

**Stock Exchange Release
Talvivaara Mining Company Plc
30 April 2015**

Talvivaara Mining Company annual results review for the year ended 31 December 2014

**Talvivaara Sotkamo Ltd filed for bankruptcy on 6 November 2014
Creditors' voting procedure for approval of Talvivaara's draft restructuring programme ongoing**

Key events of 2014

- Following the bankruptcy of Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") on 6 November 2014, Talvivaara Mining Company Plc ("Talvivaara" or the "Company") has not had control over the operations at the Sotkamo mine and is therefore no longer in a position to continue reporting on the status and development of the Sotkamo mining operations
- On 6 November 2014, trading of Talvivaara's shares on the Helsinki Stock Exchange was suspended. The suspension of trading continues on the date of publication of the Company's financial statements 30 April 2015
- The Company's financial statements for the financial year ended 31 December 2014 have been prepared on a basis other than going concern. The chosen reporting basis results from the existence of material uncertainty that casts significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting
- Following the bankruptcy of Talvivaara Sotkamo, Talvivaara has financed and continues to finance its operations by providing administrative and technical services and by leasing certain 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
- On 19 December 2014, Talvivaara placed its dormant subsidiaries in liquidation and converted all its receivables from these companies into equity while the subsidiaries wrote off all their receivables from the bankruptcy estate of Talvivaara Sotkamo. After these actions and the sale of all the shares of the Company's overseas subsidiary on 30 December 2014, the Company's plan to become the single reporting entity was completed
- Following the decision by the Annual General Meeting of the Company on 12 June 2014, the listing of the Company's shares on the Official List of the United Kingdom Listing Authority was cancelled with effect from (and including) 14 July 2014
- On 1 April 2014, the Company as a guarantor and Talvivaara Sotkamo entered into a Loan and Streaming Holiday Agreement with Nyrstar Sales and Marketing AG, under which Nyrstar made available to Talvivaara Sotkamo a loan facility of up to EUR 20 million, enabling the Talvivaara group's process to identify potential investor(s) to participate in a long-term, overall financial solution for the Talvivaara group
- Reported operating loss EUR 702.6 million

Key events of 2015 to date

- Talvivaara is continuing its operations for the time being with the target of securing sufficient financing to participate in the acquisition of the mining operations from the bankruptcy estate of Talvivaara Sotkamo or securing a different financial and/or operative arrangement that will secure the continuance of the Company's eligible business
- The supplemented draft restructuring programme of the Company was submitted by the Administrator to the District Court of Espoo on 13 March 2015, proposing a haircut of 99% for the unsecured restructuring debts and leaving 1% of the amount of such debt to be repaid. The restructuring debts secured by business mortgage would not be cut and no payments would be made on debts with lowest priority. The draft restructuring programme does not include a provision on a duty to make supplementary payments
- The confirmation and entry into force of the draft restructuring programme requires the fulfilment of a number of conditions, including Talvivaara negotiating an agreement with the party that purchases Talvivaara Sotkamo mining operations based on which Talvivaara can obtain sufficient cash flow to

cover the costs of its business operations and has the right to make an investment sufficient to acquire a significant minority stake in the Sotkamo operations, or Talvivaara completes a different financial and/or operative arrangement that will secure the continuance of the Company's eligible business

- Following the termination notice by the bankruptcy estate of Talvivaara Sotkamo on 30 March 2015, Nyrstar contested the right of the bankruptcy estate to terminate the Zinc Streaming Agreement or the Streaming Holiday Agreement. Simultaneously, Nyrstar sent a notice to the Company, reserving their right to issue a demand to the Company as a guarantor for a payment of all sums due by Talvivaara Sotkamo under the Zinc Streaming Agreement and the Streaming Holiday Agreement, should the bankruptcy estate of Talvivaara Sotkamo fail to do so. Due to previous intercreditor arrangements, the extent of the Company's guarantee liability towards Nyrstar remains unclear
- On 14 April 2015, the District Court of Espoo initiated a creditors' voting procedure on the draft restructuring programme. The approval of the draft restructuring programme requires express support from the necessary number of creditors. The voting period expires on 6 May 2015

CEO Pekka Perä comments: *“Despite of all hard work, technical success and intense negotiations by the Talvivaara team, the Company had no option but file the operating subsidiary Talvivaara Sotkamo Oy in bankruptcy in November 2014. As a result, the nature of the Company's business changed radically from operating a world class mine to renting operational assets and selling services to the bankruptcy estate. The re-structuring process had been started in the end of the year 2013 in the Company and in the operating subsidiary, but due to complexity of the deal and the weakness of commodities market, the Company and the Administrator did not find a solution in time to continue funding the operation.*

In the new situation, after the operating company's bankruptcy, the Company signed Lease and Services Contracts with the bankruptcy estate. The contracts ensured that the bankruptcy estate has access to all the knowledge and necessary operating assets of the Company at its disposal and that the Company is able to continue investigating the best possible solution for its shareholders, creditors and employees.

One of the biggest hurdles for new investors was the environmental permitting situation as the existing permits did not allow environmentally safe operation of the mine. The new environmental permit decision received in April 2014 made the situation for re-financing of the operation even worse. All year the Company expected to receive a resolution for appeals submitted in June 2013 regarding the water release permits from Administrative Court only to be informed, after almost a year and a half of waiting, that the Court will combine the appeals with appeals submitted for the new environmental permit granted 12 months later. This seriously undermined the Company's possibilities for re-financing.

Talvivaara was under unprecedented public attention throughout the period, and as before, the total lack of relativity was the striking element in the media coverage. No doubt, this perverted publicity had significant effects on investors, authorities and politicians.

Those familiar with the operation had no doubt on the viability of the operation, and the success in the metals plant operation proved that previously encountered ramp up-problems had been solved. The achieved utilisation rates clearly above 90% demonstrated the learning curve. Over the reporting period until the operating company's bankruptcy, the water management was carried out effectively and responsibly under very challenging conditions.

Regardless of all the hardship during the year 2014, the personnel once again proved their perseverance and their commitment to Talvivaara for which I sincerely thank them. The Board of Directors and the management have been under enormous pressure from every direction, but they still have rationally and tenaciously pursued the best long term solution for all the Talvivaara stakeholders. Many of the key components required for a viable future are not in the hands of Company, but all the paths have been and will be investigated.”

Enquiries:

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TALVIVAARA'S ANNUAL RESULTS REVIEW 2014

Introduction

Following the bankruptcy of Talvivaara Mining Company Plc's ("Talvivaara" or the "Company") operating subsidiary Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") on 6 November 2014, trading of Talvivaara's shares on the Helsinki Stock Exchange was suspended. The suspension of trading continues as at the date of the publication of the Company's financial statements 30 April 2015.

Talvivaara has been in corporate reorganisation throughout the review period of 1 January 2014 - 31 December 2014. The corporate reorganisation continues as at the date of the Company's financial statements 2014.

Talvivaara's financial statements for the financial year ended 31 December 2014 have been prepared on a basis other than going concern. As described in more detail in the financial statements 2014, the chosen reporting basis results from the existence of material uncertainty that casts significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting.

Currently, Talvivaara finances its operations by providing administrative and technical services and by leasing certain critical machinery and equipment to the bankruptcy estate of Talvivaara Sotkamo and for the time being continues to pursue its 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 or securing a different financial and/or operative arrangement that will secure the continuance of the Company's eligible business.

Review of Operations

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

Prior to the bankruptcy, the activities of the Talvivaara group comprised of the operations at the Talvivaara mine primarily carried out by Talvivaara Sotkamo and a broad range of support functions and expert services provided by the Company. Throughout its existence, the Company has employed the majority of the group's managerial resources and technical experts and therefore provided the operating subsidiary with e.g. administrative, financial, communications, technical, laboratory, commercial, legal and sustainability services against agreed fees. In addition, the Company owns a lime and limestone handling plant and reception station, which are critical for the production and water treatment processes of the mine, and which the Company has been leasing 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 agreed that the services and equipment leases provided by the Company shall continue. To this effect, the parties entered on 19 November 2014 into the Administration and Laboratory Services Agreement and the Agreement on Lease of Lime and Limestone Handling Plant and Reception Station. The agreements detail the Company's personnel resources and equipment that are available and critical for the environmentally and occupationally safe operations at the Sotkamo mine and state the agreed pricing for the services provided. Invoicing of personnel resources is based on hourly rates, expenses incurred in the provision of the services are charged at cost added with an administrative margin, and for the limestone plant a monthly rent has been agreed. The 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.

