TALVIVAARA MINING COMPANY PLC

FINANCIAL STATEMENTS 2015

BOARD OF DIRECTORS' REVIEW FOR YEAR ENDED 31 DECEMBER 2015

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 on the date of the Company's Financial Statements 7 March 2016.

Talvivaara has been in corporate reorganisation throughout the review period of 1 January 2015 - 31 December 2015. During the corporate reorganisation proceedings, all major decisions and decisions outside the ordinary course of business have required consent of the administrator of the corporate reorganisation proceedings (the "Administrator").

Talvivaara's Financial Statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The chosen reporting basis results from the existence of material uncertainties that cast 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's ability to revise its reporting basis and to regain its status as a going concern is dependent on the successful completion of the Company's corporate reorganisation proceedings, which in turn requires that the Company is able to complete an arrangement that secures the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's viable business. In the view of the Company, the transactions contemplated by the Letter of Intent signed by and between Talvivaara, Terrafame Group Oy, Terrafame Oy and Winttal Oy, a subsidiary of Terrafame Group Oy, on 27 January 2016 would, when completed, constitute such an arrangement. For more information, please refer to sections "*Reporting basis*" and "*Events after review period*".

Review of Operations

Prior to the bankruptcy of Talvivaara Sotkamo, 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 leased to Talvivaara Sotkamo since 2009.

Talvivaara and the bankruptcy estate of Talvivaara Sotkamo 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 detailed 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 rights and obligations of the bankruptcy estate of Talvivaara Sotkamo under the aforementioned 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 Annual General Meeting of the Company resolved on 25 June 2015 to authorise 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. The subscription price of the shares would 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. The decision made was one of the special conditions set for the confirmation and entry into force of the Company's draft restructuring programme.

The liquidation processes of the Company's subsidiaries were completed and the subsidiaries dissolved on 26 June 2015. Talvivaara continues its business as a single reporting entity.

On 7 December 2015, Talvivaara was informed by Nyrstar Sales & Marketing AG ("Nyrstar") that Nyrstar has assigned all its rights, title, benefit and interest under the Zinc in Concentrate Purchase Agreement ("Streaming Agreement") and the Loan and Streaming Holiday Agreement ("Streaming Holiday Agreement") to Winttal Oy, a company fully owned by Terrafame Group Oy, under an assignment deed dated 30 November 2015. The liability of the Company under the Streaming Agreement is based on the guarantee issued by the Company for the due payment by its former subsidiary Talvivaara Sotkamo of the termination sum amounting to EUR 203.4 million and payable upon premature termination of the Streaming Agreement. Furthermore, upon the bankruptcy of Talvivaara Sotkamo, the holder of the loan receivable has been entitled to declare that all or part of the loans drawn by Talvivaara Sotkamo from Nyrstar under the Streaming Holiday Agreement (in total ca. EUR 12.8 million) shall be payable on demand by Talvivaara in its capacity as the guarantor.

To date, 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 viability of the Company's future business operations. The Company has on 27 January 2016 signed a letter of intent with Terrafame Group Oy, and its subsidiaries Terrafame Oy and Winttal Oy, 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 against a cash consideration and a full and final discharge of the Company's secured debt and all liabilities transferred from Nyrstar to Winttal Oy (the "Letter of Intent").

Financial review

Financial result
The operating loss for 2015 was EUR (0.2) million (2014: EUR (702.6) million). Revenues of the Company consist mainly of income generated from equipment leases as well as laboratory and consultancy services rendered, whereas the costs are mainly personnel and other operating expenses. The operating loss for 2014 EUR (702.6) million resulted from substantial impairment charges and write-offs resulting from the bankruptcy of Talvivaara Sotkamo on 6 November 2014 and from the application of the non-going concern principle. In addition, a 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 for 2014.

Finance income for 2015 was EUR 0.01 million (2014: EUR 37.5 million) and consisted mainly of interests on deposits and receivables. Finance costs of EUR (25.8) million (2014: EUR (109.7) million) resulted mainly from accrued interest and related financing expenses accrued on borrowings.

The loss for 2015 amounted to EUR (26.0) million (2014: EUR (774.9) million) mainly due to accrued finance costs. Earnings per share was EUR (0.01) (2014: EUR (0.41).

Liquidity
As at 31 December 2015, the Company's cash and cash equivalents amounted to EUR 4.7 million (EUR 5.3 million as at 31 December 2014)

To date, the Company finances its day-to-day operations by providing administrative and technical services and the lease of machinery and equipment to Terrafame Oy (business previously operated by the bankruptcy estate of Talvivaara Sotkamo).

Financing
During 2015, the Company has financed its operations entirely with operative cash flow.

Equity
Following Talvivaara Sotkamo's bankruptcy in 2014, the Company wrote off fully its receivables from and the shares held in Talvivaara Sotkamo. As a result, Talvivaara lost its equity, which was acknowledged by the

Company's Board and notified to the trade register. Talvivaara recognised the weakening of its financial position already in November 2013 and took measures to mitigate this by applying for corporate reorganisation.

Provisions and other items recognised based on restructuring programme
In the Company's 2014 Financial Statements, Talvivaara recorded a provision of EUR 203.4 million for the potential termination sum guarantee towards Nyrstar. The guarantee concerns the consequences of a premature termination of the Streaming Agreement between Nyrstar and Talvivaara Sotkamo, which as of 1 April 2014 was guaranteed by the Company. The Company provided the full amount as a provision in 2014.

The Company decided to leave the provision on the balance sheet in 2015, even if there are facts and circumstances which may lead to the unrecognition of the provision in the future. Reasons for possible unrecognition of the provision are twofold:

1. The provision of EUR 203.4 million would be settled if Talvivaara and Terrafame Oy conclude a final contract for selling the Company's assets related to the Sotkamo mining operations to Terrafame.

   Talvivaara, Terrafame Group Oy, Terrafame Oy and Winttal Oy signed a Letter of Intent on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. By means of the contracts contemplated by the Letter of Intent, Talvivaara would pay to Winttal Oy EUR 3.8 million as a full and final settlement of all Talvivaara's debts and liabilities, which were transferred to Winttal Oy from Nyrstar in November 2015. The arrangement is, however, among others, conditional on a favorable decision by the Vaasa Administrative Court on the Nuasjärvi discharge pipe line, enabling the continuance of Terrafame's mining operations. The decision of the Vaasa Administrative Court has not been received by the date of the Company's Financial Statements 7 March 2016. For more information on the transaction contemplated by the Letter of Intent, please refer to section "*Events after the Review Period*".

2. If the Letter of Intent does not result in a final contract between Talvivaara and the Terrafame entities, there will still be uncertainties related to the treatment of the Company's guarantee obligation. For example, the ranking priority of liabilities may cause that the guarantee obligation cannot be paid.

For more information on the background of the potential termination sum guarantee, please refer to the Company's 2014 Financial Statements.

In addition, 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. The aggregate amount consists of two parts: EUR 50.7 million the Company has guaranteed as its own debt, and EUR 8.0 million 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 EUR 3.4 million. 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 EUR 8.0 million 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 EUR 8.0 million as a liability on the balance sheet. Upon completion of the restructuring proceedings, the part of the Finnvera loans taken into account as secured debt (EUR 3.4 million) would be finally and fully discharged, whilst the balance would be treated as unsecured debt in the Company's restructuring programme and repaid according to the authorized payment schedule.

Off-balance sheet and contingent liabilities
Talvivaara Sotkamo covered largely the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius Credit Insurance NV (“Atradius”). As at 31 December 2015, the coverage amounted to EUR 31.9 million. As a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016. More information can be found in section “*Events after the Review Period*”.

Following the authorisation by the Espoo District Court of the Company’s corporate reorganization proceedings in accordance with the Administrator’s final draft restructuring programme, the Company will pay one percent of the aggregate amount of the Company’s unsecured restructuring debts not converted into equity, and a total of EUR 7.5 million for the debts secured with the business mortgage issued by the Company. The exact amount of the total payment on the unsecured restructuring debts will depend on the extent to which such debts have been converted into equity of the Company.

