

**Stock Exchange Release  
Talvivaara Mining Company Plc  
27 August 2015**

## **Talvivaara Mining Company Interim Report for January-June 2015**

**Requisite support for the draft restructuring programme received from the creditors  
The negotiations on the Company's role in the future of the Sotkamo mining operations continue**

### **Key events**

#### H1 2015

- Following the bankruptcy of Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") on 6 November 2014, trading of Talvivaara Mining Company Plc's ("Talvivaara" or the "Company") shares on the Helsinki Stock Exchange was suspended. The suspension of trading continues on the date of publication of the Company's H1 2015 interim results on 27 August 2015
- This interim report has 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
- Talvivaara has continued 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. The other operating income from those activities amounted to EUR 3.4 million
- The creditors' voting procedure was completed on 6 May 2015 and the Administrator's draft restructuring programme was supported by approximately 97.5 percent of the creditors of unsecured debt participating in the voting. The requisite support from the creditors set forth in the Restructuring of Enterprises Act for the approval of the draft restructuring programme was obtained. The confirmation and entry into force of the draft restructuring programme still requires the fulfilment of certain other conditions
- Talvivaara's negotiations with the state of Finland and potential financiers and investors continue, with the target of securing a participation in the mining operations
- The Annual General Meeting of the Company held on 25 June 2015 authorised the Board of Directors to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the preemptive subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts into new shares in the Company as provided by the Administrator's draft restructuring programme. The subscription price of the shares to be issued by virtue of the authorisation shall be EUR 0.1144 per share and the subscription price shall be paid by setting off the subscriber's unsecured restructuring debt claim
- Reported operating loss EUR -0.5 million

#### Events after the reporting period

- Talvivaara has signed a contract on 13 August 2015 with the state-owned company Terrafame Oy and its 100% subsidiary Terrafame Mining Oy, whereby Terrafame Mining Oy assumes the rights and obligations of the bankruptcy estate of Talvivaara Sotkamo under the agreements of 19 November 2014 on provision of administrative and technical services and leasing of certain critical machinery and equipment to the bankruptcy estate
- The transfer of the mining business from the bankruptcy estate of Talvivaara Sotkamo to Terrafame Mining Oy was completed on 14 August 2015

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

		<b>Six months to 30 Jun 15</b>	<b>Six months to 30 Jun 14</b>	<b>Twelve months to 31 Dec 14</b>
Other operating income	EUR '000	3,437	7,126	12,340
Operating profit/loss	EUR '000	(491)	1,334	(702,649)
Operating profit/loss percentage		(14.3 %)	18.7 %	(5,694.1 %)
Profit/loss before tax	EUR '000	(14,978)	7,856	(774,899)
Profit/loss for the period	EUR '000	(14,978)	7,856	(774,899)
Return on equity		N/A	N/A	N/A
Equity-to-assets ratio		(7,392.8 %)	10.3 %	(6480.9 %)
Net interest-bearing debt	EUR '000	499,523	424,646	495,374
Debt-to-equity ratio		(67.1 %)	820.1 %	(67.9 %)
Return on investment		N/A	N/A	(558.1 %)
Capital expenditure	EUR '000	0	2,316	2,717
Property, plant and equipment	EUR '000	5,000	8,526	5,011
Borrowings	EUR '000	503,956	425,030	500,720
Cash and cash equivalents	EUR '000	4,433	384	5,346

*All reported half-yearly figures in this release are unaudited. Full year figures are audited.*

**CEO Pekka Perä comments:** *“When the unsecured creditors approved the draft restructuring programme, an important milestone was achieved. Although there are still significant challenges ahead, it was a major tick in the box in this prolonged restructuring process. As we have received continuous support from the shareholders and the creditors, the weakness in the commodities market is still effecting on the mining finance space as a whole. A good sign is that some investors are getting active with the view that the bottom has been found in the base metals market.*