On 19 December 2014, Talvivaara decided to place its dormant subsidiaries Talvivaara Exploration Oy, Talvivaara Infrastructure Oy, Bream Lake Energy Oy, and Talvivaara Management Oy in liquidation. Prior to the decision to liquidate these subsidiaries, Talvivaara converted all its receivables from these companies into equity and the subsidiaries wrote off all their receivables from the bankruptcy estate of Talvivaara Sotkamo. In addition, Talvivaara sold on 30 December 2014 all the shares of its subsidiary

incorporated under the laws of Sweden, Hyena Holding AB, to a third party independent of the management and significant shareholders against a nominal purchase price basing on the amount of liquid assets of Hyena Holding AB at the time of transaction. Placing the subsidiaries in liquidation and the conveyance of the shares in Hyena Holding AB was in line with the Company's plan to simplify the group structure and leave the Company as the single reporting entity. Consequently, the Company's financial statements for the year ended 31 December 2014, which have been prepared in accordance with IFRS, encompass solely the Company and do not include consolidated statements of the former Talvivaara group.

The Annual General Meeting of the Company resolved on 12 June 2014 to authorise the Board of Directors to cancel the listing of the Company's shares on the official list maintained by the UK Financial Services Authority and remove such shares from trading on the main market for listed securities of London Stock Exchange plc. The listing of the shares on the Official List of the United Kingdom Listing Authority was cancelled with effect from (and including) 14 July 2014.

Financial review

Financial result

The operating loss for 2014 was EUR (702.6) million (2013: EUR (697.8) million), consisting mainly of impairment charges, write-offs and provisions resulting from the bankruptcy of Talvivaara Sotkamo on 6 November 2014 and from the application of the non-going concern principle. An impairment charge of EUR (470.6) on subsidiary investments was made at the year-end 2014. In addition, the provision for the potential 203.4 EUR million termination sum guarantee liability towards Nyrstar as well as the write-off of the Company's 24.9 EUR million unsecured receivable from Talvivaara Sotkamo were booked in other operating expenses.

Finance income for 2014 was EUR 37.5 million (2013: EUR 40.9 million) and consisted mainly of interests on deposits and receivables. Finance costs of EUR (109.7) million (2013: EUR (48) million) resulted mainly from recognition of the guarantee liability for the debts owed by Talvivaara Sotkamo to Finnvera and Nystar as well as from interest and related financing expenses on borrowings.

The loss for 2014 amounted to EUR (774.9) million (2013: EUR (709.1) million) reflecting the impairment charges, write-offs and provisions resulting from the bankruptcy of Talvivaara Sotkamo and from the application of the non-going concern principle. Earnings per share was EUR (0.41) (2013: EUR (0.50)).

Liquidity

As at 1 January 2014, 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 required 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.

Subsequent to Talvivaara Sotkamo's bankruptcy, the Company 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.

To date, 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.

As at 31 December 2014, the Company's cash and cash equivalents amount to EUR 5.3 million.

Financing

On 1 April 2014, the Company as a guarantor and Talvivaara Sotkamo entered into a Loan and Streaming Holiday Agreement (the "Streaming Holiday Agreement") with Nyrstar Sales and Marketing AG

("Nyrstar"). Under the Streaming Holiday Agreement, Nyrstar made available to Talvivaara Sotkamo a loan facility of up to EUR 20 million. Nyrstar made 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.

In the short term, the Agreement enabled the continuation of the Company and Talvivaara Sotkamo's corporate reorganisation and the process, whereby Talvivaara group explored the options of identifying potential investor(s) to participate in a long-term, overall financial solution for the Talvivaara group.

Nyrstar's obligation to extend financing under the loan facility was to cease at the earlier of the aggregate amount outstanding including accrued interest exceeding EUR 20 million or the commencement of a streaming holiday. Prior to the bankruptcy of Talvivaara Sotkamo, Talvivaara Sotkamo had drawn down EUR 12.8 million of the Nyrstar loan facility (including interest through October 2014).

Equity

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

Furthermore, even if the Company's restructuring debts were cut in accordance with the Administrator's final draft restructuring programme, the assets of the Company would still be less than the aggregate amount of the Company's remaining liabilities following the 99-percent-haircut of the unsecured restructuring debts or even following a 100% conversion of the unsecured restructuring debts into equity of the Company. More information on the negative equity is provided under Note 1.

Provisions and other items recognised based on restructuring programme

Under the Loan and Streaming Holiday Agreement, the Company has issued a guarantee for the termination sum amounting to 203.4 million euros that Talvivaara Sotkamo would have to pay to Nyrstar due to a premature termination of the zinc streaming agreement between the companies. The liability of the guarantor in respect of the termination sum would, if applicable, fall due for payment on the date falling 12 months after the date on which Talvivaara Sotkamo was placed in bankruptcy. As at 31 December 2014, the Zinc Streaming Agreement had not been terminated, despite the bankruptcy of Talvivaara Sotkamo. However, as explained in more detail in paragraphs "Reporting basis – other than going-concern" and "Events after the review period", the Company has provided the full amount as a provision on the balance sheet based on uncertainties related to the treatment of the Company's guarantee obligation.

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

Off-balance sheet and contingent liabilities

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 amounts to EUR 31.9 million as at the date of the publication of the Company's financial statements 30 April 2015. According to the environmental permit, the required bond is to be placed to

cover the cost of the restoration of waste areas (gypsum ponds, heap areas), which is anticipated to take place partly during the life of the mine, as waste areas are filled to their maximum levels, and partly as part of the eventual closure of the mine. In the event such restoration activities took place without Talvivaara Sotkamo carrying the cost, the expenses would initially be covered by Atradius. However, eventually Atradius would claim the cost back from the Company, which has given counter-indemnity for such costs to Atradius. The guaranteed liability is part of the Company's restructuring debt and any payments that fall due under the guarantee are finally determined in the Company's restructuring programme and repaid according to the authorized payment schedule.

Furthermore, even if the Company's restructuring debts were cut in accordance with the Administrator's final draft restructuring programme, the assets of the Company would still be less than the aggregate amount of the Company's remaining liabilities following the 99-percent-haircut of the unsecured restructuring debts or even following a 100% conversion of the unsecured restructuring debts into equity of the Company. The exact amount of the negative funding balance will depend, among others, on the extent to which unsecured restructuring debts are converted into equity of the Company, and on the aggregate amount of the Company's other liabilities not subject to restructuring at the date of entry into force of the restructuring programme. More information on the negative equity is provided under Note 1.

Assets

On the statement of financial position as at 31 December 2014, property, plant and equipment totalled 5.0 million euros (31 December 2013: 8.9 million euros) after an impairment charge of EUR 3.1 million. Intangible assets totalled 0.6 million euros (31 December 2013: 2.4 million euros) after an impairment charge of 1.7 million euros.

Shares with a value of 7.2 million euros in Majakkavoima Oy and Katternö Kärnkraft Ab, companies holding shares in Fennovoima nuclear power company, were fully written down as under the reporting basis other than going concern, the Company does not recognise any value in such holdings with a view to its current business operations.

Value of the buildings located in the Talvivaara Sotkamo site were fully written down as the Company lost control of the asset due to the real estate mortgage given by Talvivaara Sotkamo as a result of its bankruptcy.

Following the bankruptcy of Talvivaara Sotkamo, the Company wrote down its sales receivables of approximately EUR 24.9 million from Talvivaara Sotkamo.

On 31 December 2014, cash and cash equivalents totalled EUR 5.3 million (31 December 2013: EUR 4.7 million).