Assets
On the statement of financial position as at 31 December 2015, property, plant and equipment totalled EUR 4.7 million (31 December 2014: EUR 5.0 million). Intangible assets totalled EUR 0.1 million (31 December 2014: EUR 0.6 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.

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.
The approval of the draft restructuring programme required inter alia explicit 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 final draft restructuring programme is still subject to a number of conditions relating to inter alia the business and financing arrangements of the Company.

Reporting basis
Talvivaara's financial statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The basis for preparation is that the operations of the Company may end in near future. This results from material uncertainties that cast significant doubt upon the Company’s ability to realise its assets and discharge its liabilities in the normal course of business. There is also lack of visibility on the Company’s operational environment twelve months beyond the date of reporting.
Talvivaara’s ability to revise its reporting basis and to regain its status as a going concern is to a paramount extent dependent 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 viable business, and
ii. the District Court of Espoo authorizes the execution of the Company’s debt restructuring in accordance with the Administrtor’s final draft restructuring programme of 13 March 2015.

As of the date of the Company’s Financial Statements 7 March 2016, there is no certainty as to whether all the set requirements can be fulfilled within the given time frame.

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 further funding of the project.

Legal proceedings
Investigation on Talvivaara's disclosure practices
In April 2015, Talvivaara confirmed that a number of current and former members of Talvivaara's management have been heard in connection with an investigation relating to the Company's disclosure practices. The police ended the pre-trial investigations and transferred the case for the consideration of charges in February 2016. The Company has already in the past gone through the applied disclosure practices extensively and in great detail with the Financial Supervisory Authority and sees no grounds for any charges being brought.

Alleged misuse of insider information
The Company was notified on 20 October 2015 that charges have been brought against a member of its Executive Committee in the Helsinki District Court on a case concerning alleged misuse of insider information. The Company is not a party to the case. In the Company's view, the charges have no impact on the Company, its financial position or on the employment of the member of the Executive Committee in the Company

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 during the spring of 2016.

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 concerned 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. Although the Company contested the claim, the matter was settled amicably between the bankruptcy estate and the Company in December 2015.

Risk management and key risks
Talvivaara's near-term risk factors include particularly such risks that relate to its ongoing negotiations with the Terrafame group of companies, the corporate reorganisation proceedings, financing and sufficiency of funds to meet its actual and potential liabilities:

If an adequate overall financial solution for the continuance of Talvivaara's business operations is not found, Talvivaara's restructuring programme may not be authorised and stakeholders could lose their entire investment in the Company

The authorisation of the proposed restructuring programme of Talvivaara is conditional, among other things, on Talvivaara succeeding in completing an arrangement that will secure the necessary cash flow for the Company to discharge all of its liabilities and restructuring debts and the continuance of the Company's viable business. Although completion of the transactions contemplated by the non-binding Letter of Intent signed by the Company and the Terrafame group of companies would secure or significantly facilitate achieving such target, there is, as of the date of the Company's Financial Statements 7 March 2016 no certainty as to whether the Company and the Terrafame group can complete the transactions and whether the Company can fulfil all the requirements set for the authorisation of the restructuring programme within the given time frame. If the restructuring programme is not authorised, the Company may have to file for bankruptcy and, as a result, the shareholders and creditors of the Company could lose their entire investment in the Company.

Further, as a result of the completion of the transactions contemplated in the Letter of Intent, Talvivaara's guarantee liabilities relating to Talvivaara Sotkamo's obligations under the Zinc Streaming Agreement and the Streaming Holiday Agreement would be fully and finally settled. Therefore, failure to complete the transactions contemplated in the Letter of Intent would cause the guarantee liabilities to remain outstanding, which would have a significant negative effect on the Company's ability to raise new funds required for the succesfull fulfillment of the conditions for the entry into force of the Company's restructuring programme.

A payment demand by the holder of the EUR 12.8 million loan receivable guaranteed by the Company could result in a bankruptcy of the Company

Talvivaara Sotkamo has drawn down EUR 12.8 million (including interest through October 2014), in loans from Nyrstar under the Loan and Streaming Holiday Agreement of 1 April 2014 between Talvivaara, Talvivaara Sotkamo and Nyrstar. Upon the bankruptcy of Talvivaara Sotkamo, Nyrstar has been entitled to declare that all or part of the loans, together with accrued interest, be payable on demand by Talvivaara, in its capacity as the guarantor. If Winttal Oy, as the current holder of the receivable, 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, which could result in the Company having to file for bankruptcy and, as a result, the shareholders and creditors could lose their entire investment in the Company.

If the corporate reorganisation proceedings of Talvivaara are not successful, stakeholders could lose their entire investment in the Company

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 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, or insufficient income from the services provided to Terrafame Oy. If the corporate reorganisation fails for these or any other reasons, it could result in the bankruptcy of the Company. As a result, shareholders and creditors could lose their entire investment in the Company.

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 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.

In case Talvivaara acquires a stake in Terrafame Oy, the Sotkamo mine may not be able to successfully address various operational, environmental and other difficulties facing the mine and shareholders could ultimately lose their entire investment in the Company

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 and Terrafame Oy's management. Further, there can be no certainty that the financing potentially available to the Sotkamo mine would be sufficient to ramp-up production or that it would ever achieve profitability. Accordingly, even if Talvivaara were able to obtain sufficient financing in order to participate in the acquisition of the Sotkamo mining operations and the restructuring programme for Talvivaara would be authorized, shareholders and creditors could ultimately lose their entire investment in the Company, should the Sotkamo mining operations be the only or a significant part of the Company's business operations going forward.

Personnel

Headcount and remuneration
Talvivaara's headcount decreased somewhat from the previous year and was 39 at the end of 2015 (2014: 53). At the end of 2015, 59 % (2014: 49 %) of Talvivaara's employees were men and 41 % (2014: 51 %) were women. The average age of the Company's employees was 40.2 years (2014 40.5 years).

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 similar services to Terrafame Oy, which currently operates the Sotkamo mine.
The salaries 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. However, due to exceptional circumstances surrounding the Company there are currently no short term or long term incentive schemes in place.

Management changes
The finance function has been reporting to the Deputy CEO Pekka Erkinheimo since 1 February 2015 following the departure of CFO Saila Miettinen-Lähde.

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

Corporate governance statement
Talvivaara issues its Corporate Governance Statement of 2015 and publishes it on the Company's website at www.talvivaara.com on the week starting 21 March 2016. 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 25 June 2015 in Espoo, Finland. All the resolutions proposed, as set out in the notice of the meeting, were duly passed with the exception of the proposals of the Shareholders' Nomination Panel regarding the number of Board members and the composition of the Board, which were amended to include Mr. Kari Järvinen as a new member of the Board of Directors. 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.

Shares and shareholders

On 30 December 2015 the total number of Talvivaara shares increased by 2,035,396 to 2,098,817,876 as a result of conversions of the convertible bonds of 2010 amounting in aggregate to EUR 4,600,000. In addition, by the end of 2015 Talvivaara received conversion notices pursuant to which the bonds amounting in aggregate to EUR 21,100,000 were to be converted to a total of 9,336,276 new Talvivaara shares. These new Talvivaara shares were registered in the Trade Register on 14 January 2016.

The number of shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 December 2015 was 2,098,817,876. 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 2,195,543,540.

As at 31 December 2015, the 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 9.2% of the shares in the Company. The shares held in treasury by the Company do not carry any voting rights.

