Stock Exchange Release
Talvivaara Mining Company Plc
21 March 2017

Talvivaara Mining Company annual results review for the year ended 31 December 2016

Key events 2016

- Talvivaara Mining Company Plc's ("Talvivaara" or the "Parent Company") Financial Statements for the financial year ended 31 December 2016 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 Parent Company's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on Talvivaara's operational environment twelve months beyond the date of reporting.
- On 30 June 2016, Talvivaara and Terrafame Oy signed agreements, in which the parties agreed on the sale of Talvivaara's assets related to the Sotkamo mining operations and settlement of Talvivaara's guarantee liabilities under the Streaming Holiday Agreement, amounting to approximately EUR 14 million, and the Streaming Agreement, amounting to approximately EUR 203.4 million.
- Under the agreements, all main assets of Talvivaara previously generating income were transferred to Terrafame Oy. However, the arrangement materially improved the possibility for the completion of Talvivaara's corporate restructuring proceedings and facilitated the development of Talvivaara's new business opportunities.
- The sale of the assets was approved by Talvivaara's extraordinary general meeting of shareholders on 11 August 2016.
- On 4 October 2016 Talvivaara's fully owned subsidiary, FATB Oy signed a conditional agreement for the acquisition of technology that aims to enhance the energy efficiency of the electric arc steel making process.
- On 24 November 2016 Talvivaara announced that it had decided to execute a directed conversion issue in accordance with the draft restructuring programme. The Parent Company offered up to 4,000,000,000 new shares for subscription, in deviation of the shareholders' pre-emptive subscription right, to all holders of unsecured restructuring debt in accordance with the draft restructuring programme.

- The suspension of trading of Talvivaara's shares continues on the date of the Talvivaara's annual results announcement on 21 March 2017.

- Reported operating profit EUR 214 million, resulting mainly from the reversal of the provision of EUR 203.4 million and EUR 11 million capital gains resulting from the sale of the mining related assets.

Key events of 2017 to date

- A total of 2,081,653,010 new shares in the Parent Company were subscribed in the conversion issue and thus Talvivaara's debt was reduced by a total of EUR 238,141,136.72. The total number of Talvivaara's shares increased into 4,189,807,162 shares.
- The acquisition of the energy saving technology business was closed on 31 January 2017.
- In addition to the acquired energy saving technology business, Talvivaara has initiated a commercialization project, based on its chemical engineering expertise, focusing on developing more efficient use of nutrients and energy production from renewable raw materials related to livestock farming. Talvivaara is also studying and further developing a number of other business opportunities that could meet its investment requirements in the short term.
- On 2 February 2017 Talvivaara's extraordinary general meeting of shareholders authorised the Board of Directors to resolve on a share issue for consideration pursuant to the shareholders' pre-emptive subscription right to raise the funds needed to pay the remaining restructuring debts of Talvivaara and/or to finance the development of new business opportunities. Based on the authorization, the number of shares which can be issued through one or several share issues shall not exceed 40,000,000,000 shares in aggregate.
- The Administrator of corporate reorganisation proceedings filed a request for confirmation of Talvivaara's Restructuring Programme to the District Court of Espoo on 6 March 2017. According to the Administrator, all the special conditions set for the confirmation and entry into force of the Restructuring Programme have been fulfilled.

The numbers in this release are based on audited financial statements.

Enquiries
Talvivaara Mining Company Plc Puh +358 20 7129 800
Pekka Perä, CEO
Pekka Erkinheimo, Deputy CEO

Talvivaara's annual results review 2016

Introduction

Following the bankruptcy of Parent Company's operating subsidiary Talvivaara Sotkamo Ltd ("Talvivaara Sotkamo") on 6 November 2014, trading of Talvivaara's shares on the Helsinki Stock Exchange was suspended. The suspension of trading continues on the date of the Group's Financial Statements 20 March 2017.

Talvivaara has been in corporate reorganisation throughout the review period of 1 January 2016 - 31 December 2016. 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 reporting period 1 January - 31 December 2016 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 Parent 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 Parent Company's operational environment twelve months beyond the date of reporting. The Administrator has on 6 March 2017 filed a request with the District Court of Espoo to confirm Talvivaara's final draft restructuring programme dated 10 April 2015, but Talvivaara's ability to revise its reporting basis and to regain its status as a going concern is also dependent on the Parent Company's ability to secure the necessary cash flow to discharge all of the Parent Company's liabilities (including the remaining restructuring debts) and to continue transforming the identified business opportunities into viable businesses. The arrangement concluded with Terrafame Oy on 30 June 2016 and the confirmation request filed by the Administrator on 6 March 2017 have, in the view of the Parent Company, materially improved the Parent Company's possibilities for reaching the afore-mentioned targets. For more information, see sections 'Review of Operations' and 'Events after the review period'.

Review of Operations
Talvivaara and the bankruptcy estate of Talvivaara Sotkamo entered into the Administration and Laboratory Services Agreement and the Agreement on Lease of Lime and Limestone Handling Plant and Reception Station on 19 November 2014. The agreements detailed the Parent Company's personnel resources and equipment that were available and critical for environmentally and occupationally safe operations at the Sotkamo mine and stated the agreed pricing for the services provided. 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.

On 27 January 2016, Talvivaara, Terrafame Group Oy and its subsidiaries, Terrafame Oy and Winttal Oy, signed a letter of intent ("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 have included, among others, the lime plant needed in the Sotkamo operations, laboratory business, as well as ownership of the geological and production data associated with the mine.

On 3 February 2016, the Parent Company announced that the parties had agreed to extend the deadline set for the finalization and approval of the detailed agreements under the Letter of Intent until the decision of the Administrative Court had been received.

On 28 April 2016, the Vaasa Administrative Court gave its ruling, among others, on the Nuasjärvi discharge pipe line. The outcome of the ruling deviated adversely from the one applied for by Terrafame Oy, in addition to which the ruling changed the essential environmental permits of the Sotkamo mining operations into temporary permits. The Parent Company and Terrafame started assessing the decision and its effects on the contemplated arrangement under the Letter of Intent.

On 2 June 2016, the Terrafame -entities informed the Parent Company that they would no longer pursue the contemplated arrangement under the Letter of Intent of 28 January 2016. Terrafame Oy also informed the Parent Company that Winttal Ltd had assigned to Terrafame Oy all its rights, title, benefit and interest under the Streaming Agreement and the Streaming Holiday Agreement and requested the Parent Company to immediately pay the receivable under the Streaming Holiday Agreement amounting in total to approximately 12.8 million euros. The liability of the Parent Company under the Streaming Holiday Agreement was 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. Furthermore, Terrafame Oy stated that, given lack of immediate repayment, it would offset the above mentioned receivables against the receivables of the Parent Company from Terrafame Oy under the service and lease agreements between the parties.

