

**Stock Exchange Release
Talvivaara Mining Company Plc
29 October 2015**

**Talvivaara Mining Company Plc's Interim Management Statement for the period of 1
January 2015 – 29 October 2015**

As announced by Talvivaara Mining Company Plc ("Talvivaara" or the "Company") on 31 December 2014 the Company will release interim management statements in accordance with the Finnish Securities Markets Act, Chapter 7, Section 14 for the first three and nine months of the accounting year 2015 instead of the interim reports for the respective periods.

Based on the above, Talvivaara gives the following report for the period of 1 January 2015 – 29 October 2015:

Key events

- Following the bankruptcy of Talvivaara's 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 on the date of this statement
- Talvivaara's 2014 financial statements and the H1 2015 Interim Report were prepared on a basis other than going concern. The chosen reporting basis resulted 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
- Nyrstar sent a notice to the Company on 9 April 2015, 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
- The final 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. 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 requisite support from the creditors set forth in the Restructuring of Enterprises Act for the approval of the draft restructuring programme was obtained in a voting process in May 2015. The confirmation and entry into force of the draft restructuring programme still requires the fulfilment of certain other conditions
- 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 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 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
- 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. The rights and obligations of the bankruptcy estate of Talvivaara Sotkamo under the agreements on provision of administrative and technical services and leasing of machinery and equipment to the bankruptcy estate were transferred to Terrafame Oy on 14 August 2015

- Talvivaara's negotiations with the state of Finland and potential financiers and investors continue, with the target of securing a participation in the Sotkamo mining operations.

Review of operations

Following the bankruptcy of 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 statement.

Since 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. The rights and obligations of the bankruptcy estate of Talvivaara Sotkamo under the agreements were transferred to Terrafame Oy, a 100% subsidiary of the state-owned company Terrafame Group Oy on 13 August 2015. The transfer of the mining business from the bankruptcy estate of Talvivaara Sotkamo to Terrafame Oy was completed on 14 August 2015. 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.

In December 2014, Talvivaara decided to place all its subsidiaries in liquidation. The liquidation processes were completed and the subsidiaries dissolved on 26 June 2015. Talvivaara continues its business as a single reporting entity.

Talvivaara continues to pursue its target of securing sufficient financing to participate 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.

Financial status

Liquidity development

Currently the Company finances its day-to-day operations by providing administrative and technical services and leasing machinery and equipment to Terrafame Oy. During the spring of 2015, costs relating to the preparation of the Company's 2014 financial statements as well as the costs relating to the completion of the Company's draft restructuring programme and arrangement of the creditors' voting procedure temporarily increased the cost basis. Thereafter, the cash position has been gradually improving. As at 28 October 2015, the Company's cash and cash equivalents amount to EUR 4.7 million.

Equity

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

Off-balance sheet and contingent liabilities

Talvivaara Sotkamo has largely covered the environmental bond requirement under the environmental permit by a guarantee insurance provided by Atradius Credit Insurance NV ("Atradius"). The coverage amounts to EUR 31.9 million. The Company has given a counter-indemnity to Atradius for costs covered by Atradius in a case of eventual closure of the mine. 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.

Status of 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 approximately 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 final draft restructuring programme does not include a provision on a duty to make supplementary payments.

Reference is made 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 preemptive 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 conditions relating to inter alia the business and financing arrangements of the Company.

Financing and commercial arrangements

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 Loan and 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 Loan and 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 Loan and Streaming Holiday Agreement, should the bankruptcy estate of Talvivaara Sotkamo fail to do so. The guarantee liability for the termination of the Zinc Streaming Agreement is estimated at EUR 203.4 million, and the guarantee liability for the monies borrowed by Talvivaara Sotkamo under the Loan and Streaming Holiday Agreement at EUR 12.8 million. For more information about the Company's guarantee liabilities, reference is made to the Company's 2014 financial statements.

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 of EUR 203.4 million 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 and Nyrstar cannot receive 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.

Talvivaara intends to continue dialogue with Nyrstar in order to settle the Company's guarantee liabilities to Nyrstar in a mutually acceptable manner.

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 factors

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 this statement on 29 October 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 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 this statement, there is no certainty as to whether the Company succeeds in bridging the negative funding balance.

Failure by the Company to reach final clarity on the treatment of its guarantee obligation for the termination sum of approximately EUR 203.4 million 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 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.

Financial Reporting

Talvivaara's 2014 financial statements and the H1 2015 Interim Report were prepared on a basis other than going concern. The chosen reporting basis resulted 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. For further information, reference is made to the Company's 2014 financial statements and the H1 2015 Interim Report.

Legal proceedings

Investigation on Talvivaara's disclosure practices

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.

Gypsum pond leakages and discharges into water ways

The main hearing in the criminal case relating to the gypsum pond leakages at the Sotkamo mine site and the discharges of the mine 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, ended on 1 October 2015. The ruling of the district court is expected at the earliest at the end of 2015.

Recovery claim from the bankruptcy estate of Talvivaara Sotkamo

The Company received on 21 October 2015 a recovery claim amounting to approximately EUR 700,000 from the bankruptcy estate of Talvivaara Sotkamo. The claim concerns payments

made to the Company in early November 2014. The bankruptcy estate has requested the Company to either pay the required amount or to provide grounds for why the payments should not be recoverable to the bankruptcy estate by 2 November 2015. The Company contests the claim, as the payments have been a part of the regular and established service invoicing applied between the companies for a number of years.

Personnel

General

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.

Talvivaara's headcount decreased from 53 at the beginning of 2015 to 40 on the day of this statement.

Changes in Talvivaara's Executive Management

The Chief Sustainability Officer Eeva Ruokonen resigned from her position on 17 August 2015 to pursue her carrier outside the Company.

Market environment

Following the bankruptcy of Talvivaara Sotkamo and its exit from the Talvivaara Group, the Company has no exposure to nickel and other commodities markets or to foreign exchange rates. Talvivaara's income is for the time being generated from the services provided under the service and lease agreements between the Company and Terrafame Oy, as described elsewhere in this statement.

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 to 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.

29 October 2015

Talvivaara Mining Company Plc
Board of Directors

Enquiries:

Talvivaara Mining Company Plc Tel. +358 20 712 9800
Pekka Perä, CEO
Pekka Erkinheimo, Deputy CEO