As at 31 December 2015 the shares held in treasury by the Company amounted to in aggregate 192,883,000. The figure comprises of 190,615,000 new shares issued to the Company without consideration as resolved by the Annual General Meeting of shareholders of 2014 and 2,268,000 shares previously held by Talvivaara Management Oy. The Company dismantled the shareholding scheme organized through Talvivaara Management Oy in December 2014 by acquiring all the shares of Talvivaara Management Oy from the participants for a nominal purchase price. Talvivaara Management Oy was placed in liquidation together with Talvivaara’s other dormant subsidiaries in December 2014 and Talvivaara Management Oy was dissolved in June 2015.

Share based incentive plans

The subscription periods for 2007A, 2007B and 2007C Stock Options issued to the Talvivaara group's key personnel expired on 31 March 2012, 31 March 2013 and 31 March 2014, respectively. As at 31 December 2015 there are no Stock Options 2007 outstanding.

As the vesting criteria for Stock Options 2011A, 2011B and 2011C issued to the key employees and personnel of the Company and its subsidiaries were not fulfilled the options were cancelled at the end of 2012, 2013 and 2014, respectively. As at 31 December 2015 there are no Stock Options 2011 outstanding.

Events after the review period

Release of the counter-indemnity given for the guarantee insurance issued by Atradius

Talvivaara Sotkamo covered largely the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius. As at 31 December 2015, the coverage amounted to EUR 31.9 million. In the event restoration of the mine's waste areas (gypsum ponds, heap areas) took place without Talvivaara Sotkamo carrying the cost, the expenses would have initially been covered by Atradius and eventually Atradius would have claimed the cost back from the Company, which has given counter-indemnity for such costs to Atradius. However, as a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond on 21 January 2016, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016 and that the beneficiary Kainuun ELY-keskus or Atradius have no claims against Talvivaara Sotkamo or the Company on the basis of the guarantee insurance or the counter-indemnity issued by the Company.

Therefore, the full amount of the liability under the counter-indemnity given by the Company will be removed from the Company's restructuring debts, and no payment will be made on it under the authorised payment schedule.

Letter of Intent on the sale of the Company's mining assets to Terrafame group

On 27 January 2016, Talvivaara, Terrafame Group Oy and its subsidiaries, Terrafame Oy and Winttal Oy, signed a Letter of Intent, in which the parties provisionally agreed on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. Assets to be sold would 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.

The transactions under the Letter of Intent would consist of two separate phases. In the first phase, Terrafame Oy 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 Oy as old employees. In addition, the possibility for Talvivaara's key personnel working at the mine to transfer to Terrafame Oy's service will be agreed. In the first phase of the arrangement, Terrafame Oy will pay a purchase price of EUR 3.8 million to Talvivaara.

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

In addition, as part of the arrangements, Terrafame Group Oy will acquire debts of Talvivaara from certain commercial banks and Finnvera Plc. The nominal value of these debts is approximately EUR 129.6 million in aggregate. 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 Oy 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 Oy would pay to Talvivaara as a net purchase price for all assets transferred.

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 Oy's mining operations.

Upon completion of the arrangements under the Letter of Intent, all main assets of Talvivaara currently generating income for the Company would transfer to Terrafame Oy. 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 the Company'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.

Extension of the dead line set in the Letter of Intent
Since the decision of the Vaasa Administrative Court was not received by the original dead line of 3 February 2016, the parties agreed on 3 February 2016 to extend the deadline set for the finalization and approval of the detailed agreements until such time as the decision of the Administrative Court has been received.

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 requisite transactions currently under contemplation. Whilst the Administrator's final draft restructuring programme gives the Company reasonably ample time fulfill 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 profit distribution
The Board of Directors is proposing to the Annual General Meeting that no dividend is declared in respect of the year 2015 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

BALANCE SHEET

(All amounts in EUR)	31 Dec 15	31 Dec 14
ASSETS		
Non-current assets		
Property, plant and equipment	4,692,782	5,010,758
Intangible assets	94,547	554,887
Other investments	0	0
Other receivables	27,640	31,094
Total non-current assets	**4,814,970**	**5,596,738**
Current assets		
Trade receivables	37,850	284,466
Other receivables	188,138	35,336
Cash and cash equivalents	4,662,572	5,346,381
Total Current assets	**4,888,559**	**5,666,183**
TOTAL ASSETS	**9,703,529**	**11,262,921**
EQUITY AND LIABILITIES		
Equity attributable to the owners		
Share capital	80,000	80,000
Share premium	8,085,842	8,085,842
Other reserves	797,348,200	771,648,200
Retained deficit	(1,535,766,741)	(1,509,757,176)
Total equity	**(730,252,700)**	**(729,943,134)**
Current liabilities		
Provisions	203,444,456	203,444,456
Borrowings	477,845,205	500,720,066
Trade payables	2,723,003	2,759,678
Other payables	55,943,564	34,281,855
Total liabilities	**739,956,228**	**741,206,055**
TOTAL EQUITY AND LIABILITIES	**9,703,529**	**11,262,921**

The notes are an integral part of the financial statements.

INCOME STATEMENT

(All amounts in EUR)	**31 Dec 15**	**31 Dec 2014**
Other operating income	**6,702,480**	**12,339,864**
Materials and services	(257,536)	(305,207)
Personnel expenses	(3,807,345)	(5,316,937)
Depreciation and amortisation	(971,024)	(996,610)
Impairment charges on investments	421,333	(470,596,157)
Other operating expenses	(2,267,625)	(232,984,659)
Operating profit/loss	**(179,717)**	**(702,649,108)**
Finance income	12,841	37,492,941
Finance cost	(25,842,689)	(109,742,838)
Finance cost (net)	**(25,829,848)**	**(72,249,897)**
Profit/Loss before income tax	**(26,009,565)**	**(774,899,005)**
Income tax	0	(181)
PROFIT/LOSS FOR THE FINANCIAL PERIOD	**-26,009,565**	**-774,899,185**

Loss attributable to the owners of the Company, (€/share)	**2015**	**2014**
Diluted and undiluted	(0.01)	(0.41)

The notes are an integral part of the financial statements.

STATEMENT OF CASHFLOWS

(all amounts in EUR)	31 Dec 15	31 Dec 14
Cash flows from operating activities		
Profit/Loss for the year	(26,009,565)	(774,899,185)
Adjustments for		
Tax	0	181
Depreciation and amortisation	971,024	996,610
Other non-cash income and expenses	215,257	229,395,770
Impairment charges on property, plant and equipment	0	3,113,402
Impairment charges on investments	(421,333)	472,272,157
Interest income	(12,841)	(37,492,941)
Interest expenses	25,842,689	109,742,838
Cash flow before change in working capital	**585,230**	**3,128,831**
Change in working capital		
Decrease(+)/increase(-) in trade and other receivables	98,898	344,830
Decrease(-)/increase(+) in trade and other payables	(1,287,347)	179,970
Change in working capital	(1,188,449)	524,801
Net cash used in operating activities before financing activities and taxes	**(603,219)**	**3,653,632**
Interest and other finance cost paid	(91,801)	(1,078,564)
Interest and other finance income	11,211	328,170
Net cash generated (used) in operating activities	**(683,809)**	**2,903,237**
Cash flows from investing activities		
Purchases of intangible assets	0	(9,439)
Purchases of other shares	0	(279,702)
Investments to subsidiaries	0	(1,965,381)
Net cash generated (used) in investing activities	0	(2,254,522)
Cash flows from financing activities		
Net cash generated from financing activities	0	0
Net (decrease)/increase in cash and bank overdrafts	**(683,809)**	**648,715**
Cash and bank overdrafts at beginning of the year	5,346,381	4,697,666
Cash and bank overdrafts at end of the year	**4,662,572**	**5,346,381**

STATEMENT OF CHANGES IN EQUITY

EUR	Share capital	Share issue	Share premium	Other reserves	Retained deficit	Total
31 Dec 2014	80,000	0	8,085,842	771,648,200	(1,509,757,176)	(729,943,134)
Conversion of convertible bonds	-	-	-	25,700,000	-	25,700,000
Profit (loss) for the year	-	-	-	-	(26,009,565)	(26,009,565)
31 Dec 2015	80,000	-	8,085,842	797,348,200	(1,535,766,741)	(730,252,700)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Talvivaara Mining Company Plc ("Company") is a public company incorporated on 9 September 2003 and registered in Finland with registered number of 1847894-2. The Company's domicile is in Sotkamo, Finland, and its registered address is at Ahventie 4 B, 02170 Espoo, Finland.