On 30 June 2016, Talvivaara and Terrafame Oy signed agreements, in which the parties agreed on the sale of Talvivaara's assets related to the Sotkamo mining operations and settlement of Talvivaara's guarantee liabilities under the Streaming Holiday Agreement, with the principal amount of approximately EUR 14 million (including interest up until 30 June 2016), and the Streaming Agreement, amounting to approximately EUR 203.4 million. The assets sold include, among others, the lime plant needed for the Sotkamo operations, laboratory, as well as rights to the geological, laboratory and production related data associated with the Sotkamo mine. The purchase price for the assets sold consisted of two components: (i) a full and final settlement of the guarantee liabilities of the Company under the Holiday Agreement and the Streaming Agreement, and (ii) a cash component of EUR 1.4 million payable by Terrafame Oy at closing. The agreement had no effect on the identified restructuring debts of the Company, including the receivables of certain commercial banks and Finnvera Plc.

The parties had further agreed on the transfer of the laboratory personnel to Terrafame as old employees, as well as on the possibility for Terrafame to recruit certain of Talvivaara's personnel currently providing services related to operation of the mine.

The parties agreed to terminate the service agreement and the lime plant lease agreement of 19 November 2014, which were transferred to Terrafame Oy on 14 August 2015, with effect as of 30 June 2016.

Under the agreements, all main assets of Talvivaara previously generating income for Talvivaara were transferred to Terrafame Oy. However, the arrangement materially improved the possibility for the completion of Talvivaara's corporate restructuring proceedings and facilitated the development of Talvivaara's new business opportunities. The agreements included a cancellation clause whereby the transactions under the agreements would become null and void in the event the extraordinary general meeting of shareholders of Talvivaara did not approve the transactions under the agreements. The extraordinary general meeting of shareholders of Talvivaara approved the transactions on 11 August 2016.

On 20 September 2016, the Parent Company published a statement by the Administrator, according to which the only special conditions of Talvivaara's final draft restructuring programme left to be fulfilled were the special condition (b)(2): Talvivaara executing or authorising the board of directors to execute a financial arrangement to raise the funds needed, inter alia, for repaying the remaining restructuring debts and for covering other possible liabilities to the extent the Company's other funds are not sufficient for such purpose; and the special condition (c): Talvivaara completing the proceedings for converting the restructuring debts into shares in the Parent Company, and the new shares having been registered in the Trade Register. In addition, the Administrator stated that the fulfilment of all the special conditions and the purpose of the Restructuring Act will require that the Parent Company's new business opportunities are sufficiently developed so as to provide more tangible prospects for future viable business operations. As part of the fulfillment of the special condition (c), the Parent Company announced that it had started preparations for the share issue, whereby the holders of unsecured restructuring debts as defined in the restructuring programme would be offered an opportunity to convert the full amount of their unsecured restructuring debt into shares of the Company.

On 4 October 2016, Talvivaara announced that it had signed an agreement for the acquisition of technology that aims to enhance the energy efficiency of the electric arc steel making process. The object of sale consists of the rights to the control system on which the technology is based and the existing test use equipment utilizing the technology. The assets would be acquired by a wholly-owned subsidiary of the Parent Company, FATB Oy. The purchase price of the technology is five percent of the EBIT generated by the technology in the future. However, the Parent Company has the right to terminate the EBIT based earn-out arrangement by paying a lump sum of EUR 2 million to the seller of the technology. In addition, the Parent Company agreed to pay compensation of EUR 160,000 for the equipment reflecting their reasonable development and manufacturing costs. The Parent Company further noted that the closing of the agreement remained conditional, among others, on the approval of Talvivaara's Board of Directors.

On 24 November 2016, the Parent Company announced that the Board of Directors of Talvivaara had decided on a directed conversion issue in accordance with the draft restructuring programme. Based on the decision, the Parent Company offered up to 4,000,000,000 new shares for subscription, in deviation of the shareholders' pre-emptive subscription right, to all holders of unsecured restructuring debt in accordance with the Parent Company's draft restructuring programme, dated 10 April 2015. The subscription price per new share was set to EUR 0.1144, to be paid in its entirety by setting off the debt receivable of the creditor from the Parent Company against the subscription price of the new shares. The conversion issue will, when completed, reduce the Parent Company's debt but will not raise any new proceeds for the Parent Company. The subscription period for the new shares commenced on 28 November 2016 at 10:00 a.m. (Finnish time).

On 21 December 2016, the Parent Company announced that it had decided to extend the subscription period of the Share Issue to expire on 28 December 2016 at 4:00 p.m. (Finnish time). Talvivaara further announced that it had supplemented its offering circular dated 25 November 2016 and that the Finnish Financial Supervisory Authority had on 21 December 2016 approved the supplement. As result of the extension, all of the new shares were (i) registered in the trade register maintained by the Finnish Patent and Registration Office on 4 January 2017; (ii) issued as book-entry securities in the book-entry system maintained by Euroclear Finland on 4 January 2017; and (iii) listed on the official list of the Helsinki Stock Exchange on 5 January 2017.

For more information on the results of the conversion issue, see section 'Events after the review period'.

To date, the Parent Company continues to identify and assess new business opportunities and to develop its business outside the Sotkamo mine.

Financial review

Financial result

The operating profit for the review period was EUR 214 million (2015: EUR (0.2) million). Revenues of the Parent Company consist of income generated from equipment leases as well as laboratory and consultancy services rendered to Terrafame, capital gains crystallised from the sale of the Parent Company's mining-related assets to Terrafame (EUR 11 million), and of the reversal of the EUR 203.4 million provision, which is reported as an adjustment to the other operating expenses. The costs are mainly personnel and other operating expenses.

Finance income for the review period was EUR 0.02 million (2015: EUR 0.01 million) and consisted mainly of interest on deposits and receivables. Finance costs of EUR (15.3) million (2015: EUR (25.8) million) resulted mainly from accrued interest and related financing expenses accrued on borrowings.

The profit for the accounting period amounted to EUR 198.5 million (2015: EUR (26.0) million). Earnings per share were EUR 0.09 (2015: EUR (0.01)).

Liquidity
As at 31 December 2016, the Group's cash and cash equivalents amounted to EUR 3.8 million (EUR 4.7 million as at 31 December 2015). Following the sale of mining-related assets to Terrafame Oy on 30 June 2016, Talvivaara has not had any income generating business activities, but has utilised its cash reserves to identify and develop new business opportunities.