Corporate reorganisation

The Company and Talvivaara Sotkamo applied for corporate reorganisation on 15 November 2013 by filing related applications with the District Court of Espoo, Finland. The District Court of Espoo took the decision to commence a corporate reorganisation process in respect of the Company on 29 November 2013 and in respect of Talvivaara Sotkamo on 17 December 2013. The District Court of Espoo appointed Mr. Pekka Jaatinen, Attorney-at-Law, from Castrèn & Snellman Attorneys to act as the Administrator in respect of the corporate reorganisation of both the Company and Talvivaara Sotkamo.

In reorganisation proceedings governed by the Finnish Restructuring of Enterprises Act (47/1993, as amended), both the business operations and the debts of a company may be reorganised and restructured. As a result of such reorganisation, a company can either continue its operations or, if the reorganisation fails, initiate bankruptcy proceedings.

The central task of the Administrator is to draw up a proposal for a reorganisation plan in collaboration with the various parties within a time limit set by the District Court of Espoo. An important part of the reorganisation plan is the payment arrangements for debts. In the reorganisation plan, debts may be restructured in any of the following ways: (i) through changing the payment schedule; (ii) applying payments made by the debtor first in amortisation of the principal amount of the debt and only thereafter as payments of other debt related costs, such as interest; (iii) reducing debt related costs, including the interest rate; and (iv) reducing the amount of the unpaid debt. The commencement of a reorganisation

process does not result in all the debts of the relevant debtor becoming due and payable. Any debts that are not considered restructuring debts are to be repaid in accordance with their original terms.

The reports on the financial status of the Company and Talvivaara Sotkamo were completed by the Administrator of the corporate reorganisation on 14 April 2014. According to the Administrator, an executable restructuring programme can be set up for both companies, provided that financing solutions for the interim period and for the longer term are achieved.

Proposals for both companies' respective reorganisation plans were submitted by the Administrator on 30 September 2014. Under the draft restructuring programme of Talvivaara Sotkamo, a one-off payment was suggested to be made to the creditors with the possibility to make supplementary payments, while a customary eight-year restructuring programme would be drafted for Talvivaara. The payments to creditors would take place during 2017-2022 so that the creditors would be paid 10% of the capital cut in accordance with the programme during each of the first two years (2017-2018) and 20% thereafter (2019-2022). The secured debts and leasing debts of Talvivaara would be paid off according to the same schedule as the unsecured debts. The Administrator estimated that the part of all the secured restructuring debt of Talvivaara Sotkamo (in aggregate EUR 130 million) that constitutes financing debt is EUR 53 million after the deduction of liquidation costs. The Administrator proposed that EUR 21.9 million of these secured debts would be payable upon execution of the realisation restructuring process. The secured creditors and the parties to the sale and purchase of Talvivaara Sotkamo's business would have to agree separately on how the remaining balance of the secured financing debt (EUR 31.1 million) would be paid.

The Administrator estimated that the amount of debt secured by a floating charge issued by Talvivaara is EUR 7.5 million and the amount of debt secured by other securities would be EUR 3 million after the deduction of liquidation costs. The Administrator proposed that the capital of unsecured debts of Talvivaara Sotkamo (in aggregate not less than EUR 956 million) and Talvivaara (in aggregate EUR 478 million) be cut by 99% for Talvivaara Sotkamo and by 97% for Talvivaara. No payments would be made on debts with lowest priority of either of the companies. Finally, the draft restructuring programmes proposed that the holders of unsecured debt of Talvivaara Sotkamo and Talvivaara would be entitled to receive supplementary payments under certain circumstances. The duty to make supplementary payments would remain valid for eight years.

The District Court of Espoo gave on 2 October 2014 an interim decision relating to the draft restructuring programmes of Talvivaara and Talvivaara Sotkamo, ruling that the processing of the draft restructuring programmes filed by the Administrator on 30 September 2014 shall be continued, and that the creditors shall present their claims regarding the receivables listed in the draft restructuring programmes to the Administrator by 24 October 2014. The Administrator shall in its turn supplement the draft restructuring programmes by 2 December 2014, and the creditors will thereafter have a possibility to give their statement on the draft programmes by 19 December 2014.

On 28 November 2014, the District Court extended the deadline for the re-submission of the restructuring programme proposal until 30 January 2015.

Reporting basis – other than going concern

Talvivaara's financial statements for the financial year ended 31 December 2014 have been prepared on a basis other than going concern. The chosen reporting basis results from the existence of material uncertainty that casts significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting. However, Talvivaara currently finances its day-to-day operations by providing administrative and technical services and the lease of machinery and equipment critical to the bankruptcy estate of Talvivaara Sotkamo. These contractual arrangements have helped the Company to discharge all of its new liabilities as and when they fell due. Therefore, the requisite adjustments resulting from the chosen reporting basis have, where applicable, been made in the 2014 financial statements to the carrying amounts of the Company's assets and liabilities, but no reserve has been made in the Company's balance sheet for the costs relating to winding down of the operations.

Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is dependent, among other things, on the successful completion of the Company's corporate reorganisation proceedings, which requires that (i) a requisite number of the Company's creditors vote in favour of the

Administrator's draft restructuring programme submitted on 13 March 2015, (ii) Talvivaara succeeds in completing an arrangement that will secure the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's eligible business, and (iii) the shareholders of Talvivaara approve the possibility for a conversion of unsecured restructuring debts into shares in the Company as well as the financial arrangement required to discharge the remaining restructuring debts and for covering other possible liabilities to the extent the Company's other funds are not sufficient for such purpose. As of the date of the Company's financial statements 29 April 2015, there is no certainty as to whether the Company can fulfil all the set requirements within the given time frame.

Talvivaara Sotkamo has drawn down EUR 12.8 million (including interest through October 2014), in loans from Nyrstar under the Streaming Holiday Agreement between Talvivaara, Talvivaara Sotkamo and Nyrstar. Upon the bankruptcy of Talvivaara Sotkamo, Nyrstar is entitled to declare that all or part of the loans, together with accrued interest, be payable on demand by Talvivaara Sotkamo or Talvivaara, in its capacity as the guarantor. If Nyrstar was to demand immediate repayment of the EUR 12.8 million loans guaranteed by the Company, the Company might not have sufficient cash reserves or access to additional liquidity to make the required payment.

Furthermore, the Company has issued a guarantee for the termination sum amounting to approximately 203.4 million euros that Talvivaara Sotkamo would have to pay to Nyrstar due to a premature termination of the Zinc Streaming Agreement between the companies. On 30 March 2015, the bankruptcy estate of Talvivaara Sotkamo notified Nyrstar that it does not commit to the Zinc Streaming Agreement or the Streaming Holiday Agreement. Consequently, on 9 April 2015 Nyrstar sent a notice to the Company, reserving their right to issue a demand to the Company as a guarantor for a payment of all sums due by Talvivaara Sotkamo under the Zinc Streaming Agreement and the Streaming Holiday Agreement, should the bankruptcy estate of Talvivaara Sotkamo fail to do so. However, based on the Intercreditor Agreements binding on the Company and Nyrstar, the Company cannot make any payments to Nyrstar in relation to the termination sum if full payment has not been made to the Company's other lenders having receivables with a higher ranking priority. As the lenders having a higher ranking priority will not receive a full payment on their receivables due to Talvivaara Sotkamo's bankruptcy and the Company's restructuring proceedings, the Company cannot make payments relating to the termination sum to Nyrstar due to the subordinate position of Nyrstar's claim. Based on the above, the Administrator did not include the Company's guarantee liability for the termination sum in the restructuring debts or in the new liabilities arisen during the proceedings in his final draft restructuring programme, which decision was not contested by Nyrstar within the given time frame expiring on 27 March 2015. However, if Nyrstar was later to contest the treatment of the Company's guarantee liability successfully and thereby be allowed to demand payment from the Company under the guarantee, the Company would likely not have sufficient cash reserves or access to additional liquidity to make the required payment. In addition, any uncertainty surrounding the issue would have a significant negative effect on the Company's ability to raise new funds required for the successful fulfilment of the conditions for the entry into force of the Company's restructuring programme. Based on the above and on the applied non-going concern principle, the Company has provided the full amount of the guarantee liability as a provision on its balance sheet.