- The Company's shares were publicly traded on the Main Market of the London Stock Exchange. 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.
- A secondary listing of the Company's shares began on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy) on 11 May 2009.
- The Company and its operating subsidiary Talvivaara Sotkamo applied for corporate reorganisation on 15 November 2013, and corporate reorganisation proceedings of these companies commenced on 29 November 2013 and 17 December 2013.
- Following the announcement of the bankruptcy of Talvivaara Sotkamo, trading of Talvivaara's shares on the Helsinki Stock Exchange was suspended on 6 November 2014. The suspension of trading continues on the date of the Company's Financial Statements 7 March 2016.

2. Basis of presentation and non-going concern

These Financial Statements of the Company are 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. In addition, the Company has taken into account IAS 1.25 and IAS 1.26 requirements regarding the disclosure under the non-going concern basis. Talvivaara's Financial Statements for the financial year ended 31 December 2015 have not been prepared on a going concern basis. The basis of preparation is that operations may end in near future.

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 currently finances its day-to-day operations by providing administrative and technical services and the lease of machinery and equipment critical to Terrafame Oy. These contractual arrangements have helped the Company to discharge all of its new liabilities as and when they fell due.

The requisite adjustments resulting from the chosen reporting basis have, where applicable, been made in the 2015 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) 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 viable business, and

(ii) the District Court of Espoo authorizes the execution of the Company's debt restructuring in accordance with the Administrator's final draft restructuring programme of 13 March 2015.

As of the date of the Company's Financial Statements 7 March 2016, there is no certainty as to whether the Company can fulfil all the set requirements within the given time frame. For more information, please refer to Note 6 below and to the Company's 2014 Financial Statements.

3. Summary of significant accounting policies

Foreign currency translation

Summary of key balance sheet impacts from adoption of non-going concern principle first time in 2014

Finnvera loan of EUR 50.7 million (including interest) recognised as restructuring debt under the draft restructuring programme, was recognised on the balance sheet due to the guarantee given on behalf of the debtor Talvivaara Sotkamo.

Finnvera loan of EUR 8.0 million (including interest) not recognised as restructuring debt under the draft restructuring programme, was recognised on the balance sheet due to the third-party security granted on behalf of Talvivaara Sotkamo.

Nyrstar guarantee liability of EUR 203.4 million was recognised on the balance sheet as provision due to the guarantee given for the termination sum, as explained above. The aforementioned liability was transferred to Winttal Oy in November 2015.

Assets of EUR 7.2 million related to the shares in Majakkavoima Oy and Katternö Kärnkraft Ab, companies holding shares in Fennovoima nuclear power company, were fully written down as the Company does not recognise any value in such holdings with a view to its current business operations.

Assets of EUR 1.6 million related to the process development were fully written down as the Company has prepared non-going concern financial statements and there is significant uncertainty related to the length of the service agreement under which services are currently provided.

In addition, some of the intangible rights and construction in progress were written down related to obsolescent software and wind park development costs. These write-downs totalled EUR 0.1 million.

Functional and presentation currency
Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment, in which the entity operates (the "functional currency"). The Financial Statements are presented in euro (EUR), which is the Company's functional and presentation currency.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses are presented in the income statement within finance income or cost.

Foreign currency denominated items
Foreign currency denominated items are measured at the European Central Bank's rate on the balance sheet date.

Property, plant and equipment

Property, plant and equipment, which at 31 December 2015 include among others machinery and equipment used in mining operations and laboratory equipment, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition, construction or production of the items, including borrowing costs directly attributable to a qualifying asset. Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed. Where parts of an item of property, plant or equipment have different useful lives, they are accounted for as separate items of property, plant or equipment.
Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- Intangible rights 5-10 years
- Other capitalised long-term expenditure 5-10 years
- Buildings 15-25 years
- Machinery and equipment 4-25 years

Useful lives of assets, depreciation methods and any residual values are re-assessed at each reporting date based on the Company's estimates of its ability to utilise the assets in its operations and other relevant matters. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or expenses, respectively, in the income statement.

Intangible assets

Research and development
Research expenditure is recognised as an expense as incurred. Costs incurred on development projects and related technologies are recognised as intangible assets when the following criteria are fulfilled: it is technically feasible to complete the intangible asset so that it will be available for use or sale; management intends to complete the intangible asset and use or sell it; there is an ability to use or sell the intangible asset; it can be demonstrated how the intangible asset will generate probable future economic benefits; adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and the expenditure attributable to the intangible asset during its development can be reliably measured. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

Capitalised development costs are recorded as intangible assets and amortised on a straight-line basis over their useful lives starting from the commencement of mining activities. The useful lives of capitalised development costs are assumed as 25 years.

Other intangible assets
Other intangible assets that are acquired by the Company are measured at cost less accumulated amortisation and accumulated impairment charges. Other intangible assets category comprises acquired software, licences and patents, which are amortised on a straight-line basis over 5 – 10 years.

Impairment of non-financial assets
Assets that are subject to amortisation, depreciation or depletion are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Financial assets
The Company classifies its financial assets into the following categories: available-for-sale financial assets, financial assets at fair value through profit or loss, loans, and receivables. The classification depends on the purpose for which the financial assets were originated. Management determines the classification of its financial assets at initial recognition. Purchases and sales of financial assets are initially recognized at fair value on the trade date, which is the date when the Company commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all assets not carried at fair value through profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as available-for-sale. Loans and receivables are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash and cash equivalents on the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

De-recognition of financial assets
Financial assets are de-recognised when the right to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Trade receivables
Trade receivables are amounts due from customers for service sold in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and are subsequently measured at amortised cost reduced by any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due. Any impairment is recognised in the income statement within operating expenses.
When a trade receivable is uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement. The Company derecognises trade receivables, if the contractual rights to receive the cash flows are transferred based on factoring or similar agreement. Trade receivables are derecognised only if the Company transfers substantially all the risks and rewards of ownership of trade receivables. After the derecognition, the Company recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

Cash and cash equivalents
Cash and cash equivalents comprise cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in the current liabilities on the balance sheet.

Share capital
Share capital consists solely of ordinary share capital.

Provisions
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Provisions for legal claims are recognised when: (i) the Company has a present legal or constructive obligation as a result of past events; (ii) it is probable that an outflow of resources will be required to settle the obligation; and (iii) the amount has been reliably estimated.

Other operating income
Income is recognised, net of treatment charges, from a sale when evidence of an arrangement exists, the price is determinable, the service has been delivered, the title has been transferred to the customer and collection of the sales price is reasonably assured. Net sales of the Company comprised the consultancy and laboratory services and equipment leases provided to the bankruptcy estate of Talvivaara Sotkamo and subsequently to Terrafame Oy. 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.
Sales income is only recognised on individual sales when persuasive evidence exists that all of the following criteria are met:

- all material risks and rewards of ownership have been transferred to the buyer;
- there is no continuing managerial involvement to the degree usually associated with ownership or effective control over goods sold;
- the amount of income can be measured reliably;
- the costs incurred or to be incurred in respect of the sale can be measured reliably; and
- the flow of future economic benefits is probable.

Trade and other payables
Trade payables and other payables are non-interest bearing obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. The carrying amounts of trade and other payables approximate their fair value.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

The fair value of the liability portion of a convertible loan and bond are determined using a market interest rate for an equivalent non-convertible loan. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the loan. The remainder of the proceeds is allocated to the conversion option. This is recognised and included in shareholders' equity, net of income tax effects.