*The operational result of the Company was in loss as anticipated, but as the restructuring costs will decrease, it is expected that the cash position will remain roughly on the same as level as at the end of the period for the next months to come or until a solution for the Company’s future has been found.*

*The management and the staff have been working hard despite all the uncertainties around the Company. The transfer of the leasing and services contract to Terrafame provides visibility for the personnel in the short term.*

*I would like to thank departing board members Mr. Edward Haslam, Mr. Graham Titcombe and Mrs. Maija-Liisa Friman for their efforts. Their experience, skills, commitment, strength of character and sense of humour will be deeply missed.”*

**Enquiries:**

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 Pekka Perä, CEO  
 Pekka Erkinheimo, Deputy CEO

## Financial review

### 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 H1 2015 interim results on 27 August 2015.

This interim report has 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 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. Talvivaara has continued 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 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 Sotkamo mining operations or securing a different financial and/or operative arrangement that will secure the continuance of the Company's eligible business.

### H1 2015 (January-June)

#### *Net sales and financial result*

The operating loss for the period was EUR (0.49) million (operating profit H1 2014: EUR 1.3 million). Earnings per share was EUR (0.02) (H1 2014: EUR 0.01).

The loss for the period amounted to EUR (15.0) million (profit for the period H1 2014: EUR 7.9 million) based mainly on the reported finance costs of EUR (14.5) million. The finance costs include EUR 14 million of computational interest expenses accrued on the restructuring debts. The profit from the comparison period of H1 2014 included EUR 22 million of computational interest income on the debts owed by Talvivaara Sotkamo to the Company. Following the bankruptcy and public receivership of Talvivaara Sotkamo, no such interest income has been recorded for H1 2015.

#### *Liquidity*

As at 30 June 2015, the Company's cash and cash equivalents amounted to EUR 4.4 million (31 December 2014: EUR 5.3 million). The cash position has stayed the same or slightly improved since March 2015.

The Company has financed 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.

#### *Balance sheet*

#### Termination of the Zinc Streaming Agreement

Following the termination of the Zinc Streaming Agreement by the bankruptcy estate of Talvivaara Sotkamo on 30 March 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 (including the termination sum of EUR 203.4 million), should the bankruptcy estate of Talvivaara Sotkamo fail to do so.

Based on the Intercreditor Agreement binding on the Company and Nyrstar, 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. Consequently, the view of the Company and the Administrator is that 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 lenders having receivables with a higher ranked priority.

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. The discussions with Nyrstar on the treatment of the termination sum continue as at the date of the Company's H1 2015 interim results 27 August 2015.

For more information on the termination sum guarantee, please refer to pages 9, 14-15, 22-23 and 31 of the Company's 2014 Financial Statements.

#### Provisions and other items recognised based on restructuring programme

The Company has issued a floating charge security for the loans drawn from Finnvera by Talvivaara Sotkamo, amounting in aggregate to EUR 58.7 million, including accrued interest. For more information, please refer to pages 23, 36, 41 and 44 of the Company's 2014 Financial Statements.

#### 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 H1 2015 interim results 27 August 2015. In the event restoration of the mine site 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 in Note 1.

#### Assets

On the statement of financial position as at 30 June 2015, property, plant and equipment totalled EUR 5.0 million (31 December 2014: EUR 5 million). Intangible assets totalled EUR 0.5 million (31 December 2014: EUR 0.56 million).

Shares in Majakkavoima Oy and Katternö Kärnkraft Ab, companies holding shares in Fennovoima nuclear power company, continue to be valued at zero, 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.

No investments have been made during H1 2015.

#### **Reporting basis – other than going concern**

This interim report has 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, the contractual arrangements regarding the administrative and technical services and the lease of critical machinery and equipment have helped the Company to discharge all of its new liabilities as and when they fell due. Therefore, the chosen reporting basis is, where applicable, reflected in 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 among other things that (i) 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 (ii) the shareholders of Talvivaara approve 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 H1 2015 interim results 27 August 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 EUR 203.4 million 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. 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.