Financing
During the review period, the Group has financed its operations from operating cash flow and its cash reserves.

Equity
Following Talvivaara Sotkamo's bankruptcy in 2014, the Parent Company fully wrote off its receivables from, and the shares held in, Talvivaara Sotkamo. As a result, Talvivaara forfeited its equity, which was acknowledged by the Company's Board and notified to the trade register. Talvivaara had already recognised the weakening of its financial position 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 Parent Company's 2014 Financial Statements, Talvivaara recorded a provision of EUR 203.4 million for the potential termination sum guarantee towards Nyrstar. The guarantee concerned 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 Parent Company. The Parent Company provided the full amount as a provision in 2014 and decided to leave the provision on the balance sheet in the 2015 Financial Statements. As a result of the transactions concluded with Terrafame Oy on 30 June 2016, the guarantee liability was finally settled and confirmed terminated. Consequently, the provision of EUR 203.4 million was reversed from the Company's balance sheet as of 30 June 2016.

In addition, the Parent 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 Parent Company has guaranteed as its own debt, and EUR 8.0 million the Parent Company has secured with a floating charge security issued as a third-party-security. In the Administrator's final draft restructuring programme, the EUR 8.0 million liability of the Parent Company under the floating charge security to Finnvera has been revalued 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 Parent 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 Parent Company's debts secured by collateral and business mortgages. However, due to the application of the non-going concern principle, the Parent 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.

Off-balance sheet and contingent liabilities
Talvivaara Sotkamo largely met its environmental bond requirement under the environmental permit through guarantee insurance provided by Atradius Credit Insurance NV ("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) would have taken 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 Parent 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 Parent Company that the original guarantee insurance and the corresponding counter-indemnity were terminated on 21 January 2016 and that the beneficiaries, Kainuun ELY-keskus or Atradius, have no claims against Talvivaara Sotkamo or the Parent Company on the basis of the guarantee insurance or the counter-indemnity issued by the Parent Company. Therefore, the full amount of the liability under the counter-indemnity given by the Parent Company has been removed from the Parent Company's restructuring debts, and no payment will be made on it under the authorised payment schedule.

Subject to the confirmation by the Espoo District Court of the Parent Company's corporate reorganization proceedings as requested by the Administrator, the Company will pay, within two years from the date of confirmation, one percent of the aggregate amount of the Parent 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 Parent Company.

Assets
On the statement of financial position as at 31 December 2016, property, plant and equipment totalled EUR 0.02 million (31 December 2015: EUR 4.7 million). Intangible assets totalled EUR 0 (31 December 2015: EUR 0.1 million). Due to the applied non-going concern reporting basis, the Parent Company has written down the value of its shares in Fennovoima.

Corporate reorganisation
The Parent 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 Parent 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 Parent 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.

Following the confirmation request of Talvivaara's final debt restructuring programme filed with the District Court of Espoo on 6 March 2017 by the Administrator, the Parent Company is focusing on developing its business opportunities and on securing financing for the due discharge of the Parent Company's liabilities falling due in the future.

Reporting basis

Talvivaara's financial statements for 2016 have not been prepared on a going concern basis. The basis for preparation is that the operations of the Parent Company may end in near future. This results from material uncertainties that cast significant doubt upon the Parent 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 Parent 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 Parent Company's corporate reorganisation proceedings, which requires that Talvivaara succeeds in completing an arrangement that will secure the necessary cash flow for the Parent Company to discharge all of its liabilities and the continuance of the Parent Company's viable business.

Business development projects

The Parent Company'a strategic aim is to establish a sustainable business or businesses that match the expertise inherent in the Parent Company as well as providing the prospect of early cash flow. The new business opportunities investigated by the Parent Company have not been limited to the mining industry, but also include projects in the recycling and energy-saving sectors, among others. For further information, see section 'Events after the review period'.

Talvivaara acquired in 2011-2012 an approximately 60MW capacity share in the Fennovoima nuclear project in Finland. Due to the Parent 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 Parent Company's disclosure practices. On 16 May 2016 the Parent Company was informed that the consideration of charges had been completed and that the prosecutor had decided to bring charges for security markets information offence against CEO Pekka Perä, former CEO Harri Natunen and former CFO and Deputy CEO Saila Miettinen-Lähde. The prosecutor also requested a corporate fine of EUR 500,000 be imposed on Talvivaara. Should any corporate fine be imposed on the Parent Company in the final and binding decision such fine would be considered unsecured restructuring debt and would be cut and paid out in accordance with the restructuring programme of the Parent Company.

The main hearing in the case commenced in the District Court of Helsinki on 14 December 2016. The Parent Company has already in the past gone through the applied disclosure practices extensively and in great detail with the Financial Supervisory Authority and the Parent Company's view is that no crime has been committed.

Alleged misuse of insider information

The Parent 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 main hearing in the case commenced in the District Court of Helsinki on 13 December 2016.

The Parent Company is not a party to the case. In the Parent Company's view, the charges have no impact on the Parent 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

On 13 May 2016 the District Court of Kainuu gave its ruling on the case concerning the gypsum pond leakages of the Sotkamo mine in November 2012 and April 2013 and the sodium, sulphate and manganese discharges that exceeded the anticipated amounts stated in the original environmental permit application of the Sotkamo mine. Originally the charges were brought against four members of Talvivaara's management, including CEO Pekka Perä and former CEO Harri Natunen. The charges concern aggravated impairment of the environment. Harri Natunen has not been employed by the Company since the autumn of 2015.

The case concerning the discharge of raffinate from the metals recovery plant and dilute secondary heap solutions into the open pit during the period of 19 December 2013 - 31 January 2014 was handled together with the above mentioned case. The charges were brought against CEO Pekka Perä for impairment of the environment.

The District Court of Kainuu dismissed the charge concerning aggravated impairment of the environment and moderated the type of the crime to impairment of the environment. Penalties in the form of a fine were imposed on Pekka Perä, Harri Natunen and the former chief operations officer of the mine, who acts as a member of the Executive Committee of the Company. The prosecutor's demands concerning a suspended prison sentence and compensation for the benefit obtained from the crime were dismissed in relation to the private defendants. All charges were dismissed in relation to the fourth defendant. The charges concerning the discharge of raffinate from the metals recovery plant and dilute secondary heap solutions into the open pit made against Pekka Perä were dismissed.

Talvivaara has not been a party to the court case.

The decision is not yet final and binding. The three defendants and the prosecutor have appealed the case to the Court of Appeal.

