

TALVIVAARA MINING COMPANY PLC

**ADMINISTRATOR'S
SUPPLEMENTED DRAFT RESTRUCTURING PROGRAMME
UNOFFICIAL TRANSLATION**

13/03/2015

1.1 Restructuring Proceedings of the Talvivaara Companies up to 06/11/2014

The application for initiating restructuring proceedings with respect to Talvivaara Sotkamo Ltd and Talvivaara Mining Company Plc was filed on 15/11/2013. The District Court began the corporate restructuring proceedings concerning Talvivaara Mining Company Plc on 29/11/2013. The restructuring proceedings of Talvivaara Mining Company Plc's operative subsidiary, Talvivaara Sotkamo Ltd, began on 17/12/2013.

The Talvivaara group was in a difficult situation when restructuring proceedings began at the end of 2013. The group was nearly out of funds, and the low global market price of nickel made business even more difficult.

The administrator noted at the beginning of the restructuring proceedings that it was essential to determine whether the mine's operations were viable at all and could the mine be made profitable.

However, the business of the operative subsidiary proved to be viable during the restructuring proceedings. The bioleaching technique was successfully utilised in the functioning parts of the primary heaps, and the amounts of leached metals were promising. From the beginning of 2014 to 06/11/2014, the metal plant's average utilisation rate was over 94% at best, and the mine produced over 9,600 tonnes of nickel during all of 2014. Efforts to reduce the risk level of water management by treating stored water and draining treated process water out of the mine area in accordance with the environmental permit. Efforts to increase safety volumes were also successful.

However, the Talvivaara companies were unable to successfully negotiate short-term financing that would have made it possible to continue the subsidiary's operations.

Due to a lack of financing, Talvivaara Sotkamo Ltd was forced to apply for bankruptcy on 06/11/2014. The bankruptcy began on the same date, and Jari Salminen, Attorney, was appointed estate administrator. The bankruptcy proceedings have continued under public receivership since 01/12/2014. Mr Salminen has been appointed the public receiver.

1.2 Effect of Talvivaara Sotkamo Ltd's Bankruptcy on the Parent Company's Restructuring

The restructuring of Talvivaara Mining Company Plc has materially changed in form due to the bankruptcy of Talvivaara Sotkamo Ltd. Talvivaara Mining Company Plc has lost control of its operative subsidiary to the bankruptcy estate. In these changed circumstances, the administrator has had to evaluate whether a viable restructuring programme can be formed for Talvivaara Mining Company Plc or whether there are reasons to apply for the interruption of the restructuring proceedings.

The administrator has discussed the situation with representatives of Talvivaara Mining Company Plc's largest creditors. The bond and convertible bond holders have expressed a strong desire to continue the restructuring proceedings and seek a solution in which the Company would be able to participate in the future of the Talvivaara mine. A similar message has been received from the Company's shareholders, who have stated that they are still interested in investing in the Company and, thus, protecting their holdings in the Company.

The representatives of the banks and Finnvera have left the matter to the discretion of the administrator and have not demanded that the restructuring proceedings be interrupted. Neither have the other parties with an interest in the Company made demands to the administrator during the restructuring proceedings that the proceedings be interrupted.

The administrator has also discussed the situation with the board of directors and operative management of the Company. The Company's board of directors has stated that, despite the bankruptcy of the operative subsidiary, the Company must examine its own possibilities to continue its operations. The Company's board of directors is of the opinion that seeking cooperation opportunities with the party purchasing the mining operations is justified from the perspective of the board's duty of care, particularly given the fact that continuing the Company's restructuring proceedings will not cause damage to its creditors.

The administrator together with the Company has actively sought a solution by which the Company could participate in or support the acquisition of the mining business from Talvivaara Sotkamo Ltd's bankruptcy estate. The matter has been discussed with numerous potential purchaser and investor candidates.

According to a press release published on 12/03/2015, Talvivaara Sotkamo Ltd's bankruptcy estate has signed a conditional agreement for the sale of the mining business to Audley Capital Advisors LLP (hereinafter **Audley**). In the same connection, a special purpose entity fully owned by the Finnish State, Terafame Oy, has entered into an investment agreement with Audley. The conditions for the completion of the sale of the mining business include, e.g. the confirmation of the necessary authority permits and the securing of binding financing.