### **Operational review**

Talvivaara's negotiations with the state of Finland and prospective investors continue as at the date of this interim report. Target of the negotiations is to secure sufficient financing to participate in the acquisition of the mining operations, or to secure a different financial and/or operative arrangement that will enable the continuance of the Company's eligible business.

In 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. The liquidation processes were completed and dormant subsidiaries dissolved on 26 June 2015.

### **Status of the corporate reorganisation**

On 13 March 2015, the Administrator of the corporate reorganisation of Talvivaara filed the final draft restructuring programme to the District Court of Espoo. The total amount of the restructuring debts to be taken into account in the restructuring proceedings is approximately EUR 513 million, out of which EUR 508 million is considered unsecured debt. This amount does not include debts with lowest priority. In addition, the

Company has approximately EUR 8 million 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.

Please refer to the Company's 2014 Financial Statements for more detailed description of the terms of the final draft restructuring programme and the conditions for the entry into force thereof.

The approval of the draft restructuring programme required, inter alia, express support from the necessary number of creditors. The creditors' voting procedure was completed on 6 May 2015 and the Administrator submitted the voting report on the outcome of the creditors' voting procedure to the District Court of Espoo on 25 May 2015. The Administrator's draft restructuring programme was supported by approximately 97.5 percent of the creditors of unsecured debt participating in the voting. In total, creditors whose receivables represent over 53 percent of all known debts recognized for the purposes of the voting procedure voted in favour of the draft restructuring programme. The requisite support from the creditors set forth in the Restructuring of Enterprises Act for the approval of the draft restructuring programme was thereby obtained.

The Annual General Meeting held on 25 June 2015 authorised the Board of Directors to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the pre-emptive subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts. The decision made was one of the special conditions set for the confirmation and entry into force of the draft restructuring programme. The confirmation and entry into force of the draft restructuring programme is still subject to a number of the conditions relating to inter alia the business and financing arrangements of the Company.

#### **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. There was no change in Talvivaara's position relating to Fennovoima during the first half of 2015.

#### **Legal proceedings**

In April 2015, Talvivaara confirmed that a number of current and former members of Talvivaara's Board of Directors and management have been 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.

#### **Annual General Meeting**

Talvivaara's Annual General Meeting was held on 25 June 2015 in Espoo, Finland. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2014;
- that the annual fee payable to the members of the Board for the term until the close of the Annual General Meeting in 2016 be as follows: Chairman of the Board of Directors EUR 84,000/year and other Non-executive Directors: EUR 48,000/year. No separate meeting fees are paid for the Board or the Committee work. The remuneration of the Executive Directors is included in their base salary, and it is not paid out separately;
- that the number of Board members be five (5) and that Mr. Tapani Järvinen, Mr. Pekka Perä, Mr. Stuart Murray and Ms. Solveig Törnroos-Huhtamäki were re-elected. Mr. Kari Järvinen was elected as a new member to the Board;
- that the auditor be reimbursed according to the approved auditor's invoice and authorised public accountants PricewaterhouseCoopers Oy be elected as the Company's auditor for the financial year 2015;
- that the Board of Directors be authorised to resolve on the share issue of up to 4,500,000,000 new shares in aggregate in deviation from the pre-emptive subscription rights of the shareholders through one or several share issues to conduct the conversion of the unsecured restructuring debts into new shares in the Company. The subscription price of the shares shall be EUR 0.1144 per share and the subscription price shall be paid by setting off the subscriber's unsecured restructuring debt claim

including any possible interest and costs relating thereto from the Company. The share issue authorisation is valid until 31 December 2017.

At its constituent meeting on 25 June 2015, the Board of Directors re-elected Mr. Tapani Järvinen as the chairman of the Board.

### **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) 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 (ii) the shareholders of Talvivaara approving 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 H1 2015 interim results on 27 August 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, or insufficient income from the services provided. If the corporate reorganisation fails for these or any other reasons, it could result in the bankruptcy of the Company.

