruptcy estate towards the agreement, the Company remains liable for the EUR 12.8 million loans drawn by Talvivaara Sotkamo under the agreement as well as the termination sum under the Zinc Streaming Agreement of 2010, which currently amounts to approximately EUR 206 million, as the guarantor (see also "Off-balance sheet and contingent liabilities" and "Going Concern" above).

Participation in Fennovoima nuclear power project

Talvivaara announced on 21 February 2014 its support for the Fennovoima nuclear power project, but noted that in the prevailing circumstances the Company focused all its financial resources on the Sotkamo operations and the corporate reorganisation proceedings. Therefore Talvivaara made no commitment to any additional funding of the Fennovoima project. At present, the Company is not in a position to make any reassessment of its stance towards the project.

Risk factors

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

If an adequate overall financial solution for the contemplated participation by Talvivaara in the acquisition of the mining operations from the Talvivaara Sotkamo bankruptcy estate 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 programme of Talvivaara is conditional, among other things, on an adequate financing solution to allow the Company's participation in the acquisition of the mining operations from the Talvivaara Sotkamo bankruptcy estate and to cover the requirements of the restructuring programme in longer term. If such financial solution is not found, the restructuring programmes may not be approved and authorised, the Company may have to file for bankruptcy and the shareholders could lose their entire investment in the Company.

If the corporate reorganisation proceedings of Talvivaara 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 programme of the Company will be approved and authorised or be ultimately successful. The corporate reorganisation process can fail for a number of reasons, including due to an insufficiency of funds to implement or complete the restructuring programme, changes in circumstances affecting the financial viability of Talvivaara, including e.g. termination of the service and lease agreements between the Company and the bankruptcy estate of Talvivaara Sotkamo, or failure to regain any holding in the Sotkamo mining asset and/or insufficient income from the services provided to the bankruptcy estate or the contemplated new entity running the mining operations. If the corporate reorganisation fails for these or any other reasons, it could result in the bankruptcy of the Company. As a result, shareholders could lose their entire investment in the Company.

If Talvivaara is not able to continue as a going concern, it 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

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

Legal affairs and governance

Composition of Talvivaara's Shareholders' Nomination Panel

The Shareholders' Nomination Panel was established in 2013 by the Annual General Meeting. Its duty is to prepare proposals for the election and remuneration of the members of the Board of Directors to the General Meeting. Following the annual organizational meeting of the Panel held on 26 November 2014 the composition of the Nomination Panel is the following:

- Kari Järvinen, CEO, nominated by Solidium Oy
- Joni Hautojärvi, managing director of Norilsk Nickel Harjavalta Oy, nominated by Norilsk Nickel Holdings (Cyprus) Ltd
- Pekka Perä, CEO of Talvivaara, as a shareholder of the Company
- Olli Salo, nominated by Seppo Aho, a shareholder of the Company
- Tapani Järvinen, Chairman of the Board of Directors of the Company
- Graham Titcombe, deputy Chairman of the Board of Directors of the Company

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 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 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.

Personnel

Talvivaara's headcount decreased from 61 at the end of 2013 to 54 on the day of this announcement.

Talvivaara's personnel comprises an expert organisation, the core competences of which include e.g. high quality analytical laboratory services, the bioheap leaching and other production processes, procurement, environmental safety, risk management and communications. The organisation has in the past provided critical services to Talvivaara Sotkamo and it continues to provide the same services to the bankruptcy estate of Talvivaara Sotkamo as agreed between the Company and the bankruptcy estate.

Changes in Talvivaara Management

Talvivaara announced on 30 October 2014 that Salla Miettinen-Lähde who has been CFO of the Company since 2005 and Deputy CEO since 2012 had decided to leave the Company during the spring of 2015. She continues as head of the Company's finance function until her departure.

In preparation for her departure the Company appointed Chief Commercial Officer Pekka Erkinheimo Deputy CEO with immediate effect.

Market environment

Following the bankruptcy of Talvivaara Sotkamo and its exit from the Talvivaara Group, the Company has no exposure to nickel and other commodities markets or to foreign exchange rates. Talvivaara's income is for the time being based on the service and lease agreements between the Company and the bankruptcy estate of Talvivaara Sotkamo as described elsewhere in this announcement.

Short-term outlook

Talvivaara continues, together with the Administrator, negotiations targeted at finding a solution whereby the Company could secure participation in a consortium that would acquire the Sotkamo mining operations from the Talvivaara Sotkamo bankruptcy estate. Financing for Talvivaara's potential

participation in such an arrangement could come e.g. through a share and/or a bond issue involving amongst others current shareholders and bondholders. The Company can give no assurance of the success to completion of the ongoing negotiations or of the possible launch of any financing transactions related to such contemplated arrangements.

Trading in the Talvivaara share at the Helsinki stock exchange has been suspended since 6 November 2014. As stated by the Finnish Financial Supervisory Authority in its exemption decision relating to Talvivaara's January-September 2014 interim report, reliable pricing of the share, which is a pre-requisite for the trading to resume, cannot occur until the uncertainties relating to Talvivaara's ability to continue its operations have been solved and sufficient information on going concern and the Company's financial status has been announced. In Talvivaara's view, these conditions can only be met upon the Company having gained sufficient knowledge of its ability to regain partial holding in the Sotkamo mining asset.

28 November 2014

Talvivaara Mining Company Plc
Board of Directors

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