

**Stock Exchange Release
Talvivaara Mining Company Plc
28 January 2016**

Talvivaara has signed a letter of intent for the sale of mining-related assets to Terrafame

Talvivaara Mining Company Plc ("Talvivaara"), Terrafame Group Ltd, Terrafame Ltd and Winttal Ltd, a subsidiary of Terrafame Group Ltd, have signed a letter of intent, in which the parties provisionally agree on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. Assets to be sold include, among others, the lime plant needed in the Sotkamo operations, laboratory business, as well as ownership of the geological data associated with the mine. In addition, the parties have agreed on the transfer of the laboratory personnel to Terrafame Ltd as old employees, as well as on the possibility of Terrafame Ltd to recruit Talvivaara's key personnel working at the mine.

Upon completion of the arrangements set out in the Letter of Intent, Terrafame Ltd shall pay to Talvivaara a total net purchase price of EUR 3.8 million. The transaction is subject to certain conditions, which are described in more detail under the heading "Timetable and conditions for the completion of the arrangements".

As part of the Letter of Intent, it has also been provisionally agreed that, Talvivaara will have a possibility to become owner of Terrafame Ltd with a stake of at least 10.1 per cent of the shares and votes, if Talvivaara can successfully raise the necessary funds for the investment. Talvivaara would have right to use the option between 1 November 2016 and 30 April 2017, prior to which period the parties would agree on the terms and conditions of the investment, including the applicable subscription price and the key terms of the shareholders' agreement. The parties may also agree on a stake greater than 10.1 per cent. Terrafame Group Ltd may redeem the Talvivaara share subscription option by notifying Talvivaara of the redemption no later than 31 October 2016 and by paying a separate redemption fee of EUR 3.8 million to Talvivaara. The intention of the parties is to agree on more detailed terms and conditions for Talvivaara's share subscription option separately in a subscription right agreement to be negotiated as a part of the detailed agreements.

The essential terms for the sale of Talvivaara's assets

It has been preliminarily agreed that the contemplated arrangement under the Letter of Intent would consist of two separate phases:

In the first phase, Terrafame Ltd will buy the laboratory business required in the production process, and the geological data associated with the Sotkamo mine. The laboratory personnel will be transferred to Terrafame Ltd's employment as old employees. In addition, the possibility for Talvivaara's key personnel working at the mine to transfer to Terrafame Ltd's service will be agreed. In the first phase of the arrangement, Terrafame Ltd will pay a purchase price of EUR 3.8 million to Talvivaara.

Upon completion of the second phase of the arrangement, Terrafame Ltd will buy from Talvivaara the lime plant required in the production process of the mine. Terrafame Ltd shall pay to Talvivaara a purchase price of EUR 12.5 million. Simultaneously, Talvivaara will pay to Winttal Ltd EUR 3.8 million as a full and final settlement of Talvivaara's debts and liabilities, which were transferred to Winttal Ltd from Nyrstar Sales & Marketing AG in December 2015. These debts and liabilities comprise of Talvivaara's guarantee liability of approximately EUR 12.8 million under the Loan and Streaming Holiday Agreement and a guarantee liability for a termination sum of approximately EUR 203.4 million the Zinc in Concentrate Purchase Agreement, which thereby shall be considered fully and finally settled upon completion of the arrangement.

In addition, as part of the arrangements, Terrafame Group Ltd will acquire debts of Talvivaara from certain commercial banks and Finnvera Plc, with a nominal value of approximately EUR 129.6 million. These debts are considered restructuring debts under Talvivaara's draft restructuring programme, which will receive a payment of

EUR 7.5 million under the business mortgage claims, whilst the unsecured part of the debts would be paid approximately EUR 1.2 million. Upon completion of the second phase of the arrangements, Talvivaara shall pay to Terrafame Group Ltd for the debts transferred by the commercial banks and Finnvera Plc a total sum of EUR 8.7 million in accordance with the final restructuring programme.

The difference between the total purchase price and the sums payable by Talvivaara to Terrafame entities on the basis of Talvivaara's debts is thus EUR 3.8 million, which Terrafame Ltd will pay to Talvivaara as a net purchase price for all assets transferred.

Upon completion of the arrangements under the Letter of Intent, all main assets of Talvivaara currently generating income for Talvivaara would transfer to Terrafame Ltd. However, the completion of the arrangements would enable the completion of Talvivaara's corporate restructuring proceedings and the payments to the creditors under the restructuring programme, and it would facilitate the development of Talvivaara's existing and potential new business opportunities.

In connection with arrangements, Terrafame entities undertake to accept the cuts proposed in Talvivaara's draft restructuring programme and not to appeal the district court decision confirming the restructuring programme.

Timetable and conditions for the completion of the arrangements

The signed Letter of Intent is, with certain limited exceptions, legally non-binding and conditional upon the detailed agreements concerning the arrangement being finalized and accepted by all parties no later than 3 February 2016, or on another date agreed by the parties, at which instant the first phase of the arrangements would be completed.

The second phase of the arrangements is also conditional on the approval by Talvivaara's General Meeting of Shareholders and on confirmation of Talvivaara's restructuring programme with a targeted dead line of 30 April 2016. The whole arrangement under the Letter of Intent is also conditional on a favorable decision by the Vaasa Administrative Court on Nuasjärvi discharge pipe line, enabling the continuance of Terrafame's mining operations.

However, there is no guarantee that Talvivaara and Terrafame entities will be able to successfully agree on the detailed contracts required by the arrangement or, if the said contracts are entered into, that the arrangements can be successfully completed in their entirety. If Talvivaara and Terrafame entities fail to enter into the above mentioned detailed agreements for any reason, or if the arrangements do not reach completion in their entirety, this is likely to result in Talvivaara's bankruptcy, unless other options have become available by then.

Enquiries

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