Risk management and key risks

Talvivaara's near-term risk factors include particularly such risks that relate to the 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 completed and stakeholders could lose their entire investment in the Parent Company.

The completion of the 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 Parent Company to discharge all of its liabilities and restructuring debts and for continuing the development of the Parent Company's business opportunities. Although the request for confirmation of Talvivaara's final draft restructuring programme by the Administrator filed on 6 March 2017 was a pivotal step in the Parent Company's path towards a solvent operating status, the request will still need to be approved by the District Court of Espoo. Moreover, the Parent Company does not currently have any income generating business and is financing its operations from its cash reserves. Therefore, there is, as of the date of the Group's Financial Statements 20 March 2017, no certainty as to whether the District Court of Espoo will approve the Administrator's confirmation request or whether the Parent Company can timely secure the necessary cash flow and/or financing for its new businesses and for discharging all of its liabilities. If the approval of the District Court of Espoo is not obtained, or the necessary cash flow and/or financing is not secured, the Parent Company may have to file for bankruptcy and, as a result, the shareholders and creditors of the Parent Company could lose their entire investment in the Parent Company.

If the corporate reorganisation proceedings of Talvivaara are not successful, stakeholders could lose their entire investment in the Parent 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 Parent Company will ultimately be successfully completed. 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 or cash reserves. If the corporate reorganisation fails for these or any other reasons, it could result in the bankruptcy of the Parent Company. As a result, shareholders and creditors could lose their entire investment in the Parent Company.

If Talvivaara fails to transform its business opportunities into viable businesses, stakeholders could lose their entire investment in the Parent Company

Talvivaara is currently investigating and assessing a number of new business opportunities in order to establish their viability as profit and cash flow generating businesses. Despite the Parent Company's careful and thorough analysis of the business concepts and their financial models as well as inherent legal and commercial risks, there is, as of the date of the Group's Financial Statements 20 March 2017, no certainty as to whether the Parent Company will ultimately be successful in making its new businesses fundable, profitable and cash flow generating. If Talvivaara's efforts are unsuccessful, the Parent Company may have to file for bankruptcy and, as a result, the shareholders and creditors could lose their entire investment in the Parent Company.

Personnel

Headcount and remuneration

Talvivaara's personnel comprises an expert organisation, the core competences of which include, for example, production processes, procurement, environmental safety, risk management and communications. 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 Parent Company there are currently no short term or long term incentive schemes in place.

As a result of the sale of assets concluded on 30 June 2016, Talvivaara's headcount decreased substantially. Following the acquisition of the energy saving technology in October 2016, Talvivaara has recruited several IT specialists and had 20 employees at the end of the review period on 31 December 2016 (2015: 39). 75 % (2015: 59%) of Talvivaara's employees were men and 25 % (2015: 41%) were women. The average age of the Company's employees was 46.9 years (2015: 40.2 years).

Corporate governance statement

Talvivaara issues its Corporate Governance Statement of 2016 and publishes it on the Company's website at www.talvivaara.com on the week starting 3 April 2017. 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 15 June 2016 in Espoo, Finland. All the resolutions proposed, as set out in the notice of the meeting, were duly passed. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2015;
- that the annual fee payable to the members of the Board for the term until the close of the Annual General Meeting in 2017 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 four (4) and that Mr. Tapani Järvinen, Mr. Pekka Perä, Mr. Stuart Murray and Ms. Solveig Törnroos-Huhtamäki were re-elected;
- that the auditor be reimbursed according to the approved auditor's invoice and authorised public accountants PricewaterhouseCoopers Oy be elected as the Parent Company's auditor;

- that article 2§ of the Articles of Association of the Parent Company concerning the line of business be amended in accordance with the proposal by the Board of Directors. The line of business was made more versatile to cover also the development of new types of businesses. The amended article 2§ of the Articles of Association concerning the line of business reads as follows:

"The line of business of the Company is to engage in ore exploration, exploitation, excavation and other mining activities and in metals, machine, chemical and construction industries and any business activities supporting them. The Company may also engage in the business operations based on know-how acquired in aforementioned sectors or related to or compatible with them. The Company may operate either directly or through subsidiaries, associated companies or joint ventures."

At its constituent meeting on 15 June 2016, the Board of Directors re-elected Mr. Tapani Järvinen as the chairman of the Board.

Shares and shareholders

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 2016 was 2,108,154,152.

As at 31 December 2016, 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%).

As at 31 December 2016 the shares held in treasury by the Parent Company amounted to in aggregate 192,883,000 (9.2% of the shares in the Parent Company). The shares held in treasury by the Parent Company do not carry any voting rights.

Share based incentive plans

As at 31 December 2016, the Parent Company has no share based incentive schemes in place.

Events after the review period

Closing of the conversion issue

On 4 January 2017, the Parent Company announced the results of the conversion issue, stating that the creditors of the Parent Company had subscribed for a total of 2,081,653,010 new shares in the Parent Company. Consequently, the Parent Company's debt was reduced by a total of EUR 238,141,136.72 and the total number of shares in the Company increased to 4,189,807,162 shares.

All the new shares issued in the conversion issue were registered in the trade register and issued as book-entry securities in the book-entry system by 5 January 2017. The shares were listed on the official list of the Helsinki Stock Exchange by 9 January 2017.

Closing of the acquisition of the energy saving technology

Talvivaara announced on 31 January 2017 that the Board of Directors had approved the closing of the acquisition of the energy saving technology business. Energy consumption is one of the largest components of operational expenditure for electric arc furnaces used in the steel making process, and reducing energy costs by just a few percent can materially improve profitability of a steel mill utilising electric arc furnaces. The object of sale consisted of the rights to the system on which the technology is based and the existing equipment utilizing the technology. The assets have been acquired by a wholly-owned subsidiary of the Company, FATB Oy.

Talvivaara has continued the development and testing of the technology and has also hired the necessary technical staff to refine the technology and to ready it for deployment in an industrial environment. The aim is to commercialize the technology during year 2017.

Update on additional business opportunities

In its announcement of 31 January 2017, the Parent Company also explained its strategic aim of establishing a sustainable business or businesses that match the expertise inherent in the Parent Company as well as providing the prospect of early cash flow. The new business opportunities investigated by the Parent Company have not been limited to the mining industry, but also include projects in the recycling and energy-saving sectors, among others. In addition to the acquired energy saving technology business, the Parent Company has initiated a commercialization project, based on its chemical engineering expertise, focused on developing more efficient use of nutrients and energy production from renewable raw materials related to livestock farming. Talvivaara is studying possibilities to create processing units to enable the economic extraction of valuable content as commercial products from manure streams while at the same time facilitating the management of the nutrient streams in a way that benefits the livestock farmers. The Parent Company's target is to convert manure to energy fraction and high quality fertilizers and to purify the liquid fraction to a level that allows safe discharge into the environment, and to recover the nutrients as useful fertilizers.