Business development projects

Talvivaara acquired in 2011-2012 an approximately 60MW capacity share in the Fennovoima nuclear project in Finland. Due to the Company's ongoing corporate reorganisation proceedings, Talvivaara is currently not in a position to make further investments into the project and has therefore not been able to commit to payments that would, according to plan, fall due during the course of 2014. Talvivaara had an option until the early autumn of 2014 to recommit to Fennovoima's financing and get an ownership corresponding to 47 MW of electricity, but this option was not exercised.

Legal proceedings

As at the date of the Company's financial statements on 29 April 2015, there are a number of on-going legal proceedings in relation to environmental and occupational health and safety issues concerning a number of current and former managers of Talvivaara.

Talvivaara announced on 22 September 2014 that the consideration of charges, which related to Talvivaara Sotkamo's gypsum pond leakages of November 2012 and April 2013 and the sodium, sulphate and manganese discharges that exceeded the anticipated amounts, were completed. The prosecutor decided not to bring charges against thirteen specialists and members of the middle management that were heard as suspects. Instead, charges were brought against four members of Talvivaara's

management, including CEO Pekka Perä and former CEO Harri Natunen. The charges concern aggravated impairment of the environment. According to the Company, the completed pre-trial investigation and consideration of charges have given the Company no reason to change its previously announced view of no crime having been committed, and the Company does not share the prosecutor's view of the threshold for charges having been met. The Company is however looking forward to 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.

On 22 October 2014, Talvivaara announced that the consideration of charges relating to the industrial accident of March 2012 at the Sotkamo mine were completed. Following the accident, an employee of Talvivaara Sotkamo who was not wearing appropriate safety equipment lost his life due to a localised, temporary excess gas discharge nearby the metals recovery plant. Three former managers of Talvivaara Sotkamo's metals recovery plant are charged with involuntary manslaughter and work safety offence. The prosecutor is requesting a fine to be imposed on the accused. The persons being charged include an employee of the Company but does not include any current or former members of the Executive Committee of Talvivaara. The Company does not share the prosecutor's view of the threshold for charges having been met.

Risk management and key risks

Talvivaara's near-term risk factors include particularly such risks that relate to its ongoing corporate reorganisation proceedings, financing and sufficiency of funds to meet its actual and potential liabilities.

The approval and authorisation of the proposed restructuring programme of Talvivaara is conditional, among other things, on (i) a requisite number of the Company's creditors voting in favour of the Administrator's draft restructuring programme, (ii) Talvivaara succeeding in completing an arrangement that will secure the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's eligible business, and (iii) the shareholders of Talvivaara approving the possibility for a conversion of unsecured restructuring debts into shares in the Company as well as the financial arrangement required to discharge the remaining restructuring debts and to cover other possible liabilities to the extent the Company's other funds are not sufficient for such purpose. As at the date of the Company's financial statements 29 April 2015, there is no certainty as to whether the Company can fulfil all the set requirements within the given time frame.

Although the Board of Directors believes that a corporate reorganisation is a viable option for Talvivaara, there can be no assurance that the proposed restructuring programme of the Company will be 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, for example, termination of the service and lease agreements between the Company and the bankruptcy estate of Talvivaara Sotkamo, 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.

Failure by the Company to reach final clarity on the treatment of its guarantee obligation for the termination sum set forth in the Zinc Streaming Agreement may impair or even hinder the Company's efforts to raise new funds for the successful fulfilment of the conditions for the entry into force of the Company's restructuring programme. Whilst the Company shares the view of the Administrator on the treatment of the guarantee obligation for the termination sum under the Zinc Streaming Agreement and considers the view well-founded, there is no certainty that a competent court or a dispute resolution authority would arrive at the same outcome, should Nyrstar take legal actions to contest the chosen view. Furthermore, even if such legal actions were not initiated by Nyrstar, any uncertainty surrounding the issue would have a significant negative effect on the Company's ability to raise new funds required for the successful fulfilment of the conditions for the entry into force of the Company's restructuring programme.

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

The Sotkamo mine has faced various difficulties since the commissioning of the mine in 2008 and 2009. These difficulties include, among others, operational difficulties concerning the mine's production and performance, environmental issues as well as legal and administrative proceedings involving the Sotkamo mine and certain members of Talvivaara's management. Therefore, even in case Talvivaara acquires a stake in the company carrying on the Sotkamo mining operations, the Sotkamo mine may not be able to successfully address various operational, environmental and other difficulties facing the Sotkamo mine and shareholders could ultimately lose their entire investment in the Company. Further, there can be no certainty that the financing potentially available to Talvivaara would be sufficient to ramp-up production at the Sotkamo mine or that it would ever achieve profitability.

Personnel

Headcount and remuneration

Talvivaara's headcount decreased somewhat from the previous year and was 53 at the end of 2014 (2013: 61). At the end of 2014, 49 % (2013: 46%) of Talvivaara's employees were men and 51 % (2013: 54 %) were women. The average age of the Company's employees was 40.4 years (2013: 40.3 years).

In 2014, Talvivaara decided to lay-off 3 employees for an undefined period to support the reorganization process.

Talvivaara's personnel comprises an expert organisation, the core competences of which include, for example, analytical laboratory services, bioheapleaching and other production processes, procurement, environmental safety, risk management and communications. The organisation has in the past provided critical services to Talvivaara Sotkamo and it continues to provide the same services to the bankruptcy estate of Talvivaara Sotkamo as agreed between the Company and the bankruptcy estate. The salaries and wages of Talvivaara's personnel are based on industry-wide collective agreements.

The total compensation of the key individuals has traditionally consisted of a base salary and short and long term incentive schemes based on annual bonuses, stock options and other share-based incentive schemes. The subscription periods for the Company's Stock Options 2007A, 2007B and 2007C expired on 31 March 2012, on 31 March 2013 and on 31 March 2014 respectively, and the vesting criteria set by the Board of Directors for the Company's Stock Options 2011A, 2011B and 2011C were not fulfilled and subsequently the Stock Options 2011A, 2011B and 2011C were cancelled. The group personnel fund set up to manage the earnings bonuses was dismantled following the bankruptcy of Talvivaara Sotkamo. In addition, the management holding company Talvivaara Management Oy was dismantled in December 2014. Consequently, the Company does not currently have any long term incentive schemes in place.

However, due to exceptional circumstances surrounding the Company during 2014, the Company focused on securing the engagement of its key individuals by strengthening and rewarding the engagement of the key individuals through a retention bonus scheme at the end of 2013. As of 1 January 2014, the scheme concerned approximately 20 employees of the Company. The CEO of the Company did not participate in the scheme. The maximum bonus potential under the scheme equalled three or four months' base salary of a participant. The scheme expired at the end of the year 2014, and it has not been extended into the year 2015.

Management changes

Lassi Lamassaari, M.Sc. (Environmental Engineering) was appointed Chief Corporate Development Officer as of 27 February 2014. In his position he is a member of the Executive Committee and reports to CEO Pekka Perä.

Chief Operating Officer Darin Cooper resigned from his position on 7 March 2014 to pursue his career outside the Company. Chief Technology Officer Pertti Pekkala subsequently assumed interim responsibility for the Sotkamo mine's operations and kept the position until the bankruptcy of Talvivaara Sotkamo on 6 November 2014.

Non-Executive Director Kirsi Sormunen announced her resignation from the Company's Board of Directors due to personal reasons on 7 March 2014.

On 30 October 2014, the Company announced that Saila Miettinen-Lähde who had been CFO of the Company since 2005 and Deputy CEO since 2012 had decided to leave the Company during the spring

of 2015. In preparation for her departure, Chief Commercial Officer Pekka Erkinheimo was appointed Deputy CEO with immediate effect. The finance function has been reporting to Mr. Erkinheimo since 1 February 2015.