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. As at the date of the Company's H1 2015 interim results on 27 August 2015, there is no certainty as to whether the Company succeeds in bridging the negative funding balance. More information on the negative equity is provided in Note 1.

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 or for the EUR 12.8 million guarantee liability under the Streaming Holiday 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*

The number of personnel employed by the Company on 30 June 2015 was 51 (31 December 2014: 53).

Talvivaara's personnel comprises an expert organisation, the core competences of which include, for example, analytical laboratory services, bioheap leaching and other production processes, procurement, environmental safety, risk management and communications. The organisation has in the past provided critical services to Talvivaara Sotkamo and it has continued 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.

### *Management changes*

Chief Human Resources Officer Maija Kaski resigned from her position on 17 June 2015 to pursue her career outside the Company.

## **Shares and shareholders**

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 30 June 2015 was 2,096,782,480. This total number of shares includes a total of 192 883 000 treasury shares. The shares, when held in treasury by the Company, do not carry voting rights or any other shareholder rights in the Company. Including the effect of the EUR 225 million convertible bond of 16 December 2010, the authorized full number of shares of the Company amounted to 2,195,400,415.

As at 30 June 2015, 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 9.2% of the shares in the Company. The shares held in treasury by the Company do not carry any voting rights.

## **Events after the review period**

### *Legal proceedings*

On 4 August 2015, the main hearing commenced in the criminal case relating to the gypsum pond leakage and discharges into water ways, where the prosecutor has brought charges against four members of Talvivaara's management, including CEO Pekka Perä and former CEO Harri Natunen. The Company welcomes 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.

### *Transfer of contracts to Terrafame Oy*

Talvivaara announced on 13 August 2015 that it has signed a contract with the state-owned company Terrafame Oy (as of 14 August 2015 Terrafame Group Oy) and its 100% subsidiary Terrafame Mining Oy (as of 14 August 2015 Terrafame Oy), whereby Terrafame Oy assumes the rights and obligations of the bankruptcy estate of Talvivaara Sotkamo under the agreements of 19 November 2014 on provision of administrative and technical services and leasing of certain critical machinery and equipment to the bankruptcy estate on the same terms as were applicable between the Company and the bankruptcy estate. The transfer remained subject to the completion of the mining business from the bankruptcy estate to Terrafame Oy.

### *Transfer of the Sotkamo mining business*

The transfer of the Sotkamo mining business from the bankruptcy estate of Talvivaara Sotkamo to Terrafame Oy was completed on 14 August 2015. Due to the transfer of the Company's essential contracts from the bankruptcy estate to Terrafame Oy agreed on 13 August 2015, the completed transfer of business does not have any immediate effects on the Company, its financial position or the short-term outlook. The Company continues the negotiations with the state of Finland and the Terrafame group on the terms of the Company's potential investment in the Sotkamo mining operations.



**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.

27 August 2015

Talvivaara Mining Company Plc  
Board of Directors

**STATEMENT OF FINANCIAL POSITION**

(All amounts in EUR)	<b>As at 30 Jun 15</b>	<b>As at 31 Dec 14</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,999,546	5,010,758
Intangible assets	497,088	554,887
Other receivables	30,926	31,094
	<b>5,527,559</b>	<b>5,596,738</b>
<b>Current assets</b>		
Trade receivables	63,678	284,466
Other receivables	46,599	35,336
Cash and cash equivalents	4,432,729	5,346,381
	<b>4,543,006</b>	<b>5,666,183</b>
<b>TOTAL ASSETS</b>	<b>10,070,565</b>	<b>11,262,921</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to the owners</b>		
Share capital	80,000	80,000
Share premium	8,085,842	8,085,842
Other reserves	771,648,199	771,648,200
Retained deficit	(1,524,313,624)	(1,509,757,176)
	(744,499,583)	(729,943,134)
<b>Total equity</b>	<b>(744,499,583)</b>	<b>(729,943,134)</b>
<b>Current liabilities</b>		
Provisions	203,444,456	203,444,456
Borrowings	503,955,559	500,720,066
Trade payables	2,743,335	2,759,678
Other payables	44,426,799	34,281,855
	754,570,148	741,206,055
<b>Total liabilities</b>	<b>754,570,148</b>	<b>741,206,055</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>10,070,565</b>	<b>11,262,921</b>