Due to the adopted non-going concern principle, all borrowings have been classified as current liabilities.
Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, form part of the cost of that asset and, therefore, are capitalised. A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. Other borrowing costs are expensed when incurred.

Application of new and amended standards and interpretations
These Financial Statements of the Company are 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. Following the adoption of the non-going concern principles, the management has assessed that new and amended standards would not have impacted the preparation of the Financial Statements for the year ended 31 December 2015.

4. Financial risk management
The objective of the Company's financial risk management is to avoid or mitigate any potential liquidity risks, and to decrease the volatility and unpredictability in the Company's financial performance caused by fluctuations in commodity, foreign exchange and interest rate markets.

Currently, financial risks relevant to the Company include those related to liquidity, outstanding financial instruments and refinancing, and credit and counterparties.

Financial risks are managed to the extent that it is considered justified economically and from a competitive perspective. The general principle is to ensure that all financial risk management measures support the Company's operations.

The Company's Board of Directors is responsible for maintaining a risk management policy, which defines risk management roles, processes and guidelines for the Company. Since the commencement of the corporate reorganisation proceedings, the Company has not changed its risk management policies relative to mitigation of foreign currency, commodity price and interest rate risks. However, liquidity risk is being managed through frequent monitoring of the cash balance and through active negotiations for a financial overall solution, which at the date of these Financial Statements is an on-going process. As at 31 December 2015 and 2014 the Company did not have any outstanding derivative financial positions.
Foreign exchange risk

The majority of the Company's incurred and anticipated capital expenditure and nearly all of its income streams operating expenditure are euro denominated. The Company hedges currency risks selectively, based on separate decisions. All material income and cost streams of the Company were euro denominated in financial year 2015.

Interest rate risk
Interest rate risk arises when changes in market interest rates and interest margins influence finance costs, returns on financial investments and valuation of interest bearing balance sheet items. Interest rate risks are managed by balancing the ratio between fixed and floating interest rates and duration of debt and financial investments. Derivative instruments, such as interest rate swaps, may also be used.

Credit and counterparty risk
Credit and counterparty risk is defined as the possibility of a customer or a financial counterparty not fulfilling its commitments towards the Company. The Company is currently dependent on one customer for a substantial part of its anticipated income generation.

The Company manages its counterparty risk by monitoring its customers, taking into account their financial position, past performance and other relevant factors. The Company also believes its services to be of such quality and composition that they are readily saleable to several potential customers should this become necessary.

Liquidity and refinancing risk
Liquidity risk arises when a company is not able to obtain the funds it requires to comply with its commitments under financial instruments or other agreements with financial commitments

During the reorganisation proceedings, despite the adopted non-going concern principles, the Company seeks to secure its ability to continue as an operating company through short and long-term financing solutions, which the Company, is negotiating at the time of these Financial Statements. The Company's financial viability is also dependent on the development and authorisation of executable restructuring programme, the prevailing market conditions and the Company's ability to successfully implement its business plan.

At the date of authorisation of these Financial Statements, it is not possible to foresee whether Talvivaara will be able to execute its financing, reorganisation and operational plans or whether the execution of these will improve the Company's financial condition sufficiently to allow it to continue as an operating company.

5. Critical accounting estimates and judgment

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

For the financial years ended at 31 December 2014 and 31 December 2015, the Company has adopted the non-going concern principles due to significant uncertainties related to the future events.

Impairment risk of property, plant and equipment
In accordance with the Company's accounting policy, carrying amounts of property, plant and equipment ("PP&E") are assessed for possible impairment whenever circumstances indicate a potential impairment. Following the adoption of the non-going concern principle, the Company has assessed valuation of PP&E considering discontinued operations. Possible impairment loss is a difference between the carrying amount of an asset and its recoverable amount. Measuring recoverable amount of its PP&E, management is required to make estimates and assumptions about the expected life of the assets, discount rates and future capital expenditure required to maintain the assets in their current condition. In making these estimates and assumptions management considers historical performance and trends as well as a range of economic conditions expected to exist over the remaining useful lives of the assets. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that changes in circumstances will alter these projections, which may impact the recoverable amount of the assets. Should there be significant revisions to the above mentioned assumptions, the recoverability for the PP&E would need to be

assessed. In such circumstances, some or all of the carrying amounts of the assets may be impaired with the impact recorded through the income statement.

Provisions and contingent liabilities
Following the adoption of the non-going concern principle, the Company assesses carefully estimates and judgments concerning provisions and contingent liabilities. The Company's approach is conservative regarding these items in Financial Statements.

DETAILED NOTES

6. Illustrative balance sheet after execution of the Letter of Intent and Restructuring Programme

Should the draft restructuring programme be approved as proposed by the Administrator, the following illustrative calculations presented on equity position can be drawn. The calculation does not take into acconut potential revaluation of the Company's remaining assets resulting from regaining the going concern reporting status.

It should be noted that this calculation is illustrative and aims to give only an indication of the balance sheet following execution of the Restructuring Programme as proposed by the Administrator and the transactions contemplated by the Letter of Intent. All the numbers presented in the calculation are subject to change.

A. Closing non-going concern IFRS balance sheet as at 31 Dec 2015
B. Debts under the restructuring programme recognised on the Balance sheet (including all accrued interest)
C. Illustrative Balance sheet after the approval of the restructuring programme
D. Execution of Letter of Intent, settlement of Nyrstar's and restructuring liabilities
E. Illustrative Balance sheet as at 31 Dec 2015 after execution of the Letter of Intent and Restructuring Programme
F. Add-back if all restructuting debt convert to shares
G. Illustrative Balance sheet as at 31 Dec 2015 if all debts are converted to shares

ASSETS (All amounts in EUR '000)	**A.**	**B.**	**C.**	**D.**	**E**	**F.**	**G.**
Non-current assets							
Property, plant and equipment	4,693	0	4,693	(4,672)	21	0	21
Intangible assets	95	0	95	0	95	0	95
Other receivables	28	0	28	0	28	0	28
Current assets		0		0		0	
Trade receivables	38	0	38	0	38	0	38
Other receivables	188	0	188	0	188	0	188
Cash and cash equivalent	4,663	0	4,663	(87)	4,576	3,866	8,442
TOTAL ASSETS	**9,704**	0	**9,704**	(4,759)	**4,945**	3,866	**8,811**
SHAREHOLDERS EQUITY AND LIABILITIES							
Share capital	80	0	80	0	80	0	80
Share premium	8,086	0	8,086	0	8,086	0	8,086
Retained deficit and other reserves	(738,419)	500,510	-237,908	232,394	(5,514)	3,866	(1,648)
Total equity	**(730,253)**	500,510	**-229,743**	232,394	**2,652**	3,866	**6,518**
LIABILITIES							
Current liabilities							
Provisions	203,444	0	203,444	(203,444)	0	0	0
Borrowings	477,845	(444,246)	33,599	(33,599)	0	0	0
Trade payables	2,723	(2,052)	671	0	671	0	671
Other payables	55,944	(54,212)	1,731	(109)	1,622	0	1,622
TOTAL LIABILITIES	**739,956**	(500,510)	**239,446**	(237,152)	**2,293**	0	**2,293**
TOTAL EQUITY AND LIABILITIES	**9,704**	0	**9,704**	(4,759)	**4,945**	3,866	**8,811**