The Parent Company is also studying and further developing a number of other opportunities within the so-called "circular economy" in areas related to metallurgy, chemical processing and construction that could meet its investment requirements in the short term.

Approval by the EGM of the Board share issue authorization

On 2 February 2017, the extraordinary general meeting of shareholders of the Parent Company approved the proposal by the Board of Directors to authorise the Board of Directors to resolve on a share issue for consideration pursuant to the shareholders' pre-emptive subscription right to raise the funds needed to pay the remaining restructuring debts of the Company and/or to finance the development of the Parent Company's new business opportunities. Based on the authorization, the number of shares which can be issued through one or several share issues shall not exceed 40,000,000,000 shares in aggregate. The Board of Directors may decide to issue new shares and/or the Parent Company's own shares held in treasury by the Parent Company. The Board of Directors has the right to decide upon the offering to parties determined by the Board of Directors of any shares that may remain unsubscribed for pursuant to the shareholders' pre-emptive subscription right. Should the total number of the shares in the Parent Company afterwards decrease as a result of a reverse share split, the maximum number of the shares to be issued based on the authorisation shall decrease pro rata. The Board of Directors is authorised to determine the subscription price for the new shares and the other terms and conditions of the share issue. The authorisation of the Board of Directors to issue shares is valid until 30 June 2018.

In Talvivaara's view, the Board authorization fulfilled the special condition (c), which had been set as one of the preconditions for the confirmation and entry into force of the Parent Company's Draft Restructuring Programme.

Corporate reorganisation proceedings

On 6 March 2017, Talvivaara announced that the Administrator of the Parent Company's corporate reorganisation proceedings has filed a request for confirmation of the Restructuring Programme of Talvivaara to the District Court of Espoo. According to the Administrator, all the special conditions set for the confirmation and entry into force of the Restructuring Programme have been fulfilled. The Company anticipates the District Court of Espoo to give its ruling on the request within the next few weeks.

Insider dealing charges brought against a member of the Company's Executive Committee

Talvivaara announced on 9 March 2017 that charges have been brought against a member of its Executive Committee on a case concerning alleged misuse of insider information. The Company is not a party to the case, but the Company's disclosure practices in 2012 - 2013 have been heard in the Helsinki District Court in consequence of the charges brought by the prosecutor in May 2016. To the Company's understanding this insider dealing charge concerns the same time period. The main hearing phase of the disclosure case has ended, but no decision in the case has been given yet. The Company's view is that the brought charges have no impact on the Company or its financial position nor do they give any reason to reassess the composition of the Company's Executive Committee.

Short-term outlook

The operational outlook for Talvivaara is greatly dependent on the successful completion of the Parent Company's corporate reorganisation proceedings within the prescribed time frame, and the materialisation and further development of the Parent Company's new business opportunities currently under contemplation. In the view of the Board of Directors, transforming the selected business opportunities into income generating businesses will require further financing.

Whilst the Administrator's final draft restructuring programme gives the Parent Company reasonably sufficient time to complete the reorganization proceedings, there is no certainty that the Company will be successfull in developing its new business opportunities and, ultimately, in completing the corporate reorganisation proceedings through due payments.

Board of Director's 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 2016 and that the profit of the financial period is entered into the Parent Company's profit/loss account on the balance sheet.

Talvivaara Mining Company Plc
Board of Directors

BALANCE SHEET

	Group		Parent Company	
	As at		As at	As at
(All amounts in EUR)	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
ASSETS				
Non-current assets				
Property, plant and equipment	18,899	-	18,899	4,692,782
Intangible assets	-	-	-	94,547
Other receivables	26,822	-	26,822	27,640
Investments in group companies	-	-	13,500	-
Total non-current assets	45,721	-	59,221	4,814,970
Current assets				
Trade receivables	-	-	-	37,850
Other receivables	268,890	-	268,756	188,138
Cash and cash equivalents	3,776,623	-	3,765,827	4,662,572
Total Current assets	4,045,513	-	4,034,583	4,888,559
TOTAL ASSETS	4,091,234	-	4,093,804	9,703,529
EQUITY AND LIABILITIES				
Share capital	80,000	-	80,000	80,000
Share premium	8,085,842	-	8,085,842	8,085,842
Other reserves	797,348,200	-	797,348,200	797,348,200
Retained deficit	(1,337,240,512)	-	(1,337,237,942)	(1,535,766,741)
Total equity	(531,726,470)	-	(531,723,900)	(730,252,700)
Current liabilities				
Provisions	-	-	-	203,444,456
Borrowings	465,078,396	-	465,078,396	477,845,205
Trade payables	2,219,681	-	2,219,681	2,723,003
Other payables	68,519,627	-	68,519,627	55,943,564
Total liabilities	535,817,704	-	535,817,704	739,956,228
TOTAL EQUITY AND LIABILITIES	4,091,234	-	4,093,804	9,703,529

INCOME STATEMENT

	Group		Parent Company	
	As at		As at	As at
(All amounts in EUR)	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
Other operating income	14,026,894	-	14,026,894	6,702,480
Materials and services	(180,219)	-	(180,219)	(257,536)
Personnel expenses	(2,435,356)	-	(2,435,356)	(3,807,345)
Depreciation and amortisation	(302,017)	-	(302,017)	(971,024)
Impairment charges on intangible assets	(121,272)	-	(121,272)	-
Impairment charges on investments	-	-	-	421,333
Other operating expenses	202,779,457	-	202,782,027	(2,267,625)
Operating profit/loss	213,767,487	-	213,770,057	(179,717)
Finance income	17,069	-	17,069	12,841
Finance cost	(15,258,326)	-	(15,258,326)	(25,842,689)
Finance cost (net)	(15,241,257)	-	(15,241,257)	(25,829,848)

Profit/Loss before financial statement transfers and taxes	198,526,229	-	198,528,799	(26,009,565)
Income tax	-	-	-	-
PROFIT/LOSS FOR THE FINANCIAL PERIOD	198,526,229	-	198,528,799	(26,009,565)
Profit/Loss attributable to the owners of the Company, (?/share)	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
Diluted and undiluted	0.09	-	0.09	(0.01)

