

Stock Exchange Release
Talvivaara Mining Company Plc
14 September 2017

Talvivaara Mining Company Interim Report for January-June 2017

Talvivaara emerges from the corporate reorganisation proceedings - new business projects under development

- In January, Talvivaara completed the debt-to-equity conversion issue, based on which the unsecured creditors of the Company subscribed for a total of 2,081,653,010 new shares in the Company. Consequently, the Company's debt was reduced by a total of EUR 238.1 million
- Talvivaara's Debt Restructuring Programme was confirmed by the Espoo District Court. As a result, the corporate reorganization proceedings of Talvivaara were completed, and the Company's restructuring debt and accrued interest were cut to EUR 9.6 million, payable to the creditors by 2 June 2019. The ruling became final and binding in June 2017. Following the ruling of the Espoo District Court, Talvivaara has been focusing on developing, commercializing and financing its new business opportunities and managing the remaining liabilities under the confirmed Debt Restructuring Programme
- The Group's result for the reporting period amounted to EUR 520.4 million, reflecting the financial impact of the successful completion of the debt-to-equity conversion issue and the confirmation of Talvivaara's Debt Restructuring Programme

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Key financial figures		Group, IFRS		Parent Company, FAS		
		Six months to 30 Jun 17	Twelve months to 31 Dec 16	Six months to 30 Jun 17	Six months to 30 Jun 16	Twelve months to 31 Dec 16
Other operating income	EUR '000	1	14,027	728	14,019	14,027
Operating profit/loss	EUR '000	(2,228)	213,767	(1,300)	215,870	213,770
Operating profit/loss percentage		n/a	1,524.0 %	(178.6 %)	1,539.8 %	1,524.0 %
Profit/loss before tax	EUR '000	520,405	198,526	284,603	207,713	198,529
Profit/loss for the period	EUR '000	520,405	198,526	284,603	207,713	198,529
Return on equity		n/a	n/a	n/a	n/a	n/a
Equity-to-assets ratio		(464.9 %)	(12,996.7 %)	(479.7 %)	(7,950.1 %)	(12,988.5 %)
Net interest-bearing debt	EUR '000	7,979	461,302	8,767	460,849	461,313
Debt-to-equity ratio		(89.2 %)	(86.8 %)	(97.6 %)	(88.2 %)	(86.8 %)
Return on investment		n/a	n/a	n/a	n/a	n/a
Capital expenditure	EUR '000	-	-	-	-	-
Property, plant and equipment	EUR '000	16	19	16	22	19
Borrowings	EUR '000	9,568	465,078	9,568	465,043	465,078
Cash and cash equivalents	EUR '000	1,590	3,777	801	4,194	3,766

FINANCIAL REVIEW

Introduction

Following the bankruptcy of Talvivaara Mining Company Plc's ("Talvivaara", the "Company" or the "Parent 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 Talvivaara's Interim Report 14 September 2017.

Talvivaara's Interim Financial Statements for the reporting period 1 January – 30 June 2017 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 Company's ability to secure the necessary cash flow for the Company to discharge all of its liabilities and the continuance of the Company's viable business.

The confirmation by the District Court of Espoo of the Company's draft restructuring programme on 2 June 2017 has materially facilitated Talvivaara's funding efforts and the development of the Company's and its subsidiaries' (the "Group") new business opportunities.

Review of Operations

On 4 January 2017, Talvivaara announced the final results of the debt-to-equity share issue, according to which the unsecured creditors of the Company subscribed for a total of 2,081,653,010 new shares in the Company. The subscription price per new share was EUR 0.1144, which was paid in its entirety by setting off the unsecured restructuring debt receivable of the creditor from the Company against the subscription price of the new shares. Consequently, the Company's debt was reduced by a total of EUR 238.1 million and the total number of shares in the Company increased to 4,189,807,162 shares. The new shares were registered in the trade register maintained by the Finnish Patent and Registration Office and issued as book-entry securities in the book-entry system maintained by Euroclear Finland by 5 January 2017. The new shares were listed on the official list of the Helsinki Stock Exchange by 9 January 2017. The new shares carry the shareholders' rights after the registration in the trade register and the subscriber's book-entry account. The debt-to-equity share issue was one of the special conditions for the entry into force of Talvivaara's Draft Restructuring Programme.

On 31 January 2017, Talvivaara's Board of Directors approved the closing of the acquisition of the energy saving technology, which was based on an agreement signed on 4 October 2016. The core of the technology acquired was a new measurement and adjustment system that improves the alternating current electric arc furnace steel making process by reducing energy consumption and stabilizing melting and heating processes. The Company believes that the market potential of its technology is significant. 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 were acquired by a wholly-owned subsidiary of the Company, FATB Ltd. The purchase price of the technology is five percent of the EBIT generated by the technology in the future. However, the 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 Company has paid compensation for the equipment reflecting its reasonable development and manufacturing costs of EUR 160,000.

The Company also announced that it 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. The Company's studies show that a rational and efficient disposal of manure from livestock farming is challenging given geographical balance of livestock density and land availability for manure spreading in many areas in Finland and particularly in Central Europe.

On 2 February 2017, an Extraordinary General Meeting of Talvivaara resolved 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 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 Company's own

shares held in treasury by the 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 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. The authorization for a share issue was one of the special conditions for the entry into force of Talvivaara's Draft Restructuring Programme.