The administrator has held preliminary discussions with Audley concerning the alternatives by which Talvivaara Mining Company Plc could cooperate with Audley. Because the business purchase was announced just before the draft restructuring programme was filed, the Company and the administrator will continue with more detailed discussions.

At the end of November 2014, the Company received an approximately EUR 5 million value added tax refund, so the Company's cash position is stable. The Company has sufficient income and funds to cover its liabilities falling due during the proceedings as well as the costs incurred from the proceedings. The Company has performed all payments that have fallen due during the proceedings.

The administrator considers it likely that, if the conditions set below are fulfilled, the draft restructuring programme to be presented is suitable for confirmation and will result in a more favourable outcome for the creditors compared to bankruptcy. If implemented, the measures required from the Company in the draft restructuring programme would lead to the Company's operations being rehabilitated and the Company's financial position remedied.

Based on the above, the administrator considers that neither the bankruptcy of the operative subsidiary nor the conditional sale and purchase agreement signed on 12/03/2015 on their own justify the interruption of the Company's restructuring proceedings. There are no other grounds for interrupting the proceedings pursuant to section 7 of the Restructuring of Enterprises Act at this point. As the approval of the draft restructuring programme can, pursuant to section 55(3) of the Restructuring Act, be made conditional to the fulfilment of certain requirements specified in the draft restructuring programme, there are grounds for filing a supplemented draft restructuring programme to the District Court.

1.3

Structure of Talvivaara Mining Company Plc's Draft Restructuring Programme

The administrator's supplemented draft restructuring programme is based on the plan presented in the original draft restructuring programme dated 30/09/2014. The business operations of the mine are to be sold to a new company (NewCo) with which Talvivaara Mining Company Plc must have a sufficient functional connection based on ownership, operation or other financial cooperation. In the administrator's view, without such sufficient functional connection, Talvivaara Mining Company Plc will not have business operations suitable for restructuring.

As the conditional agreement for the sale of the mining business by Talvivaara Sotkamo Ltd's bankruptcy estate was signed just before the draft restructuring programme was filed, the Company has not had time to hold in depth negotiations with Audley concerning potential forms cooperation.

For the above reasons, the draft restructuring programme is conditional. This means that the confirmation and entry into force of the draft restructuring programme require the realisation of separately defined special conditions. The realisation of these conditions depends on subsequent actions by the Company.

The administrator must monitor the fulfilment of the aforementioned special conditions. After all the conditions have been met, the administrator must inform the District Court of this and state that the draft restructuring programme can be confirmed as the special conditions have been met. If the conditions have not been fulfilled within two years of the draft restructuring programme being filed with the District Court, the administrator must notify the District Court that the draft restructuring programme cannot be approved.

Once the District Court has confirmed the restructuring programme, the programme will enter into force and the restructuring proceedings will be terminated. The administrator must separately inform the creditors of the entry into force of the restructuring programme.

1.4

Special Conditions for the Approval of the Restructuring Programme

In addition to the general preconditions laid down in the Restructuring of Enterprises Act, the confirmation and entry into force of the draft restructuring programme requires the fulfilment of all of the following conditions (a)–(c):

(a) Talvivaara Mining Company Plc succeeds in negotiating an agreement with the party that purchases Talvivaara Sotkamo Ltd's mining business from the bankruptcy estate based on which

1. Talvivaara Mining Company Plc can obtain sufficient cash flow to cover the costs of its business operations if the Company's other assets or other cash flows are not sufficient to cover said costs; and
2. Talvivaara Mining Company Plc has the right to make an investment sufficient to acquire a significant minority holding in the company engaging in mining operations or the parties will carry out a different financial and/or operative arrangement that will secure the continuation of the Company's viable business operations;

(b) The general meeting of Talvivaara Mining Company Plc

1. approves the opportunity to be offered to all unsecured restructuring debts to fully (but not partially) convert their unsecured restructuring debt into shares in the Company so that, if all unsecured restructuring creditors ex-

exercise said opportunity, the percentage of holdings of the Company's current shareholders would be diluted by 70%; and

2. arranges or authorises the Company's board of directors to arrange a financing arrangement (e.g. a share issue, bond or other financial instrument) to raise the funds to make the investment necessary for carrying out the arrangement referred to in point (a) 2. and/or to pay the claims of those creditors who did not exercise their right to convert their restructuring debt claims into shares in the Company in the manner provided for in the restructuring programme and to cover other possible liabilities to the extent the Company's other funds are not sufficient for this purpose;

(c) the proceedings for converting the restructuring debts into shares in the Company in accordance with item b) 1. have been completed, and the new shares have been registered in the Trade Register.