Corporate governance statement

Talvivaara issues its Corporate Governance Statement of 2014 and publishes it on the Company's website at www.talvivaara.com on 30 April 2015. The Corporate Governance Statement does not form part of the Board of Directors' Report.

Resolutions of the Annual General Meeting

Talvivaara's Annual General Meeting was held on 12 June 2014 in Sotkamo, Finland. All the resolutions proposed, as set out in the notice of the meeting, were duly passed. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2013;
- that the annual fee payable to the members of the Board 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 of the Board of Directors or the Board Committees taking place in the member's domicile shall be payable. Should the venue of the meeting be in a European country other than the member's domicile, the fee payable per meeting shall be EUR 1,200. However, a fee of EUR 2,400 per meeting shall be payable, if the member's domicile or the venue of the meeting is outside Europe. For teleconference meetings the fee payable shall be EUR 600 per meeting;
- that the number of Board members be seven 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 as Board members and Ms. Solveig Törnroos-Huhtamäki be appointed as new member of the Board;
- that the auditor be reimbursed according to the auditor's approved invoice and authorised public accountants PricewaterhouseCoopers Oy be elected as the Company's auditor for the financial year 2014;
- that the corporate reorganisation application of the Company 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 remove such shares from trading on the main market for listed securities of London Stock Exchange plc;
- that the Articles of Association of the Company be amended. The resolution was conditional upon the completion of the cancellation of the listing of the Company's shares on the official list maintained by the UK Financial Services Authority and removing such shares from trading on the main market for listed securities of London Stock Exchange plc;
- a share issue of 190,615,000 new shares to the Company without consideration and authorization of the Board to resolve on the conveyance of such shares. The share conveyance authorisation is valid until 11 June 2019. However, the shares may not be conveyed in any debt to equity conversion in accordance with the potential corporate reorganisation plan of the Company.
- authorisation of the Board of Directors to decide on the repurchase, in one or several transactions, of a maximum of 190,615,000 of the treasury shares. The repurchase authorisation is valid until 11 December 2015.

Shares and shareholders

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 December 2014 was 2,096,782,480. Including the effect of the EUR 225 million convertible bond of 16 December 2010, the authorized full number of shares of the Company amounted to 2,195,400,415.

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's new shares were subscribed for under the stock option rights 2007A. A total of 53,727 Stock Options 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's new shares were subscribed for under the Stock Options 2007B. A total of 2,284,337 Stock Options 2007B remained unexercised following the end of the subscription period and expired.

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

The vesting criteria for Stock Options 2011A were not fulfilled and the Stock Options 2011A were cancelled at the end of 2012. As the vesting criteria for Stock Options 2011B were not fulfilled the options were cancelled at the end of 2013. Similarly, the vesting criteria for Stock Options 2011C were not fulfilled and the Stock Options 2011C were cancelled at the end of 2014.

In March 2013, an Extraordinary General Meeting of Talvivaara resolved to to authorize the Board of Directors to undertake a share issue for consideration in accordance with the shareholders' pre-emptive subscription rights. The share issue was completed in April 2013 and the total number of shares in Talvivaara increased to 1,906,167,480 shares.

In June 2014, the Annual General Meeting of shareholders of Talvivaara 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.

In December 2014, the Board of Directors of the Company dismantled the shareholding scheme organized through Talvivaara Management Oy for members of the Talvivaara Executive Committee and other key personnel of the Talvivaara group. The scheme was dismantled by the Company acquiring all shares of Talvivaara Management Oy from the participants for a nominal purchase price. Talvivaara Management Oy was placed in liquidation on 19 December 2014. On 31 December 2014, Talvivaara Management Oy held 2,268,000 shares of the Company.

As at 31 December 2014, the only shareholders who held more than 5% of the shares and votes of Talvivaara were Solidium Oy (15.2%) and Mr. Pekka Perä (5.9%). Talvivaara held directly 9.1% and indirectly through Talvivaara Management Oy (in liquidation) 0.1 % of the shares in the Company. The shares held in treasury by the Company do not carry any voting rights.

Share based incentive plans

The Annual General Meeting of Shareholders held on 3 May 2007 approved the Board of Directors' proposal to issue Stock Options to the Talvivaara group's key personnel. The number of Stock Options is 6,999,300, each entitling to subscribe one new share. A total of 2,333,100 of the Stock Options were designated 2007A, 2,333,100 were designated as 2007B and 2,333,100 were designated as 2007C. Following the rights issue completed in 2013, the subscription price and the number of shares that can be subscribed to via Stock Options 2007 were adjusted in accordance with the terms and conditions of the Option Scheme. The subscription price for the Stock Option 2007C was adjusted to GBP 0.5110 per share and the number of shares that can be subscribed for through the exercise of Stock Option 2007C was increased by 13,998,600 shares (previously 2,333,100 shares). The subscription periods for 2007A, 2007B and 2007C Stock Options expired on 31 March 2012, 31 March 2013 and 31 March 2014, respectively.

During 2014, no Stock Options were allocated and no shares with the Stock Options 2007C (by their expiration on 31 March 2014) were subscribed for. There are no further Stock Options 2007C outstanding. The vesting criteria for Stock Options 2011A were not fulfilled and the Stock Options 2011A were cancelled at the end of 2012. As the vesting criteria for Stock Options 2011B were not fulfilled the options were cancelled at the end of 2013. Similarly, the vesting criteria for Stock Options 2011C were not fulfilled and the Stock Options 2011C were cancelled at the end of 2014.

In December 2010, The Board of Directors of the Company decided on a new shareholding plan directed to members of executive management and certain other key employees. The plan enabled the participants to acquire a considerable long-term shareholding in the Company. Through this plan, the participants personally invested a significant amount of their own funds in the Company shares. Part of the investment was financed by a loan provided by the Company. The EUR 5.7 million loan granted by the Company to Talvivaara Management Oy for the purpose of acquiring Company shares carries an interest of 3.0%. The 1,104,000 shares held by Talvivaara Management Oy were pledged to the Company as security for the loan.

Originally the plan was to be valid until the publication of Talvivaara's 2013 Financial Statements, after which event the intention was to dissolve the plan and to repay the loan in full on 31 March 2014. However, based on the terms of the plan, the plan was continued for one year, as the Talvivaara share price after the publication of Talvivaara's 2013 Financial Statements was lower than the average price which Talvivaara Management paid for its Talvivaara shares. The repayment date of the loan was also postponed correspondingly.

On 19 December 2014, Talvivaara decided to dismantle the shareholding plan. The scheme was dismantled by Talvivaara acquiring all shares of Talvivaara Management Oy from the participants for a nominal purchase price.

Events after the review period

Termination of the Zinc Streaming Agreement

On 30 March 2015, the bankruptcy estate of Talvivaara Sotkamo notified Nyrstar that, pursuant to Chapter 3, Section 8 of the Bankruptcy Act, it does not commit to the Zinc Streaming Agreement or the Streaming Holiday Agreement. Consequently, Nyrstar has on 9 April 2015 sent a notice to the bankruptcy estate of Talvivaara Sotkamo, contesting the right of the bankruptcy estate to terminate the Zinc Streaming Agreement or the Streaming Holiday Agreement by reason of its own insolvency, and declaring that all the amounts due by Talvivaara Sotkamo under the Loan and Streaming Holiday Agreement have become immediately due and payable by Talvivaara Sotkamo. Nyrstar also gave the bankruptcy estate of Talvivaara Sotkamo a 30-day-notice under the Zinc Streaming Agreement, during which period Talvivaara Sotkamo as a seller under the Zinc Streaming Agreement should try to remedy the seller event of default, failing which the Zinc Streaming Agreement shall terminate. Simultaneously, Nyrstar sent a notice to the Company, reserving their right to issue a demand to the Company as a guarantor for a payment of all sums due by Talvivaara Sotkamo under the Zinc Streaming Agreement and the Streaming Holiday Agreement, should the bankruptcy estate of Talvivaara Sotkamo fail to do so.