7. PROPERTY, PLANT & EQUIPMENT

(All amounts in EUR)	Buildings	Machinery and equipment	Construction in progress	Total
Gross carrying amount at 1 Jan 14	11,899,045	19,837,595	-	31,736,640
Gross carrying amount at 31 Dec 14	11,899,045	19,837,595	0	31,736,640
Accumulated depreciation and impairment losses at 1 Jan 14	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 14	11,899,045	14,826,837	-	26,725,882
Carrying amoung at 1 Jan 14	3,377,885	5,571,605	0	8,949,490
Carrying amount at 31 Dec 14	**0**	**5,010,758**	**0**	**5,010,758**
Gross carrying amount at 1 Jan 15	11,899,045	19,837,595	-	31,736,640
Additions	-	266,843	-	266,843
Deductions	-	-3,463	-	-3,463
Gross carrying amount at 31 Dec 15	11,899,045	20,100,975	0	32,000,020
Accumulated depreciation and impairment loss at 1 Jan 15	11,899,045	14,826,837	-	26,725,882
Depreciation for the year	-	581,356	-	581,356
Accumulated depreciation and impairment losses at 31 Dec 15	11,899,045	15,408,193	-	27,307,238
Carrying amoung at 1 Jan 15	0	5,010,758	0	5,010,758
Carrying amount at 31 Dec 15	**0**	**4,692,782**	**0**	**4,692,782**

8. Intangible assets

(All amounts in EUR)	Intangible rights	Other capitalised long-term expenditure	Construction in progress	Total
Gross carrying amount at 1 Jan 14	2,877,566	295,615	156,918	3,330,099
Additions	38,545	12,039	38,203	88,787
Transfers	(1,676,000)	-	(107,038)	(1,783,038)
Gross carrying amount at 31 Dec 2014	1,240,111	307,654	88,083	1,635,848
Accumulated depreciation and impairment losses at 1 Jan 14	805,314	132,058	-	937,372
Depreciation for the year	74,437	69,152	-	143,589
Accumulated depreciation and impairment losses at 31 Dec 2014	879,751	201,210	0	1,080,961
Carrying amoung at 1 Jan 14	2,072,252	163,557	156,918	2,392,727
Carrying amount at 31 Dec 2014	**360,360**	**106,444**	**88,083**	**554,887**
Gross carrying amount at 1 Jan 15	1,240,111	307,654	88,083	1,635,848
Additions	17,410	-	-	17,410
Deductions	-	-	(88,083)	(88,083)
Gross carrying amount at 31 Dec 2015	1,257,521	307,654	0	1,565,176
Accumulated depreciation and impairment losses at 1 Jan 15	879,751	201,210	-	1,080,961
Depreciation for the year	283,223	106,444	-	389,667
Accumulated depreciation and impairment losses at 31 Dec 2015	1,162,974	307,654	-	1,470,628
Carrying amoung at 1 Jan 15	360,360	106,444	88,083	554,887
Carrying amount at 31 Dec 2015	**94,547**	**0**	**0**	**94,547**

In addition to the intangible assets reflected above, the Company owns the geological data associated with the Sotkamo ore deposits, which is accessed and processed in a software licensed to the Company. The geological data has been created and developed first by the Company’s employees, who subsequently transferred to the Company’s fully-owned subsdiary Talvivaara Exploration Ltd, which continued the development work. Upon liquidation of Talvivaara Exploration Ltd in 2015, all its assets, rights and liabilities transferred back to the Company.

9. Investments

(All amounts in EUR)

Shares in group companies	**2015**	**2014**
At the beginning of the year	0	16,606,591
Additions	-	14
Impairment	-	(16,606,605)
At the end of the period	0	0

Receivables from group companies	**2015**	**2014**
At the beginning of the year	0	262,260,463
Additions	-	2,350,000
Impairment	-	(264,610,463)
At the end of the period	0	0

Other shares	**2015**	**2014**
At the beginning of the year	0	6,967,599
Additions	-	277,702
Impairment	-	(7,245,301)
At the end of the period	0	0

Total investments	**2015**	**2014**
At the beginning of the year	0	285,834,653
Additions	-	2,627,717
Impairment	-	(288,462,369)
At the end of the period	0	0

10. Distributable equity

EUR	**2015**	**2014**
At the beginning of the year	**(753,837,624)**	**21,061,562**
Profit / Loss for the year	(26,009,565)	(774,899,185)
At the end of the year	**(779,847,189)**	**(753,837,624)**

	2015	**2014**
Loss attributable to the owners of the Company, EUR	(26,009,565)	(774,899,185)
Weighted average numbers of ordinary shares in issue	2,096,793,633	1,906,068,061
Earnings per share, EUR	(0.01)	(0.41)

Ordinary shares

The number of the Company's shares issued and outstanding and registered on the Euroclear Shareholder Register as of 31 December 2015 was 2,098,817,876. All issued shares are fully paid. The shares have no nominal value.

On 30 December 2015 convertible bonds of 2010 amounting to in aggregate EUR 4,600,000 were converted to a total of 2,035,396 new Talvivaara shares and registered in the Trade Register on the same day. In addition, by the end of 2015 Talvivaara received conversion notices pursuant to which the bonds amounting to in aggregate EUR

21,100,000 were to be converted to a total of 9,336,276 new Talvivaara shares. These new Talvivaara shares were registered in the Trade Register on 14 January 2016.

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 share issue and the dismantling of the shareholding scheme organized through Talvivaara Management Oy, the Company holds 9.2% of the shares in the Company. The shares held in treasury by the Company do not carry any voting rights.

Share premium
Share premium account was credited in connection with share issues by the amounts paid by shareholders in excess of the nominal value of the shares. The share premium account reflects share issues carried out under the previous Finnish Companies Act, which was in force until 31 August 2006.

Other reserves
Reserve for invested unrestricted equity is credited, in connection with share issues, by the amounts paid by shareholders for new shares issued. Under the current Finnish Companies Act, in force since 1 September 2006, the subscription price of new shares is credited to the share capital, unless it is provided in the share issue resolution that it is to be credited in full or in part to the invested unrestricted equity reserve. Contributions to the reserve for invested unrestricted equity can also be made without share issues.

In 2015, a total of 11,371,672 new shares were subscribed for under the convertible bonds due 2015. The subscription price of EUR 25.7 million was recorded into the reserve for invested unrestricted equity.

11. Borrowings and capital loans

EUR	**2015**	**2014**
Restructuring loan capital	427,500,000	453,754,499
Restructuring loan interest	16,510,880	18,567,844
Accrued interest on restructuring loans after commencement of restructuring proceedings	12,822,068	7,465,075
Other borrowings during procedure	21,012,257	20,932,648
	477,845,205	**500,720,066**

As at 31 December 2015, the Company had borrowings amounting to EUR 477.8 million (2014: EUR 500.7 million) with contractual maturities of the facilities ranging from 2014 to 2018. Following the breach of covenants or events of default stemming from the Company applying for corporate restructuring, the Company has reclassified all of its long-term borrowings as current.

Due to the restructuring programme, the interest expense recognised is subject to significant changes, should the restructuring programme be approved. The Company has accrued the interest on the balance sheet for all borrowings despite the fact that the all interests on restructuring debts stopped when the restructuring proceedings commenced.

Other borrowings include Winttal Oy loan facility of EUR 12.8 million and Finnvera loan facility of EUR 8.2 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 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.

All amounts of reorganisation debts remain subject to change at the time of these financial statements and may only be finalised as the eventual reorganisation programmes are authorised. Total borrowings include the following:

Senior unsecured convertible bonds due 2015

In December 2010 the Company completed an offering of EUR 225.0 million of senior unsecured convertible bonds due 2015. The bonds are convertible into 98,617,935 million fully paid ordinary shares of the Company. The interest rate applied to the convertible bond is 4.00% and the yield to maturity 6.50%, reflecting a redemption price of 114.5% at maturity. The bonds are convertible into Talvivaara's ordinary shares following the resolution by the Extraordinary General Meeting of the Company's shareholders in January 2011 to issue special rights in relation to the Bonds. To the extent the bonds have not been converted into shares by 10 December 2015, Talvivaara shall repay the debt in one instalment on maturity date 16 December 2015. The value of the equity component for the senior unsecured convertible bonds due 2015 was determined after resolution of the EGM and it is recognised in equity.