1.5

Effect of the Draft Restructuring Programme on the Creditors' Rights

The model that is being proposed offers the Company's creditors the opportunity to participate in the future of the Company under a new ownership and capital structure. With respect to Talvivaara Mining Company Plc, it is not justified or in the interests of the creditors to discontinue the restructuring proceedings and initiate bankruptcy proceedings in order to realise the assets at this stage. Though the equipment owned by the Company that is necessary for the mining business and the significant expertise of the Company's employees are essential to the continuation of mining operations, the realisation of such assets in bankruptcy proceedings would not accrue distributable funds for the Company's creditors given the Company's other liabilities and obligations.

The administrator's proposal includes the opportunity to convert restructuring debt claims into shares in the Company. The approval of the restructuring programme is conditional on the Company offering all unsecured restructuring creditors (subject to the possible exceptions stated below) the opportunity to use their original, full restructuring debt to subscribe for new shares.

By converting the claim into shares in the Company, the restructuring creditors would have the opportunity to benefit from a potential appreciation in the share price instead of settling for a single restructuring payment under the draft restructuring programme.

The administrator's proposal includes a provision according to which the general meeting should approve a conversion rate of EUR 0.1144 per share. If 100% of the unsecured restructuring debts were converted into shares at this conversion rate, this would mean a dilution of the current holdings by 70%.

It is proposed that the restructuring debt of those creditors who decide not to exercise their conversion right be cut by 99%. The remaining 1% of the restructuring debt would be paid in one instalment.

The amount of restructuring debt to be paid can only be determined after it is known how many creditors exercise their right to convert their claims into Company shares.

The payment programme contained in the restructuring programme would consist of one instalment.

The draft restructuring programme does not include a provision on a duty to make supplementary payments to restructuring creditors.

The draft restructuring programme includes a specific condition entitling the administrator to on behalf of all of the creditors request the lapse of the debt arrangement from the District Court if the Company does not have the funds for paying the restructuring debt mentioned in the draft restructuring programme within two (2) years of the confirmation of the programme.

1.6 Effect of the Restructuring Proceedings on the Position of the Shareholders

The Company's owners have primary responsibility for the management of the Company's financing and maintenance of its capital. This was also the intention of the original restructuring plans relating to the Talvivaara Group. However, as Talvivaara Sotkamo Ltd was declared bankrupt, Talvivaara Mining Company Plc did not have sufficient time to arrange a share issue or to issue a bond for the acquisition of long-term financing.

The position of the Company's shareholders changed significantly as a result of Talvivaara Sotkamo Ltd's bankruptcy. The Company had to hand over the management of the Sotkamo mine (the Company's stake was 84%) to the bankruptcy estate, preventing the determination of the fair value of the Company's shares in the stock exchange. The Company suspended trading of its shares on 06/11/2014 before a bankruptcy petition concerning Talvivaara Sotkamo Ltd was filed with the District Court of Espoo.

The Helsinki Stock Exchange and Financial Supervisory Authority will separately evaluate what the prerequisites for continuing trading in the Company's shares would be.

The provision in the draft restructuring programme on offering the restructuring creditors a conversion opportunity would dilute the current shareholders' holdings by a maximum of 70%. In addition, the holdings of current shareholders would be diluted in the manner required by new financing. Should they so wish, shareholders will have the opportunity to participate in raising such new financing and, thus, to protect their own investment.

1.7 New Financing and Dilution of Prior Holdings

To ensure that the Company can have the opportunity to participate in the future of the Talvivaara mine, it must succeed in raising a considerable amount of new funds. Succeeding in raising such new funds requires that the payable old debt is reduced by the maximum amount possible.