**INCOME STATEMENT**

(All amounts in EUR)	<b>Period ended 30 Jun 15</b>	<b>Period ended 30 Jun 14</b>
<b>Other operating income</b>	<b>3,436,664</b>	<b>7,125,872</b>
Materials and services	(138,698)	(155,917)
Personnel expenses	(2,132,041)	(2,895,555)
Depreciation and amortisation	(342,470)	(507,038)
Other operating expenses	(1,314,824)	(2,233,441)
<b>Operating profit/loss</b>	<b>(491,368)</b>	<b>1,333,923</b>
Finance income	1,620	22,013,916
Finance cost	(14,488,035)	(15,491,476)
<b>Finance cost (net)</b>	<b>(14,486,415)</b>	<b>6,522,441</b>
<b>Profit/Loss before income tax</b>	<b>(14,977,783)</b>	<b>7,856,363</b>
Income tax	0	0
<b>PROFIT/LOSS FOR THE FINANCIAL PERIOD</b>	<b>(14,977,782)</b>	<b>7,856,363</b>

## STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share issue	Share premium	Other reserves	Retained deficit	Total
<b>31 Dec 14</b>	80,000	-	8,085,842	771,648,200	(1,509,757,176)	(729,943,134)
Absorption of subsidiaries	-	-	-	-	421,334	421,334
Profit (loss) for the year	-	-	-	-	(14,977,782)	(14,977,782)
<b>30 Jun 15</b>	80,000	-	8,085,842	771,648,200	(1,524,313,624)	(744,499,583)

## CASH FLOW STATEMENT

(all amounts in EUR)

	2015	2014
<b>Cash flows from operating activities</b>		
Profit / loss for the year	(14,977,782)	7,856,363
Adjustments for		
Depreciation and amortisation	342,470	507,038
Interest income	(1,620)	(22,013,916)
Interest expenses	14,488,035	15,491,476
<b>Cash flow before change in working capital</b>	(148,898)	1,840,961
Change in working capital		
Decrease(+)/increase(-) in trade and other receivables	211,314	(3,969,367)
Decrease(-)/increase(+) in trade and other payables	(891,319)	594,350
Change in working capital	(680,005)	(3,375,017)
<b>Net cash used in operating activities before financing activities and taxes</b>	(828,903)	(1,534,057)
Interest and other finance cost paid	(84,749)	(648,764)
Interest and other finance income	0	255,053
<b>Net cash generated (used) in operating activities</b>	(913,652)	(1,927,767)
<b>Cash flows from investing activities</b>		
Purchases of intangible assets	0	(37,126)
Purchases of other shares	0	(101,775)
Investments to subsidiaries	0	(2,246,913)
<b>Net cash generated (used) in investing activities</b>	0	(2,385,813)
<b>Cash flows from financing activities</b>		
<b>Net cash generated from financing activities</b>	0	0
<b>Net (decrease)/increase in cash and bank overdrafts</b>	(913,652)	(4,313,580)
Cash and bank overdrafts at beginning of the year	5,346,381	4,697,666
<b>Cash and bank overdrafts at end of the period</b>	<b>4,432,729</b>	<b>384,086</b>

## NOTES

### 1. Basis of preparation

This interim 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.

Talvivaara's H1 2015 interim results report has been prepared on a basis other than going concern. The H1 2014 interim results report has not been restated to take into account the non-going concern assumption.