The Company's application for corporate reorganisation on 15 November 2013 constituted an event of default under the convertible bonds. Therefore, as at 31 December 2014 and 2015 the convertible bonds have been reclassified as current borrowings and any unamortised costs have been expensed to the income statement accreting the loan carrying amount to the redemption value as at 31 December 2014 and 2015. The repayment schedule and amount of the convertible bonds will be decided and authorized as part of the Company's contemplated reorganisation programme.

Senior unsecured bonds due 2017

In March 2012, Talvivaara issued a EUR 110 million senior unsecured bond. The 5-year bond has an issue price of 100%, pays a coupon of 9.75% and is callable after 3 years. The bond issue was sold to both Finnish and international institutional and selected private investors. The bond was settled and the notes were listed on NASDAQ OMX Helsinki in April 2012. The Company's application for corporate reorganisation on 15 November 2013 constituted an event of default under the senior unsecured bonds. Therefore, as at 31 December 2014 and 2015 the bonds have been reclassified as current borrowings and any unamortised transaction costs have been expensed to the income statement accreting the loan carrying amount to the nominal value.

The repayment schedule and amount of the senior unsecured bonds will be decided and authorized as part of the Company's contemplated reorganisation programme.

Revolving credit facility

On 30 September 2013, Talvivaara had an outstanding revolving credit facility of EUR 100 million with a carrying amount of EUR 70 million (the "Revolving Credit Facility"). With a waiver and amendment letter dated 30 October 2013, the terms of the facility were amended such that the maximum margin was increased to 4.50% from the previous range of 1.75-3.00%, the undrawn amount of EUR 30 million was cancelled, and the liquidity covenant levels were adjusted to levels relevant at the time. Despite these amendments, an event of default occurred in November 2013 as the Company and Talvivaara Sotkamo applied for corporate reorganisation. As a result, and due to the original maturity of the loan being October 2014, the loan has been reclassified as current borrowings and any unamortized transaction costs have been expensed to the income statement accreting the loan carrying amount to the nominal value. The repayment schedule and amount of the revolving credit facility will be decided and authorized as part of the Company's contemplated reorganisation programme. As at 31 December 2014 and 2015, the outstanding loan amount was EUR 70 million.

12. Trade and other payables

EUR	2015	2014
Trade payables		
Restructuring loan capital	2 051 584	2 066 932
Other payables during procedure	671 419	692 746
Total	**2 723 003**	**2 759 678**
	-	
Other payables		
Restructuring loan capital	222 008	222 008
Other borrowings during procedure	1 184 475	774 024
Total	**1 406 484**	**996 032**
Accrued expenses		
Restructuring loan capital *)	129 668	129 668
Restructuring loan interest	6 662 302	6 662 627
Accrued interest on restructuring loans after commencement of restructuring proceedings	48 604 992	25 104 165
Other interest payables	-	18 296
Other accrued expenses	546 603	1 371 066
Total	**55 943 564**	**33 285 822**

*) Including pension liabilities

The carrying amounts of trade and other payables approximate their fair value.

Restructuring loan capital in other payables comprises of value added tax. In accrued expenses, restructuring loan capital includes pension liabilities.

Approximately EUR 9.1 million of trade and other payables became restructuring debt at the time of the Company and Talvivaara Sotkamo's application for corporate reorganisation. The restructured payment terms of such payables will be decided and authorised as part of the contemplated reorganisation programme of the Company.

13. Other operating income

EUR	2015	2014
From group companies	-	11,193,938
Other	6,702,480	1,145,927
	6,702,480	**12,339,864**

The operations of the Company consist of providing administrative and technical services and leasing of machinery and equipment to Terrafame Oy, and its predecessors Talvivaara Sotkamo Oy and the bankruptcy estate of Talvivaara Sotkamo Oy. Currently the Company is dependent on this one customer. The Company has no operating segments.

As a result of the bankruptcy of Talvivaara Sotkamo in November 2014, the total income for 2014 is comparable with total income for 2015.

14. Materials and services

EUR	2015	2014
Materials and services	(235,604)	(298,992)
Other	(21,933)	(6,214)
	(257,536)	**(305,207)**

15. Personnel expenses and number of employees

EUR	2015	2014
Salaries	(3,206,004)	(4,436,412)
Pension cost	(498,929)	(712,576)
Social security cost	(102,412)	(167,949)
	(3,807,345)	**(5,316,937)**

Average number of employees	2015	2014
Salaried	50	56
	50	**56**

Number of employees at the end of the year	2015	2014
Salaried	39	53
	39	**53**

16. Depreciation and amortisation

EUR	2015	2014
Amortisation of development cost	(233,072)	(43,029)
Amortisation of intangible assets	(50,152)	(31,409)
Depreciation of other long-term expenditure	(106,444)	(69,152)
Depreciation of buildings	-	(292,173)
Depreciation of machinery and equipment	(581,356)	(560,847)
	(971,024)	**(996,610)**

17. Impairments

EUR	2015	2014
Impairment charges on property, plant and equipment	-	(3,113,402)
Impairment charges on intangible assets	-	(1,676,000)
Impairment on shares of group companies	-	(16,604,605)
Impairment on receivables from group companies	-	(453,991,552)
Impairment on other investments	-	-
	0	**(475,385,560)**

All receivables and shares from Talvivaara Sotkamo were fully written down in 2014 subsequent to Talvivaara Sotkamo’s bankruptcy. All receivables from other group companies (Talvivaara Infrastructure Oy, Talvivaara Exploration Oy, Talvivaara Management Oy and Bream Lake Energy Oy) were written down in 2014 following the commencement of the liquidation process of the companies.

18. Other operating expenses

EUR	2015	2014
Rents	(201,755)	(233,664)
External services	(1,151,746)	(3,049,936)
IT	(151,760)	(188,643)
Insurance	(283,560)	(293,550)
Travel expenses	(172,910)	(220,996)
Bad debts	(119,496)	(24,853,061)
Provisions	-	(203,444,456)
Other	(186,399)	(700,354)
	(2,267,625)	**(232,984,659)**

Provision for the guarantee for termination consists of the 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, which is booked as a provision due to the adoption of the non-going concern principle. On 30 November 2015, Nyrstar assigned all its rights, title, benefit and interest under the Streaming Agreement and the Streaming Holiday Agreement to Winttal Oy.

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. On 30 March 2015, the bankruptcy estate of Talvivaara Sotkamo notified Nyrstar that it does not commit to the Zinc Streaming Agreement or the Loan and 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 Loan and 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 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. 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.

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.

Audit fees

EUR	2015	2014
Audit	(19,000)	(109,452)
Tax consultancy	-	(18,500)
Audit related assignments	-	(75,208)
Other services	(12,175)	(8,800)
	(31,175)	**(211,960)**

19. Finance income

EUR	2015	2014
From group companies	-	37,491,590
Other	12,841	1,351
	12,841	**37,492,941**

20. Finance cost

EUR	2015	2014
From group companies	-	(892,500)
Impairment of non-current investments	(200,028)	(7,247,301)
From external debt	(24,862,080)	(29,605,363)
Other	(780,581)	(71,997,673)
	(25,842,689)	**(109,742,838)**

21. Income tax

EUR	2015	2014
Deferred tax	0	(181)
	0	**(181)**

22. Associates at 31 December 2015

Associate companies

Company name	Ownership	Country
Majakka Voima Oy	29 %	Finland
Katternö Kärnkraft	28 %	Finland

23. 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	2015	2014
Counter indemnity given as a guarantee	31,940,000	31,940,000
	31,940,000	**31,940,000**

Talvivaara Sotkamo has covered the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius Credit Insurance NV (“Atradius”). The coverage currently amounts to EUR 31.9 million. 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. Hence, the counter-indemnity has been recognized as an off-balance sheet liability.

As at 31 December 2015, the coverage amounted to EUR 31.9 million. As a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016.