The conversion of restructuring debt into Company shares will strengthen the Company's balance sheet and the maximum reduction of the remaining restructuring debt will lighten the amount of payable debt. However, these arrangements alone will not raise the new funds for the Company required by the plan described in the draft restructuring programme.

This is the reason why the Company must carry out a financing arrangement to raise the necessary new funds. The financing arrangement could be a share issue, for example, targeted to existing shareholders, to creditors of the Company who have converted their restructuring debt into shares as well as to the public. The Company could also use a bond or other financial instrument or a combination of methods to raise funds.

The administrator considers it likely that parties bringing new funds will require a significant share of the Company's share capital. The draft restructuring programme does not separately define how large the dilution effect of the new financing would be with respect to the holdings of the current shareholders. The existing shareholders in this scenario would include the current owners as well as those restructuring creditors who would have exercised their right to convert their restructuring debt into shares in the Company. The Company can

seek to protect such existing holdings in negotiations, but achieving a financing solution will in any case most likely require that a significant share be handed over to new investors.

The dilution of the existing shareholders' holdings would largely depend on the amount used by such shareholders to secure their original investment through participation in raising new funds.

The aforementioned decisions must be implemented separately as provided for in corporate law regulations and securities markets legislation.

Talvivaara Mining Company Plc's restructuring programme would end after the 1% restructuring payment is paid to the remaining restructuring creditors and after the other measures obligating the Company in this draft restructuring programme are completed. After the end of the programme, Talvivaara Mining Company Plc could freely pay dividends to its shareholders from its distributable assets.

Given what has been stated in Supreme Court decision KKO 2003:120, the administrator is of the opinion that the proposals presented herein do not violate the requirement set forth in section 44(3) of the Restructuring of Enterprises Act that the measures used in the debt arrangement must not restrict the rights of a creditor beyond what is necessary for the achievement of the purpose of the restructuring programme.

1.8 Summary of the Restructuring Debt and the Debt Arrangements Related to the Draft Restructuring Programme

The total amount of restructuring debt to be taken into account in the Company's restructuring proceedings is approximately EUR 512.8 million. This amount includes approximately EUR 32 million of conditional debt.

The Company also has an approximately EUR 8 million liability relating to having granted a third-party security.

The total amount of restructuring debt does not include lowest-priority debt.

Some of the restructuring debts are secured by physical collateral. However, the collateral has no value due to the bankruptcy of Talvivaara Sotkamo Ltd, and thus, the Company has no restructuring debt secured by collateral.

The administrator is of the opinion that the value of the assets subject to business mortgages was EUR 15 million at the time the proceedings began. As a result, restructuring debt secured by business mortgages and other liabilities amount to EUR 7.5 million.

The total amount of unsecured restructuring debt is approximately EUR 508 million.

The administrator has decided that restructuring debts totalling EUR 1,000 at most will be paid as small claims in accordance with section 18(2)(4) of the Restructuring of Enterprises Act. All such restructuring debts are accounts payable. Small claims were paid off in full during February 2015. Payments were made to a total of 40 creditors, and the amount paid totals EUR 15,672.22.

After the payment of small claims, the number of creditors of accounts payable will be 73.

The total amount of conditional restructuring debt is approximately EUR 32 million.

Due to the bankruptcy of the operative company, the Company must adapt its business to the new situation. The Company's debt must be cut by the maximum amount possible in order to ensure that the Company is able to repay its debts in these changed circumstances.

The administrator proposes that the capital of remaining unsecured debts be cut by 99%, which would leave 1% of the capital of such debts to be paid.

No payments will be made on debts with lowest priority.

The restructuring programme includes a calculation comparing restructuring proceedings to bankruptcy proceedings. The administrator is of the opinion that no disbursements of any kind could be made to secured creditors, debts secured by a business mortgage or to unsecured creditors in the event of a bankruptcy. As a result, despite the significant percentage of the cut of debts, the restructuring programme still leads to a more favourable result for all the creditors than bankruptcy.

The administrator's proposal includes a binding provision that obligates the Company to give the creditors the opportunity to convert their restructuring claims into shares in the Company (*debt-to-equity swap*). The administrator requires that restructuring debts to be converted in this manner can dilute the current ownership in the Company by no more than 70%.

The term of the restructuring programme would consist of one instalment.