However, based on the Intercreditor Agreement binding on the Company and Nyrstar, the Company cannot make any payments to Nyrstar in relation to the termination sum if full payment has not been made to the lenders having receivables with a higher ranked priority. As the lenders having a higher ranked priority will not receive a full payment on their receivables due to Talvivaara Sotkamo's bankruptcy and the Company's restructuring proceedings, the Company cannot make payments relating to the termination sum to Nyrstar, as Nyrstar's claim for termination sum is in a subordinate position. Based on the above, the Administrator did not include the Company's guarantee liability for the termination sum in the restructuring debts or in the new liabilities arisen during the proceedings in his final draft restructuring programme.

On 13 April 2015, the Facility Agent of the lenders under the Revolving Credit Line Facility Agreement, which have receivables with the highest ranking priority, notified Nyrstar, the Company and the bankruptcy estate of Talvivaara Sotkamo that an Event of Default under the Revolving Credit Line Facility Agreement has occurred and is continuing and that all payments, which would otherwise be permitted for the Company or Talvivaara Sotkamo have thereby become prohibited.

Status of the corporate reorganisation

On 30 January 2015, the District Court of Espoo granted an extension to the deadline for re-submitting the proposal for the reorganisation programme of Talvivaara until 13 March 2015.

On 12 March 2015, Talvivaara was informed that Audley Capital Advisors LLP, a UK-based investment and capital advisory firm, has entered into a conditional asset purchase agreement to acquire the assets of Talvivaara Sotkamo from its bankruptcy estate. At the same time, the Republic of Finland, through its wholly-owned special purpose company Terrafame Ltd, has entered into an investment agreement with

Audley Capital Advisors LLP. The purpose of the asset purchase agreement and the investment agreement is to re-establish the operations and continue the business of the Sotkamo mine within a new mining company that will be established in connection with the transaction. Before the transaction can close and operations at the mine can be ramped up under the direction of the new mining company, a number of steps must still be taken including the provision of the necessary regulatory permits and the obtaining of committed financing. The Company announced on 12 March 2015 that the process of selling the Sotkamo mining operations had progressed in the expected sequence, and the milestone reached by the parties to the conditional asset purchase agreement enables the start of serious discussions on Talvivaara's potential role in the future of the Sotkamo mining operations.

On 13 March 2015, the Administrator of the corporate reorganisation of Talvivaara filed the supplemented draft restructuring programme to the District Court of Espoo. The supplemented draft restructuring programme was based on the plan presented in the original draft restructuring programme dated 30 September 2014, whereby the business operations of the mine are to be sold to a new company with which Talvivaara shall have a sufficient functional connection that is based on ownership, operations or other type of economic co-operation.

The total amount of the restructuring debts to be taken into account in the restructuring proceedings is approximately 513 million euros, out of which 508 million euros is considered unsecured debt. This amount does not include debts with lowest priority. In addition, the Company has approximately 8 million euros liability relating to a granted third-party security. The Administrator proposed that the restructuring debts be cut by 99% which would leave 1% of the amount of such debt to be repaid. The restructuring debts secured by business mortgage will not be cut and no payments would be made on debts with lowest priority. The draft restructuring programme does not include a provision on a duty to make supplementary payments. The total amount of the restructuring debts includes also approximately 31.9 million euros of conditional restructuring debt, which consists mainly of counter indemnity given as a guarantee for the guarantee insurance provided by Atradius Credit Insurance N.V to Kainuu ELY Centre. The guarantee insurance relates to the certain obligations prescribed in Talvivaara Sotkamo's environmental permit.

The term of the restructuring programme would consist of one instalment. After the 1% restructuring debt repayment has been made to the remaining restructuring creditors and after the other measures obligating the Company in the draft restructuring programme have been completed, Talvivaara would not be subject to any restriction on payment of dividends.

The Administrator's estimate is that after the completion of the above referenced restructuring measures - and assuming that none of the restructuring creditors would use their conversion right included in the draft restructuring programme - the balance sheet of the Company would include approximately 25.1 million euros of financial debt, comprising of approximately 12.5 million euros of new debts arisen during the proceedings and approximately 12.6 million euros of cut restructuring debts and other liabilities.

The confirmation and entry into force of the draft restructuring programme requires the fulfilment of all of the following conditions:

- a) Talvivaara succeeds in negotiating an agreement with the party that purchases Talvivaara Sotkamo mining operations from the bankruptcy estate based on which:
 1. Talvivaara 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 has the right to make an investment sufficient to acquire a significant minority stake in the company engaging in the mining operations, or the parties complete a different financial and/or operative arrangement that will secure the continuance of the Company's eligible business;
- b) The general meeting of shareholders of Talvivaara:
 1. approves the opportunity to be offered to all holders of unsecured restructuring debts to convert the full amount (but not a part thereof) of their unsecured restructuring debt into shares in the Company with due regard to any limitations of prohibitions set by foreign

securities laws that would make the offering of the conversion right to certain foreign creditors either illegal or unreasonably difficult to implement. If all unsecured restructuring creditors exercise said opportunity, the percentage of holdings of the Company's current shareholders would be diluted by 70%. The conversion rate would be EUR 0.1144 per share; and

2. executes or authorises the Company's Board of Directors to execute a financial arrangement (e.g. issuance of shares or bonds or execution of other financing instrument) to raise the funds needed to execute an arrangement referred to in section a) 2. and/or for paying the remaining restructuring debts and for covering other possible liabilities to the extent the Company's other funds are not sufficient for such purpose;
- c) The proceedings for converting the restructuring debts into shares in the Company have been completed in accordance with the section b) 1. above, and the new shares have been registered in the Trade Register.

A share issue or an issuance of another instrument entitling to the shares of the Company, which are among the possible means to satisfy the condition for the entry into force of the restructuring programme, would, if fully subscribed for and depending on the amount to be raised in the transaction, dilute the holdings of the existing shareholders significantly.

In addition to what has been provided on the lapse of restructuring programme and corporate reorganization, if the special conditions set for the entry into force of the restructuring programme have not been met by 13 March 2017, the Administrator will make a request to the District Court to have the restructuring proceedings interrupted. In addition, the draft restructuring programme included a specific condition entitling the Administrator to make a request to the District Court for the cancellation of the corporate reorganization in case the Company does not have the funds for paying the restructuring debts within two years of the confirmation of the programme.

Talvivaara as a debtor in the restructuring proceedings was given a similar right as the creditors of the corporate reorganisation to give a statement on the supplemented draft restructuring programme and propose changes to it by the deadline of 27 March 2015 set by the District Court of Espoo. No statement on the restructuring programme was given by Talvivaara.

On 14 April 2015, the District Court of Espoo gave a decision to initiate a creditors' voting procedure on the draft restructuring programme of the Company in accordance with section 76 of the Restructuring of Enterprises Act. By initiating the voting procedure, the creditors of the Company are given the opportunity to either support or oppose the Administrator's draft restructuring programme. The approval of the draft restructuring programme requires express support from the necessary number of creditors.

Legal proceedings

Based on the pre-trial investigation relating to the discharge of raffinate from the metals recovery plant of Talvivaara Sotkamo and dilute secondary heap solutions into the open pit during the period of 19 December 2013 - 31 January 2014, the prosecutor decided on 11 February 2015 to bring charges against CEO Pekka Perä. During the pre-trial investigation, the police moderated the type of the suspected crime to an environmental infraction (petty crime), while the prosecutor changed the type of the suspected crime back to impairment of the environment in his application for a summons. The prosecutor requested the District Court to handle the case together with the case concerning the gypsum pond leakages and the discharges into water ways. The Company does not share the prosecutor's view of the threshold for charges having been met.

On 28 April 2015, Talvivaara confirmed that a number of current and former members of Talvivaara's Board of Directors and management have been or will be heard in connection with an investigation relating to the Company's disclosure practices. Talvivaara believes that the investigation will establish the appropriateness of the Company's conduct in all respects, and emphasizes that the Company has already in the past gone through the applied disclosure practices extensively and in great detail with the Financial Supervisory Authority. None of the inquiries has given rise to any administrative sanctions available for the Financial Supervisory Authority.