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

EUR	2015	2014
No later than 1 year	93,497	97,637
Later than 1 year and not later than 5 years	41,000	4,672
	134,497	**102,309**

The Company has not terminated lease agreements on the basis of section 27 of the Restructuring of Enterprises Act.

Securities given by the Company under the Multicurrency Revolving Facility Agreement and the Finnvera Financing Agreements

The securities given under the Multicurrency Revolving Facility Agreement (EUR 70 million) and the Finnvera Financing Agreements (EUR 50 million and EUR 10 million) include:

- Pledge of all shares owned by the Company in Talvivaara Sotkamo
- Pledge of floating charge notes registered over assets of the Company in the amount of EUR 300 million
- Pledge of intra-group receivables of the Company from Talvivaara Sotkamo
- Pledge of insurance receivables

In addition, the Company has guaranteed the obligations of Talvivaara Sotkamo under the Finnvera Promissary Note in the amount of EUR 60 million by a specific Surety Obligation.

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

The Board of Directors proposes that the loss for the financial year of EUR -26 009 565 will debit the accumulated losses.

25. Earnings per share

The basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2015	2014
Loss attributable to the owners of the Company, EUR	(26,009,565)	(774,899,185)
Weighted average numbers of ordinary shares in issue	2,096,793,633	1,906,068,061
Earnings per share, EUR	(0.01)	(0.41)

26. Related party transactions

The Company's related parties include the members of the Board of Directors and the Executive Committee, the CEO and the close family members of the preceding persons, as well as those entities in which these people have control.

*Key management compensation**

EUR'000	2015	2014
Salaries and other short term employee benefits	954	1,522
Share-based payments	-	-
	954	**1,522**

*Key management consists of the Executive Committee

The service contract entered into with CEO Pekka Perä is valid until further notice and may be terminated by the CEO upon six months' notice. The Company may terminate the contract upon one months' notice. Upon termination by the Company for reason other than substantial breach of the service agreement, the CEO will be entitled to an additional compensation equal to twelve months' salary and fringe benefits for that period. The retirement age of the CEO is 63 years.

Pension benefits for members of Talvivaara's Executive Committee are determined on the basis of statutory employment pension cover.

Salaries, bonuses and other remuneration of the Board of Directors

Board of Directors	(EUR '000)	2015	2014
Tapani Järvinen	Chairman of the Board	93	106
Graham Titcombe[(1)]	Deputy Chairman of the Board	37	73
Eileen Carr[(2)]	Board Member	-	37
G. Edward Haslam[(3)]	Board Member	34	64
Stuart Murray	Board Member	63	69
Pekka Perä[(4)]	Board Member, CEO	315	314
Kirsi Sormunen[(5)]	Board Member	-	13
Maija-Liisa Friman[(6)]	Board Member	35	54
Solveig Törnroos-Huhtamäki[(7)]	Board Member	52	24
Kari Järvinen[(8)]	Board Member	24	-
Total		653	754

[1)] Board member until [25 June] 2015
[2)] Board member until 12 June 2014
[3)] Board member until [25 June] 2015
[4)] The Board fees of the CEO are included in his base salary paid in accordance with his service agreement, and therefore no Board fees are paid out separately to the CEO.
[5)] Board member until 7 March 2014
[6)] Board member until [25 June] 2015
[7)] Board member as of 12 June 2014
[8)] Board member as of [25 June] 2015

Shares and Options held by the Board of Directors

On 31 December 2015 the aggregate shareholding of the Board of Directors, CEO and companies controlled by them was 127,821,266 shares (2014: 126,570,885 shares). This corresponded to 6.1% of the total number of shares and votes (2014: 6.1%). At the end of 2015, the aggregate number of share option rights held by the Board of Directors entitled them to subscription of 0 shares (2014: 0 shares). 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 Talvivaara acquiring all shares of Talvivaara Management Oy from the participants for a nominal purchase price. On 31 December 2014 Talvivaara Management Oy held 2,268,000 shares of the Company. Therefore, the shares held by Talvivaara Management Oy are not included in the aggregate shareholding of the Board of Directors, CEO and companies controlled by them on 31 December 2014.

27. Events after the balance sheet date

Release of the counter-indemnity given for the guarantee insurance issued by Atradius

Talvivaara Sotkamo covered largely the environmental bond requirement under the current environmental permit by a guarantee insurance provided by Atradius. As at 31 December 2015, the coverage amounted to EUR 31.9 million. In the event restoration of the mine’s waste areas (gypsum ponds, heap areas) took place without Talvivaara Sotkamo carrying the cost, the expenses would have initially been covered by Atradius and eventually Atradius would have claimed the cost back from the Company, which has given counter-indemnity for such costs to Atradius. However, as a result of Terrafame Oy replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond on 21 January 2016, Atradius notified the Company that the original guarantee insurance and the corresponding counter-indemnity have terminated on 21 January 2016 and that the beneficiary Kainuun ELY-keskus or Atradius have no claims against Talvivaara Sotkamo or the Company on the basis of the guarantee insurance or the counter-indemnity issued by the Company.

Therefore, the full amount of the liability under the counter-indemnity given by the Company will be removed from the Company’s restructuring debts, and no payment will be made on it under the authorised payment schedule.

Letter of Intent on the sale of the Company’s mining assets to Terrafame group

On 27 January 2016, Talvivaara, Terrafame Group Oy and its subsidiaries, Terrafame Oy and Winttal Oy, signed a Letter of Intent, in which the parties provisionally agreed on the essential terms and conditions for the sale of Talvivaara's assets related to the Sotkamo mining operations. Assets to be sold would 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.

The transactions under the Letter of Intent would consist of two separate phases. In the first phase, Terrafame Oy 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 Oy as old employees. In addition, the possibility for Talvivaara's key personnel working at the mine to transfer to Terrafame Oy's service will be agreed. In the first phase of the arrangement, Terrafame Oy will pay a purchase price of EUR 3.8 million to Talvivaara. Upon completion of the second phase of the arrangement, Terrafame Oy will buy from Talvivaara the lime plant required in the production process of the mine. Terrafame Oy shall pay to Talvivaara a purchase price of EUR 12.5 million. Simultaneously, Talvivaara will pay to Winttal Oy EUR 3.8 million as a full and final settlement of Talvivaara's debts and liabilities, which were transferred to Winttal Oy from Nyrstar in November 2015. These debts and liabilities comprise of Talvivaara's guarantee liability of approximately EUR 12.8 million under the Streaming Holiday Agreement and a guarantee liability for a termination sum of approximately EUR 203.4 million the Streaming Agreement, which thereby shall be considered fully and finally settled upon completion of the arrangement.

In addition, as part of the arrangements, Terrafame Group Oy will acquire debts of Talvivaara from certain commercial banks and Finnvera Plc. The nominal value of these debts is approximately EUR 129.6 million in aggregate. 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 Oy 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 Oy would pay to Talvivaara as a net purchase price for all assets transferred.

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 Oy's mining operations.

Upon completion of the arrangements under the Letter of Intent, all main assets of Talvivaara currently generating income for the Company would transfer to Terrafame Oy. 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 the Company’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.

Extension of the dead line set in the Letter of Intent
Since the decision of the Vaasa Administrative Court was not received by the original dead line of 3 February 2016, the parties agreed on 3 February 2016 to extend the deadline set for the finalization and approval of the detailed agreements until such time as the decision of the Administrative Court has been received.

SIGNATURES OF THE FINANCIAL STATEMENTS AND THE REPORT OF THE BOARD OF DIRECTORS

Espoo 7 March 2016

Talvivaara Mining Company Plc

Tapani Järvinen
Chairman of the Board

Pekka Perä
Member of the Board
Chief Executive Officer

Solveig Törnroos-Huhtamäki
Member of the Board

Stuart Murray
Member of the Board

Kari Järvinen
Member of the Board

Talvivaara Mining Company Plc

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki, 7 March 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

Juha Wahlroos
Authorised Public Accountant