

**Stock Exchange Release
Talvivaara Mining Company Plc
3 June 2016**

Terrafame no longer pursuing the arrangement under the Letter of Intent and is demanding payment of the Nyrstar receivable

Talvivaara Mining Company Plc ("Talvivaara" or "Company") has been informed by Terrafame Ltd ("Terrafame") that Terrafame entities will no longer pursue the contemplated arrangement concerning the sale of Talvivaara's assets relating to the Sotkamo mining operations in accordance with the Letter of Intent by and between Talvivaara and Terrafame entities published on 28 January 2016. Terrafame has also informed the Company that Winttal Ltd has assigned to Terrafame 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") originally held by Nyrstar Sales & Marketing AG. Terrafame has further requested immediate payment of the receivable under the Streaming Holiday Agreement amounting in total to approximately 12.8 million euros.

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 Ltd of the termination sum amounting to EUR 203.4 million and payable upon premature termination of the Streaming Agreement. However, due to among others the inter-creditor arrangements in force, the view of Talvivaara and the administrator of the corporate restructuring proceedings is that the Company cannot make any payments in relation to the termination sum if full payment has not been made to the Company's lenders having receivables with a higher ranked priority.

The liability under the Streaming Holiday Agreement is based on the guarantee issued by the Company for the due payment of loans drawn by Talvivaara Sotkamo from Nyrstar under the Streaming Holiday Agreement.

Further, Terrafame has stated that, in lack of immediate repayment, it would offset the above mentioned receivables against the receivables of the Company from Terrafame under the service and lease agreements between the parties. Talvivaara has financed its current business activities by providing administrative and technical services and leasing machinery and equipment to Terrafame under said agreements.

The Company continues assessing Terrafame's announcements, the effects thereof and the measures to be taken due to them. The Company does not currently have sufficient cash reserves to make the required payment in full, and there is a significant risk that Terrafame's demands endanger the continuance of the Company's corporate restructuring proceedings and may lead to the bankruptcy of the Company.

The Company's view is that the arrangement under the Letter of Intent published on 28 January 2016 would still be in the best interest of both parties. According to the Company, an expeditious arrangement regarding the assets owned by the Company needed in the Sotkamo mining operations would help the continuance of the Sotkamo mining operations and in obtaining further financing for Terrafame. Talvivaara will continue its work and explore all avenues in seeking a best possible solution for the Company and its stakeholders.

Enquiries

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