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 reflected in 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) 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 (ii) the shareholders of Talvivaara approve 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 of the date of the Company's H1 2015 interim results 27 August 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)

	<b>As at 30 Jun 15</b>
<b>Recognised equity</b>	(744,499,583)
Debts under the restructuring programme recognised on balance sheet (including all accrued interest)	536,259,580
<b>Equity after full write down of recognised restructuring debts</b>	<b>(208,240,003)</b>
Restructuring debts remaining if programme is approved	(12,586,849)
Interest on secured restructuring debts during the restructuring proceedings	(205,547)
<b>Equity after the approval of the restructuring programme</b>	<b>(221,032,399)</b>
Reversal of Nyrstar provision	203,444,456
<b>Equity excluding Nyrstar provision</b>	<b>(17,587,943)</b>

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

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

	<b>As at 30 Jun 15</b>
<b>Recognised equity</b>	(744,499,583)
Debts under the restructuring programme recognised on balance sheet (including all accrued interest)	536,259,580
<b>Equity after full write down of recognised restructuring debts</b>	<b>(208,240,003)</b>
Restructuring debts remaining if programme is approved	(7,500,000)
Interest on secured restructuring debts during the restructuring proceedings	(205,547)
<b>Equity after the approval of the restructuring programme</b>	<b>(215,945,550)</b>
Reversal of Nyrstar provision	203,444,456
<b>Equity excluding Nyrstar provision</b>	<b>(12,501,094)</b>

## 2. Property, plant and equipment

(All amounts in EUR)	Buildings	Machinery and equipment	Construction in progress	Total
Gross carrying amount at 1 Jan 2014	11,899,045	19,837,595	0	31,736,640
Gross carrying amount at 31 Dec 2014	11,899,045	19,837,595	0	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	0	8,949,490
<b>Carrying amount at 31 Dec 2014</b>	<b>0</b>	<b>5,010,758</b>	<b>0</b>	<b>5,010,758</b>
Gross carrying amount at 1 Jan 2015	11,899,045	19,837,595	-	31,736,640
Additions	-	266,843	-	266,843
Gross carrying amount at 30 Jun 2015	11,899,045	20,104,438	-	32,003,483
Accumulated depreciation and impairment losses at 1 Jan 2015	11,899,045	14,826,837	-	26,725,882
Depreciation for the year	-	278,055	-	278,055
Accumulated depreciation and impairment losses at 30 Jun 2015	11,899,045	15,104,892	-	27,003,937
Carrying amount at 1 Jan 2015	0	5,010,758	-	5,010,758
<b>Carrying amount at 30 Jun 2015</b>	<b>0</b>	<b>4,999,546</b>	<b>-</b>	<b>4,999,546</b>

## 3. Intangible assets

(All amounts in EUR)	Intangible rights	Other capitalized long-term expenditure	Construction in progress	Total
Gross carrying amount at 1 Jan 14	1,201,566	295,615	156,918	1,654,099
Additions	29,680	39,729	0	69,410
Gross carrying amount at 30 Jun 14	1,231,246	335,345	156,918	1,723,509
Accumulated depreciation and impairment losses at 1 Jan 14	805,314	132,058	0	937,372
Depreciation for the year	46,821	33,372	-	80,193
Accumulated depreciation and impairment losses at 30 Jun 4	852,135	165,430	35,643	1,053,208
	0	0	0	0
Carrying amount at 1 Jan 14	396,252	163,557	156,918	716,727
<b>Carrying amount at 30 Jun 14</b>	<b>379,111</b>	<b>169,915</b>	<b>121,275</b>	<b>670,301</b>
Gross carrying amount at 1 Jan 15	1,240,111	307,654	88,083	1,635,848
Gross carrying amount at 30 Jun 15	1,240,111	307,654	94,698	1,642,464
Accumulated depreciation and impairment losses at 1 Jan 15	879,751	201,210	-	1,080,961
Depreciation for the year	36,281	28,134	0	64,415
Accumulated depreciation and impairment losses at 30 Jun 15	916,032	229,344	-	1,145,376
Carrying amount at 1 Jan 15	360,359	106,444	88,083	554,886
<b>Carrying amount at 30 Jun 15</b>	<b>324,080</b>	<b>78,311</b>	<b>94,698</b>	<b>497,088</b>