STATEMENT OF CASHFLOWS

	Group		Parent Company	
	As at		As at	As at
(all amounts in EUR)	31 Dec 16	31 Dec 15	31 Dec 16	31 Dec 15
Cash flows from operating activities		-		
Profit/Loss for the period	198,526,229	-	198,528,799	(26,009,565)
Adjustments for				
Depreciation and amortisation	302,017	-	302,017	971,024
Other non-cash income and expenses	(216,944,740)	-	(216,948,106)	215,257
Impairment charges on intangible assets	121,272	-	121,272	-
Impairment charges on investments	-	-	-	(421,333)
Interest income	(17,069)	-	(17,069)	(12,841)
Interest expenses	15,258,326	-	15,258,326	25,842,689
Cash flow before change in working capital	(2,753,965)	-	(2,754,761)	585,230
Change in working capital				
Decrease(+)/increase(-) in trade and other receivables	(42,084)	-	(42,084)	98,898
Decrease(-)/increase(+) in trade and other payables	614,521	-	614,521	(1,287,347)
Change in working capital	572,436	-	572,436	(1,188,449)
Net cash used in operating activities before financing activities and taxes	(2,181,528)	-	(2,182,324)	(603,219)
Interest and other finance cost paid	(119,489)	-	(119,489)	(91,801)
Interest and other finance income	17,069	-	17,069	11,211
Net cash generated (used) in operating activities	(2,283,949)	-	(2,284,745)	(683,809)
Cash flows from investing activities				
Acquisition of subsidiary, net of cash acquired	(2,000)	-	(12,000)	-
Proceeds from sale of property, plant and equipment	1,400,000	-	1,400,000	-
Net cash generated (used) in investing activities	1,398,000	-	1,388,000	(0)
Cash flows from financing activities				
Net cash generated from financing activities	0	-	0	0
Net (decrease)/increase in cash and bank overdrafts	(885,949)	-	(896,745)	(683,809)
Cash and bank overdrafts at beginning of the year	4,662,572	-	4,662,572	5,346,381
Cash and bank overdrafts at end of the period	3,776,623	-	3,765,827	4,662,572

STATEMENT OF CHANGES IN EQUITY

Group

(all amounts in EUR)	Share capital	Share premium	Other reserves	Retained deficit	Total
1 January 2016	80,000	8,085,842	771,648,200	(1,509,757,176)	(729,943,134)
Profit (loss) for the period	-	-	-	198,526,229	198,526,229
31 December 2016	80,000	8,085,842	797,348,200	(1,337,240,512)	(531,726,470)

Parent Company

(all amounts in EUR)	Share capital	Share premium	Other reserves	Retained deficit	Total
1 January 2015	80,000	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 period	-	-	-	(26,009,565)	(26,009,565)
1 January 2016	80,000	8,085,842	797,348,200	(1,535,766,741)	(730,252,700)
Profit (loss) for the period	-	-	-	198,528,799	198,528,799

31 December 2016	80,000	8,085,842	797,348,200	(1,337,237,942)	(531,723,900)

NOTES

1. Basis of presentation and non-going concern

These Financial Statements of the Group and the Parent 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 Parent Company on 29 November 2013. In addition, the Group has taken into account IAS 1.25 and IAS 1.26 requirements regarding the disclosure under the non-going concern basis. Talvivaara's and the Group's Financial Statements for the period ended 31 December 2016 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 Parent 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 Parent Company's operational environment twelve months beyond the date of reporting. The requisite adjustments resulting from the chosen reporting basis have, where applicable, been made in the 2016 Financial Statements to the carrying amounts of the Group's assets and liabilities, but no reserve has been made in the Group's balance sheet for the costs relating to winding down of the operations.

The completion of the 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 Parent Company to discharge all of its liabilities and restructuring debts and for continuing the development of the Parent Company's business opportunities. Although the request for confirmation of Talvivaara's final draft restructuring programme by the Administrator filed on 6 March 2017 was a pivotal step in the Parent Company's path towards a solvent operating status, the request will still need to be approved by the District Court of Espoo. Moreover, the Parent Company does not currently have any income generating business and is financing its operations from its cash reserves. Therefore, there is, as of the date of the Group's Financial Statements 20 March 2017, no certainty as to whether the District Court of Espoo will approve the Administrator's confirmation request or whether the Parent Company can timely secure the necessary cash flow and/or financing for its new businesses and for discharging all of its liabilities. If the approval of the District Court of Espoo is not obtained, or the necessary cash flow and/or financing is not secured, the Parent Company may have to file for bankruptcy.

Until 30 June 2016 the Parent Company financed its day-to-day operations by providing administrative and technical services and the lease of machinery and equipment critical to Terrafame. These contractual arrangements helped the Parent Company to discharge all of its new liabilities as and when they fell due. After the agreement made with Terrafame on 30 June 2016, the Parent Company continues to identify and assess new business opportunities and to develop these potential businesses.

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 Parent Company's corporate reorganisation proceedings, which requires that:

1. Talvivaara succeeds in completing an arrangement that will secure the necessary cash flow for the Parent Company to discharge all of its liabilities and the continuance of the Parent Company's viable business, and
2. the District Court of Espoo authorizes the execution of the Parent Company's debt restructuring in accordance with the Administrator's request for confirmation dated 6 March 2017.

2. Illustrative calculation of the Parent Company equity and liabilities, if the restructuring programme is confirmed

According to Talvivaara's draft restructuring programme, the holders of the unsecured restructuring debt were given the right to convert their receivables to new shares of the Company. The unsecured restructuring debt of those creditors who decide not to exercise their conversion right would be reduced by 99%. The remaining 1% of the unsecured restructuring debt would be paid in one instalment. As announced by the Parent Company on 4 January 2017, holders of EUR 238,141,136.72 of unsecured restructuring debt elected to convert their receivables, resulting in the issue of 2,081,653,010 new shares in the Parent Company.

The following table illustrates the Company's capital structure based on actual book values as at 31 December 2016, adjusted for the conversion of unsecured restructuring debt to new shares in the Parent Company that occurred on 4 January as if the conversion had taken place as at 31 December 2016. In addition, the adjusted capital structure assumes elimination of the accumulated accrued interest since the beginning of the restructuring proceedings amounting to EUR 74.1 million as the obligation to pay such interest will cease either upon the confirmation of the draft restructuring programme or, to the extent unsecured restructuring debts have been converted into shares, upon completion of the conversion.