Short-term outlook

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

Board of Directors' proposal for the measures to be taken owing to the loss for the financial year

The Board of Directors is proposing to the Annual General Meeting that no dividend is declared in respect of the year 2014 and that the loss of the financial period is entered into the Company's profit/loss account on the balance sheet.

Talvivaara Mining Company Plc
Board of Directors

STATEMENT OF FINANCIAL POSITION

(All amounts in EUR)	Audited As at 31 Dec 2014	Audited As at 31 Dec 13
ASSETS		
Non-current assets		
Property, plant and equipment	5,010,758	8,949,490
Intangible assets	554,887	2,392,727
Investments in associates	-	6,967,599
Other receivables	31,094	-
Other receivables from group companies	-	262,260,463
Investments in group companies	-	16,606,591
	5,596,738	297,176,871
Current assets		
Trade receivables	284,466	26,726,280
Other receivables	35,336	152,166,410
Cash and cash equivalents	5,346,381	4,697,666
	5,666,183	183,590,356
TOTAL ASSETS	11,262,921	480,767,226
EQUITY AND LIABILITIES		
Equity attributable to the owners		
Share capital	80,000	80,000
Share premium	8,085,842	8,085,842
Other reserves	771,648,200	771,648,200
Retained deficit	(1,509,757,176)	(734,857,490)
	(729,943,134)	44,956,551
Total equity	(729,943,134)	44,956,551
Provisions		
Current liabilities	203,444,455	0
Borrowings	500,720,066	422,612,956
Trade payables	2,759,678	3,018,008
Other payables	34,281,855	10,179,710
	741,206,055	435,810,675
Total liabilities	741,206,055	435,810,675
TOTAL EQUITY AND LIABILITIES	11,262,921	480,767,226

The notes are an integral part of the financial statements.

INCOME STATEMENT

(All amounts in EUR)	Audited twelve months to 31 Dec 2014	Audited twelve months to 31 Dec 2013
Other operating income	12,339,864	15,309,461
Materials and services	(305,207)	(497,715)
Personnel expenses	(5,316,937)	(6,591,189)
Depreciation and amortisation	(996,610)	(2,246,859)
Impairment charges on property, plant and equipment	(3,113,402)	(14,232,843)
Impairment charges on intangible assets	(1,676,000)	-
Impairment charges on subsidiary investments	(470,596,157)	(680,527,616)
Other operating expenses	(232,984,659)	(9,056,364)
Operating loss	(702,649,108)	(697,843,126)
Finance income	37,492,941	40,891,096)
Finance cost	(109,742,838)	(47,981,001)
Finance cost (net)	(72,249,897)	(7,089,905)
Loss before income tax	(774,899,005)	(704,933,031)
Income tax	(181)	(4,168,624)
LOSS FOR THE FINANCIAL YEAR	(774,899,185)	(709,101,655)
Loss attributable to the owners of the Company, (€share)		
	2014	2013
Diluted and undiluted	-0.41	-0.50

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share issue	Share premium	Other reserves	Retained deficit	Total
31 Dec 2012	80,000	-	8,085,842	520,821,335	(25,756,335)	503,230,842
Rights issue	-	-	-	250,826,864	-	250,826,864
Profit (loss) for the year	-	-	-	-	(709,101,655)	(709,101,655)
31 Dec 2013	80,000	-	8,085,842	771,648,200	(734,857,990)	44,956,051
Rights issue	-	-	-	-	-	-
Profit (loss) for the year	-	-	-	-	(774,899,185)	(774,899,185)
31 Dec 2014	80,000	-	8,085,842	771,648,200	(1,509,757,176)	(729,943,134)

STATEMENT OF CASH FLOWS

(all amounts in EUR)

	Audited As at 31 Dec 14	Audited As at 31 Dec 2013
Cash flows from operating activities		
Loss for the year	(774,899,185)	(709,101,655)
Adjustments for		
Tax	181	4,168,624
Depreciation and amortisation	996,610	2,246,859
Other non-cash income and expenses	229,395,770	-
Impairment charges on property, plant and equipment	3,113,402	14,232,843
Impairment charges on other non-current assets	472,272,157	680,527,616
Interest income	(37,492,941)	(40,891,096)
Interest expenses	109,742,838	47,981,001
Other adjustments	-	2,650,862
Cash flow before change in working capital	3,128,831	1,815,054
Change in working capital		
Decrease(+)/increase(-) in trade and other receivables	344,830	(17,707,209)
Decrease(-)/increase(+) in trade and other payables	179,970	6,413,322
Change in working capital	524,801	(11,293,887)
Net cash used in operating activities before financing activities and taxes	3,653,632	(9,478,833)
Interest and other finance cost paid	(1,078,564)	(44,043,967)
Interest and other finance income	328,170	841,009
Net cash generated (used) in operating activities	2,903,237	(52,681,791)
Cash flows from investing activities		
Purchases of property, plant and equipment	-	(2,874,413)
Purchases of intangible assets	(9,439)	(70,694)
Purchases of other shares	(279,702)	(1,273,727)
Investments to subsidiaries	(1,965,381)	(157,404,606)
Net cash generated (used) in investing activities	(2,254,522)	(161,623,440)
Cash flows from financing activities		
Proceeds from share issue	-	261,417,254
Payment of interest-bearing liabilities	-	(76,900,000)
Net cash generated from financing activities	-	184,517,254
Net (decrease)/increase in cash and bank overdrafts	648,715	(29,787,977)
Cash and bank overdrafts at beginning of the year	4,697,666	34,485,642
Cash and bank overdrafts at end of the year	5,346,381	4,697,666

NOTES

1. Basis of preparation

This year-end report has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union taking into account the corporate reorganisation proceedings that commenced in respect of the Company on 29 November 2013, and IAS 1.25 and IAS 1.26 requirements regarding the disclosure under the non-going concern basis.

As described elsewhere in this earnings release and in the financial statements under Note 2, Talvivaara's financial statements for the financial year ended 31 December 2014 have been prepared on a basis other than going concern. The financial statements for year ended 31 December 2013 have not been restated to take into account the non-going concern assumption. For the basis of presentation for the financial statements of 2013, please refer to the 2013 financial statements. The chosen reporting basis results from the existence of material uncertainty that casts significant doubt upon the Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Company's operational environment twelve months beyond the date of reporting. Therefore, the requisite adjustments resulting from the chosen reporting basis have, where applicable, been made in the financial statements to the carrying amounts of the Company's assets and liabilities (see Note 2), but no reserve has been made in the Company's balance sheet for the costs relating to winding down of the operations.

Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is dependent, among other things, on the successful completion of the Company's corporate reorganisation proceedings, which requires that (i) a requisite number of the Company's creditors vote in favour of the Administrator's draft restructuring programme submitted on 13 March 2015, (ii) Talvivaara succeeds in completing an arrangement that will secure the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's eligible business, and (iii) the shareholders of Talvivaara approve the possibility for a conversion of unsecured restructuring debts into shares in the Company as well as the financial arrangement required to discharge the remaining restructuring debts and for covering other possible liabilities to the extent the Company's other funds are not sufficient for such purpose. As of the date of the Company's financial statements 29 April 2015, there is no certainty as to whether the Company can fulfil all the set requirements within the given time frame.

Should the restructuring programme draft be approved as proposed by the Administrator, following illustrative calculations on equity position can be drawn. First calculation assumes that none of the restructuring creditors convert their debt to equity as per the restructuring programme and latter calculation assumes that all of the non-secured creditors convert their restructuring debt to equity.