**4. Investments**

	<b>As at 30 Jun 15</b>	<b>As at 31 Dec 14</b>
<b>Shares in group companies</b>		
At the beginning of the year	0	16,606,591
Additions	0	14
Impairment	0	(16,606,605)
At the end of the period	<u>0</u>	<u>0</u>
<b>Receivables from group companies</b>	<b>2015</b>	<b>2014</b>
At the beginning of the year	0	262,260,463
Additions	0	2,350,000
Impairment	0	(264,610,463)
At the end of the period	<u>0</u>	<u>0</u>
<b>Other shares</b>	<b>2015</b>	<b>2014</b>
At the beginning of the year	0	6,967,599
Additions	0	277,702
Impairment	0	(7,245,301)
At the end of the period	<u>0</u>	<u>0</u>
<b>Total investments</b>	<b>2015</b>	<b>2014</b>
At the beginning of the year	0	285,834,653
Impairment	0	2,627,717
Additions	0	(288,462,369)
At the end of the period	<u>0</u>	<u>0</u>

**5. Borrowings and capital loans**

	<b>As at 30 Jun 15</b>	<b>As at 31 Dec 14</b>
EUR		
Restructuring loans		
Bonds	110,000,000	110,000,000
Convertible bonds	241,241,152	249,620,846
Revolving credit facility	70,000,000	70,000,000
Absolute guarantee	50,703,476	50,703,476
Interest during proceedings	11,171,398	7,465,075
Other borrowings during procedure	20,839,533	12,930,668
	<u><b>503,955,559</b></u>	<u><b>500,720,066</b></u>

**6. Contingencies and commitments**

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

	<b>As at 30 Jun 15</b>	<b>As at 31 Dec 14</b>
EUR	<b>2015</b>	<b>2014</b>
Counter indemnity given as a guarantee	31,940,000	31,940,000
	<b>31,940,000</b>	<b>31,940,000</b>

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

	<b>As at 30 Jun 15</b>	<b>As at 31 Dec 14</b>
EUR		
No later than 1 year	78,178	97,637
Later than 1 year and not later than 5 years	144	4,672
	<b>78,322</b>	<b>102,309</b>

**Share-related key figures**

		<b>Six months to 30 Jun 15</b>	<b>Six months to 30 Jun 14</b>	<b>Twelve months to 31 Dec 14</b>
Earnings per share	EUR	(0.02)	0.01	(0.41)
Equity per share	EUR	(0.39)	0.04	(0.38)

**Employee-related key figures**

		<b>Six months to 30 Jun 15</b>	<b>Six months to 30 Jun 14</b>	<b>Twelve months to 31 Dec 14</b>
Wages and salaries	EUR '000	2,132	2,896	4,436
Average number of employees		52	58	56
Number of employees at the end of the period		51	54	53



**Key financial figures of the company**

Return on equity	$\frac{\text{Profit (loss) for the period}}{(\text{Total equity at the beginning of period} + \text{Total equity at end of period})/2}$
Equity-to-assets ratio	$\frac{\text{Total equity}}{\text{Total assets}}$
Net interest-bearing debt	Interest-bearing debt – Cash and cash equivalent
Debt-to-equity ratio	$\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$
Return on investment	$\frac{\text{Profit (loss) for the period} + \text{Finance cost}}{(\text{Total equity at the beginning of period} + \text{Total equity at end of period})/2 + (\text{Borrowings at the beginning of period} + \text{Borrowings at end of period})/2}$

**Share-related key figures**

Earnings per share	$\frac{\text{Profit (loss) attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$
Equity per share	$\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$