EUR	31-Dec-16				
	Actual	1) Conversion of unsecured restructuring debt	2) Elimination of the payable restructuring debt	3) Elimination of the accrued expenses	Adjusted
Equity	(531,723,900)	238,141,137	208,698,478	78,797,598	(6,086,687)
Borrowings:					

Restructuring loan capital	427,500,000	(233,948,518)	(187,361,440)		6,190,042
Restructuring loan interest	16,510,880		(16,510,880)		-
Accrued interest on restructuring loans after commencement of restructuring proceedings	12,822,068			(12,822,068)	-
Other borrowings during procedure	8,245,447			(4,847,850)	3,397,597
Total borrowings	465,078,395				
Other interests on the restructuring debt	6,558,933	(3,828,051)	(2,730,882)		-
Other accrued interests of the restructuring debt since the beginning of the restructuring proceedings	61,127,680			(61,127,680)	-
Trade and other restructuring payables	2,480,271	(364,568)	(2,095,277)		20,426
Other payables during procedure	572,426				572,426
Total equity and liabilities	4,093,804	-	-	-	4,093,804

The calculation is based on the amount of unsecured restructuring debt (totalling EUR 238.1 million) that was converted into new shares of the Parent Company with a subscription price of EUR 0.1144 per share on 4 January 2017. Following the conversion of the unsecured restructuring debt, the equity increased by the amount of the unsecured restructuring debt converted of EUR 238.1 million.

The Parent Company has accrued interest expenses of EUR 74.1 million to the balance sheet since the beginning of the restructuring proceedings, despite the fact that the payment obligation on unsecured restructuring debt and the interest thereon ceased when the reorganisation proceedings were started. In the event that the debt restructuring programme was confirmed, the accumulated interest since the beginning of the reorganisation proceedings accrued on the Parent Company's balance sheet would be reversed, since the fulfillment of the restructuring plan will verify that the accumulation of interest ceased at the time the restructuring proceedings were started.

Subject to the confirmation of the draft restructuring programme, the unsecured restructuring debts that were not converted into new shares of the Parent Company will be reduced by 99 percent based on the restructuring plan. The remaining amount of unsecured restructuring loans of EUR 2.1 million remain as short-term debt on the balance sheet. Following the reduction of the unsecured restructuring debt, the Parent Company's equity will increase by the amount of the reduction of the unsecured restructuring debt, EUR 213.3 million.

3. Property, Plant & Equipment

Group

EUR	Buildings	Machinery and equipment	Total
Gross carrying amount at 1 January 2016	11,899,045	20,100,975	32,000,020
Deductions	(11,899,045)	(20,060,775)	(31,959,820)
Gross carrying amount at 31 December 2016	-	40,200	40,200
Accumulated depreciation and impairment losses at 1 January 2016	11,899,045	15,408,193	27,307,238
Depreciation for the year	-	301,096	301,096
Deductions	(11,899,045)	(15,687,988)	(27,587,033)
Accumulated depreciation and impairment losses at 31 December 2016	(0)	21,301	21,301
Carrying amount at 1 January 2016	0	4,692,782	4,692,782
Carrying amount at 31 December 2016	-	18,899	18,899

Parent Company

EUR	Buildings	Machinery and equipment	Total
Gross carrying amount at 1 January 2015	11,899,045	19,837,595	31,736,640
Additions	-	266,843	266,843
Deductions	-	(3,463)	(3,463)
Gross carrying amount at 31 December 2015	11,899,045	20,100,975	32,000,020
Accumulated depreciation and impairment losses at 1 January 2015	11,899,045	14,826,837	26,725,882
Depreciation for the year	-	581,356	581,356
Accumulated depreciation and impairment losses at 31 December 2015	11,899,045	15,408,193	27,307,238
Carrying amount at 1 January 2015	0	5,010,758	5,010,758
Carrying amount at 31 December 2015	0	4,692,782	4,692,782
Gross carrying amount at 1 January 2016	11,899,045	20,100,975	32,000,020
Deductions	(11,899,045)	(20,060,775)	(31,959,820)
Gross carrying amount at 31 December 2016	-	40,200	40,200
Accumulated depreciation and impairment losses at 1 January 2016	11,899,045	15,408,193	27,307,238
Depreciation for the year	-	301,096	301,096
Deductions	(11,899,045)	(15,687,988)	(27,587,033)
Accumulated depreciation and impairment losses at 31 December 2016	(0)	21,301	21,301
Carrying amount at 1 January 2016	0	4,692,782	4,692,782
Carrying amount at 31 December 2016	-	18,899	18,899

Upon liquidation of Talvivaara Exploration Ltd in 2015, all its assets, rights and liabilities transferred to the Parent Company. On 30 June 2016, Talvivaara and Terrafame Oy signed agreements, in which the parties agreed on the sale of Talvivaara's assets related to the Sotkamo mining operations and settlement of Talvivaara's guarantee liabilities under the Streaming Holiday Agreement, with the principal amount of approximately EUR 14 million (including interest up until 30 June 2016). The assets sold include, among others, the lime plant needed for the Sotkamo operations and the laboratory.

4. Borrowings

	Group		Parent Compa	
EUR	As at 31 Dec 16	As at 31 Dec 15	As at 31 Dec 16	31
Restructuring loan capital	427,500,000	-	427,500,000	427,5
Restructuring loan interest	16,510,880	-	16,510,880	16,5
Accrued interest on restructuring loans after commencement of restructuring proceedings	12,822,068	-	12,822,068	12,8
Other borrowings during procedure	8,245,447	-	8,245,447	21,0
	465,078,395	-	465,078,395	477,8

The following table specifies borrowings of the Company as at 31 December 2016 in accordance with the draft restructuring programme:

EUR	Group As at 31 Dec 2016	Parent Company As at 31 Dec 2016
Secured restructuring debt and other liabilities to be taken into account	7,448,870	7,448,870
Unsecured restructuring debt	444,563,991	444,563,991
Accumulated interest since the beginning of the restructuring proceedings	13,065,534	13,065,534
Total borrowings	465,078,395	465,078,395

Due to the corporate restructuring proceedings, the Parent Company has reclassified all of its borrowings as current and any unamortised transaction costs have been expensed to the income statement in previous periods in connection with the reclassification accreting the loan carrying amounts to the nominal value. The fair value of the restructuring debt can not be assessed due to the Parent Company's corporate restructuring proceedings, as the Parent Company does not currently have a credit rating or proper access to debt financing.

Restructuring loan capital
The restructuring loan capital includes the Revolving Credit Facility (EUR 70.0 million), the guarantee liability granted to Finnvera (EUR 50.7 million) and the senior unsecured bonds due in 2017 (EUR 110.0 million). Of the restructuring loan capital EUR 7.4 million is secured in accordance with the draft restructuring programme and EUR 444.6 million is unsecured. The details related to these debts can be found later in this Note.