Illustrative calculation of the Company equity, if the restructuring programme would be approved

(Assuming none of the restructuring creditors convert to equity)

	<u>2014</u>
Recognised equity	(729,943,134)
Debts under the restructuring programme recognised on balance sheet (including all accrued interest)	<u>521,993,095</u>
Equity after full write down of recognised restructuring debts	<u>(207,950,039)</u>
Restructuring debts remaining if programme is approved	(12,586,849)
Interest on secured restructuring debts during the restructuring proceedings	<u>(205,547)</u>
Equity after the approval of the restructuring programme	<u>(220,742,435)</u>
Reversal of Nyrstar provision	<u>203,444,456</u>
Equity excluding Nyrstar provision	<u>(17,297,980)</u>

Illustrative calculation of the Company equity, if the restructuring programme would be approved

(Assuming all of the non-secured restructuring creditors convert to equity)

	<u>2014</u>
Recognised equity	(729,943,134)
Debts under the restructuring programme recognised on balance sheet (including all accrued interest)	<u>521,993,095</u>
Equity after full write down of recognised restructuring debts	<u>(207,950,039)</u>
Restructuring debts remaining if programme is approved	(7,500,000)
Interest on secured restructuring debts during the restructuring proceedings	<u>(205,547)</u>
Equity after the approval of the restructuring programme	<u>(215,655,586)</u>
Reversal of Nyrstar provision	<u>203,444,456</u>
Equity excluding Nyrstar provision	<u>(12,211,131)</u>

This year-end report should be read in conjunction with our financial statements for year 2014 authorized for issue on 29 April 2015. Please refer in particular to Note 2 for more information on the reporting basis and to Notes 10 and 11 for more information on restructuring debts.

2. Property, plant and equipment

(All amounts in EUR)	Buildings	Machinery and equipment	Construction in progress	Total
Gross carrying amount at 1 Jan 2013	11,668,778	17,229,150	2,616,393	31,514,321
Additions	-	36,330	2,838,083	2,874,413
Deductions	-	-	(2,652,095)	(2,652,095)
Transfers	230,267	2,572,115	(2,802,381)	-
Gross carrying amount at 31 Dec 2013	11,899,045	19,837,595	-	31,736,640
Accumulated depreciation and impairment losses at 1 Jan 2013	2,502,813	4,046,898	-	6,549,711
Depreciation for the year	764,674	1,239,922	-	2,004,596
Impairment losses	5,253,671	8,979,171	-	14,232,843
Accumulated depreciation and impairment losses at 31 Dec 2013	8,521,159	14,265,990	-	22,787,149
Carrying amount at 1 Jan 2013	9,165,965	13,182,253	2,616,393	24,964,610
Carrying amount at 31 Dec 2013	3,377,885	5,571,605	-	8,949,490
Gross carrying amount at 1 Jan 2014	11,899,045	19,837,595	-	31,736,640
Additions	-	-	-	-
Deductions	-	-	-	-
Transfers	-	-	-	-
Gross carrying amount at 31 Dec 2014	11,899,045	19,837,595	-	31,736,640
Accumulated depreciation and impairment losses at 1 Jan 2014	8,521,159	14,265,990	-	22,787,149
Depreciation for the year	292,173	560,847	-	853,020
Impairment losses	3,085,712	-	-	3,085,712
Accumulated depreciation and impairment losses at 31 Dec 2014	11,899,045	14,826,837	-	26,725,882
Carrying amount at 1 Jan 2014	3,377,885	5,571,605	-	8,949,490
Carrying amount at 31 Dec 2014	-	5,010,758	-	5,010,758

3. Borrowings and capital loans

EUR	2014	2013
Restructuring loans		
Bonds	110,000,000	110,000,000
Convertible bonds	249,620,846	242,036,675
Revolving credit facility	70,000,000	70,000,000
Absolute guarantee	50,703,476	-
Interest during proceedings	7,465,075	-
Other borrowings during procedure	12,930,668	576,281
	500,720,066	422,612,956

Absolute guarantee includes a floating charge security for the loans drawn from Finnvera by Talvivaara Sotkamo, which the Company has guaranteed as its own debt. Please refer to Board of Directors' review and Note 22.

Other borrowings include Nyrstar loan facility of EUR 12.8 million.

The Company has assessed the carrying value and fair value to be equal for all borrowings and capital loans.

The Company's borrowings are denominated in euros.

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

4. Contingencies and commitments

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

EUR	2014	2013
Counter indemnity given as a guarantee	31,940,000	31,940,000
	31,940,000	31,940,000

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

EUR	2014	2013
No later than 1 year	97,637	156,941
Later than 1 year and not later than 5 years	4,672	47,608
	102,309	204,549

5. Deferred tax assets

As the Company's 2014 financial statements have been prepared on a basis other than going concern, the Company has not recorded any deferred tax assets or liabilities on its balance sheet. Detailed information is disclosed in notes 20 to the audited financial statements for year 2014.

Talvivaara Mining Company Plc Key financial figures

		Twelve months to 31 Dec 14	Twelve months to 31 Dec 13
Other operating income	EUR '000	12,340	15,309
Operating loss	EUR '000	(702,649)	(697,843)
Operating loss percentage		(5,694.1) %	(4,558.2) %
Loss before tax	EUR '000	(774,899)	(704,933)
Loss for the period	EUR '000	(774,899)	(709,102)
Return on equity		N/A	(1,687.9) %
Equity-to-assets ratio		(6480.9) %	9.4 %
Net interest-bearing debt	EUR '000	495,374	417,915
Debt-to-equity ratio		(67.9) %	929.6 %
Return on investment		(558.1) %	(132.4) %
Capital expenditure	EUR '000		
Property, plant and equipment	EUR '000	5,011	8,949
Borrowings	EUR '000	500,720	422,613
Cash and cash equivalents	EUR '000	5,346	4,698

Share-related key figures

		Twelve months to 31 Dec 14	Twelve months to 31 Dec 13
Earnings per share	EUR	(0.41)	(0.50)
Equity per share	EUR	(0.38)	0.03
Development of share price at London Stock Exchange			
Average trading price ¹	EUR	0.08	0.12
	GBP	0.07	0.10
Lowest trading price ¹	EUR	0.04	0.30
	GBP	0.03	0.30
Highest trading price ¹	EUR	0.12	1.34
	GBP	0.10	1.14
Trading price at the end of the period ²	EUR	0.06	0.08
	GBP	0.05	0.07
Change during the period		(28.5) %	93.2 %
Price-earnings ratio		neg.	neg.
Market capitalization at the end of the period ³	EUR '000	124,840	159,759
	GBP '000	100,646	133,622
Development in trading volume			
Trading volume	1000 shares	430,639	776,597
In relation to weighted average number of shares		20.5 %	54.2 %
Development of share price at OMX Helsinki			
Average trading price	EUR	0.07	0.11
Lowest trading price	EUR	0.03	0.03
Highest trading price	EUR	0.12	1.39
Trading price at the end of the period	EUR	0.03	0.08
Change during the period		(62.2) %	(93.9) %
Price-earnings ratio		neg.	neg.
Market capitalization at the end of the period	EUR '000	63,533	145,059
Development in trading volume			
Trading volume	1000 shares	2,039,404	3,086,423
In relation to weighted		97.3 %	215.6 %
Average number of shares		1,906,068,061	1 431,677,258
Fully diluted average number of shares		2,004,685,996	1 530,295,193
Number of shares at the end of the period		2,096,782,480	1 906,167,480

¹⁾ Trading price is calculated on the average of EUR/GBP exchange rates published by the European Central Bank during the period.

²⁾ Trading price is calculated on the EUR/GBP exchange rate published by the European Central Bank at the end of the period

³⁾ 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

		Twelve months to 31 Dec 14	Twelve months to 31 Dec 13
Wages and salaries	EUR '000	4,436	5,515
Average number of employees		56	66
Number of employees at the end of the period		53	61

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

Return on equity	$\frac{\text{Loss for the period}}{(\text{Total equity at the beginning of period} + \text{Total equity at the end of period})/2}$
Equity-to-assets ratio	$\frac{\text{Total equity}}{\text{Total assets}}$
Net interest-bearing debt	Interest-bearing debt - Cash and cash equivalent
Debt-to-equity ratio	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$
Return on investment	$\frac{\text{Loss for the period} + \text{Finance cost}}{(\text{Total equity at the beginning of period} + \text{Total equity at the end of period})/2 + (\text{Borrowings at the beginning of period} + \text{Borrowings at the end of period})/2}$
Share-related key figures	
Earnings per share	$\frac{\text{Loss attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Equity per share	$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$