According to the draft restructuring programme, the secured debt is entitled to cover an amount corresponding to 50 percent of the assets of the debtor valued at the beginning of the restructuring proceedings. The capital amount of the debt secured with mortgage on the Parent Company's assets will not be cut in the restructuring proceedings and the holder of such debt is not entitled to convert the capital amount of the secured debt into new shares of the Parent Company.

Pursuant to the draft restructuring programme, the holders of unsecured debt were given the right to convert their receivable to new shares in the Parent Company at the conversion rate of EUR 0.1144 per share. To the extent the unsecured creditors did not use their conversion right, the remaining unsecured debt will be cut by 99 percent whilst 1 percent of the capital of the loan will be repaid to the creditor.

Restructuring loan interest
Restructuring loan interests are unsecured debts and payable to the holders of the restructuring debt in accordance with the draft restructuring programme.

Interest accumulated since the beginning of the restructuring proceedings
In addition to the Parent Company's restructuring debts and other liabilities to be considered, the Parent Company's borrowings include EUR 13.0 million and trade and other payables include EUR 61 million of accumulated interest, which will fall due only in case the draft restructuring programme is not confirmed. The Parent Company has accrued the interest on the balance sheet for all restructuring debt based on the original loan terms described below despite the fact that the accumulation of interest payment obligation on unsecured restructuring debt ceased when the restructuring proceedings were started. In case the restructuring plan is confirmed the interest accrued will not be paid, since the fulfillment of the restructuring programme will verify that the accumulation of interests ceased at the time the restructuring proceedings were started.

Other short-term borrowings
Other borrowings as at 31 December 2015 included the guarantee liability to Winttal Oy which was settled in connection with the asset deal concluded with Terrafame Oy on 30 June 2016. Currently, the other short-term borrowings consist mainly of the third-party security granted to Finnvera (EUR 8.2 million including accrued interest).

Detailed information on debts under the draft restructuring programme based on their original terms

Senior unsecured convertible bonds due 2015
In December 2010 the Parent 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 Parent 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 Parent 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 was to repay the debt in one instalment on maturity date 16 December 2015.

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.

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. As at 31 December 2016 and 2015, the outstanding loan amount was EUR 70 million.

Guarantee liabilities
Guarantee liabilities include Finnvera loan of EUR 50.7 million (including interest) recognised as unsecured restructuring debt under the draft restructuring programme due to the guarantee given on behalf of the debtor Talvivaara Sotkamo and a third-party security granted to Finnvera in the amount of EUR 8.2 million (including accrued interest).

All amounts of reorganisation debts remain subject to change at the time of these Financial Statements and may only be finalised following the confirmation of the draft restructuring programme.

5. Contingencies and commitments

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

	Group		Parent Company	
EUR	As at 31 Dec 2016	As at 31 Dec 2015	As at 31 Dec 2016	As at 31 Dec 2015
Counter indemnity given as a guarantee	-	-	-	31,940,000
	0	-	0	31,940,000

Talvivaara Sotkamo largely met its environmental bond requirement under the environmental permit through guarantee insurance provided by Atradius Credit Insurance NV ("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) would have taken 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 replacing the guarantee insurance placed by Talvivaara Sotkamo with a new environmental bond on 21 January 2016, Atradius notified the Parent Company that the original guarantee insurance and the corresponding counter-indemnity terminated on 21 January 2016 and that the beneficiaries, Kainuun ELY-keskus or Atradius, have no claims against Talvivaara Sotkamo or the Parent Company on the basis of the guarantee insurance or the counter-indemnity issued by the Parent Company. Therefore, the full amount of the liability under the counter-indemnity given by the Parent Company has been removed from the Parent Company's restructuring debts, and no payment will be made on it under the authorised payment schedule.

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

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

	Group		Parent Company	
EUR	31 Dec 2016	31 Dec 2015	31 Dec 2016	31 Dec 2015
No later than 1 year	75,590	-	75,590	93,497
Later than 1 year and not later than 5 years	24,908	-	24,908	41,000
	100,498	-	100,498	134,497

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

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

In addition, Parent 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.

Talvivaara Mining Company Plc

Key financial figures		Group		Parent Company	
		Twelve months to 31 Dec 16	Twelve months to 31 Dec 15	Twelve months to 31 Dec 16	Twelve months to 31 Dec 15
Other operating income	EUR '000	14,027	-	14,027	6,702
Operating profit/loss	EUR '000	213,767	-	213,770	(180)
Operating profit/loss percentage		1,524.0 %	-	1,524.0 %	(2.7 %)
Profit/loss before tax	EUR '000	198,526	-	198,529	(26,010)
Profit/loss for the period	EUR '000	198,526	-	198,529	(26,010)
Return on equity		n/a	-	n/a	n/a
Equity-to-assets ratio		(12,996.7 %)	-	(12,988.5 %)	(7,525.6 %)

Net interest-bearing debt	EUR '000	461,302	-	461,313	473,183
Debt-to-equity ratio		(86.8 %)	-	(86.8 %)	(64.8 %)
Return on investment		n/a	-	n/a	n/a
Capital expenditure	EUR '000	-	-	-	284
Property, plant and equipment	EUR '000	19	-	-	4,693
Borrowings	EUR '000	465,078	-	465,078	477,845
Cash and cash equivalents	EUR '000	3,777	-	3,766	4,663

Share-related key figures		Twelve months to 31 Dec 16	Twelve months to 31 Dec 15
Earnings per share	EUR	0.09	(0.01)
Equity per share	EUR	(0.25)	(0.35)

Employee-related key figures		Twelve months to 31 Dec 16	Twelve months to 31 Dec 15
Salaries	EUR '000	2,080	3,206
Average number of employees		25	50
Number of employees at the end of the period		20	39

Key financial figures of the Group

Return on equity — Loss for the period / (Total equity at the beginning of period + Total equity at the end of period)/2

Equity-to-assets ratio — Total equity / Total assets

Net interest-bearing debt — Interest-bearing debt - Cash and cash equivalent

Debt-to-equity ratio — Net interest-bearing debt / Total equity

Return on investment — Loss for the period + Finance cost / (Total equity at the beginning of period + Total equity at the end of period)/2 + (Borrowings at the beginning of period + Borrowings at the end of period)/2

Share-related key figures

Earnings per share — Loss attributable to equity holders of the Company / Adjusted average number of shares

Equity per share — Equity attributable to equity holders of the Company / Adjusted average number of shares

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