On 6 March 2017, the Company announced that the Administrator of the Company's corporate reorganization proceedings has filed a request for confirmation of the Restructuring Programme of Talvivaara to the District Court of Espoo. According to the Administrator's request, all the special conditions set for the confirmation and entry into force of the Restructuring Programme have been fulfilled. Based on the final Draft Restructuring Programme filed with the District Court of Espoo on 10 April 2015, the Administrator was to notify the District Court of the fulfillment of the special conditions and to request the confirmation of the Restructuring Programme by 10 April 2017.

On 23 March 2017, Talvivaara was informed by the Administrator that the District Court of Espoo has requested the Company to give a response in the matter concerning the confirmation request filed to the District Court by the Administrator on 6 March 2017. Concurrently, the Company was notified that Finnvera Plc, Nordea Bank AB (Publ.), Finnish branch, Danske Bank Plc, OP Corporate Bank Plc and Svenska Handelsbanken AB, Finnish branch have given a response to the District Court where they have objected the confirmation of the restructuring programme, requesting the cessation of the corporate reorganization proceedings and placing the Company in bankruptcy.

On 29 March, the Company announced that Finnvera Plc, Nordea Bank AB (Publ.), Finnish branch, Danske Bank Plc, OP Corporate Bank Plc and Svenska Handelsbanken AB, Finnish branch have requested the cancellation of the bankruptcy matter initiated at the District Court of Espoo on 22 March 2017. The cancellation request had no effect on the banks' requests for the cessation of the reorganization proceedings or on their objection to the confirmation of the restructuring programme. The proceedings regarding the confirmation request filed by the Administrator on 6 March 2017 continue at the District Court of Espoo.

On 17 May 2017, Talvivaara announced that it will adjust its business operations with the aim of securing sufficient cash reserves for initiating its new businesses and for obtaining the funding required in connection therewith. The need for the adjustment was brought about by the delays in having Talvivaara's Debt Restructuring Programme confirmed due to reasons outside the Company's control. The delay had materially impeded the Company's ability to acquire, develop or finance its new businesses. As part of the adjustment actions, the Company laid off temporarily, on economical and production-related grounds, some of its personnel wholly or partly as of the beginning of June. In addition, the Company had agreed with some of the members of the management who will remain outside the scope of the lay-offs on a voluntary arrangement whereby such employees will accept a portion of their compensation from the Company as debt, which shall be repaid to the employees once the new financing required for the Company's new business operations has been obtained. Furthermore, the CEO and the members of the Board of Directors of Talvivaara had notified the Company that they will accept 75 % of the fees payable to them from the Company in the form of debt, which will likewise be repaid once the new financing required for the Company's new business operations has been obtained. Despite the adjustment actions, the Company will continue the development of its new businesses and its projects in the circular economy sector, as well as the energy saving business. With the adjustment actions, the Company targeted monthly savings of some 50% in its monthly personnel costs, which will help to facilitate the securing of sufficient cash reserves for developing the Company's new businesses in accordance with its plans, despite the delays in having the Company's Debt Restructuring Programme confirmed.

On 2 June 2017, the District Court of Espoo gave its ruling and confirmed Talvivaara's Debt Restructuring Programme. The Court also accepted entry into force of the Programme despite the possible appeal process. As a result of the ruling, the corporate reorganization proceedings of Talvivaara were completed, and the Company's restructuring debt and accrued interest were cut down to EUR 9.6 million, payable to the creditors by 2 June 2019. The ruling became final and binding in June 2017. For more information, please refer to Notes 11 and 23 of the Interim Financial Statements.

Following the ruling, Talvivaara has been focusing on developing, commercializing and financing its new business opportunities and managing the EUR 9.6 million liabilities set in the confirmed Debt Restructuring Programme.

Financial review

Financial result

The operating loss for the reporting period was EUR (2.2) million (1-6/2016: EUR 215.9 million). The Group did not have any material revenues during the reporting period. The costs are mainly personnel costs, legal fees and other operating expenses.

Finance income for the review period was EUR 525.3 million (1-6/2016: EUR 0.01 million) and consisted mainly of the profit resulting from the completion of the debt-to-equity conversion issue in January 2017, and of income generated due to the confirmation of the Company's draft restructuring programme in June 2017, as a result of which the accrued interest on the Company's restructuring debt was reversed entirely, and the Company's unsecured restructuring debt was cut by 99 per cent, whilst the secured restructuring debt was cut down to EUR 7.5 million in aggregate. The balance of the finance income was interest on deposits and receivables. Finance costs of EUR (2.6) million (1-6/2016: EUR (8.2) million) resulted mainly from booking the accrued interest on the bonds until their maturity date 4 April 2017, and on the Revolving Credit Facility until the confirmation of the draft restructuring programme on 2 June 2017 in accordance with their original terms, as well as from booking the interest accrued on the secured restructuring debt during the corporate reorganization proceedings as stipulated in the Debt Restructuring Programme. This interest is customarily subject to voluntary restructuring agreed by the secured creditors and the debtor. For more information, please refer to section '*Provisions and other items recognised based on Debt Restructuring Programme*'. The balance of the finance costs were other related financing expenses accrued on borrowings.

The profit for the reporting period amounted to EUR 520.4 million (1-6/2016: EUR 207.7 million). Earnings per share were EUR 0.13 (1-6/2016: EUR 0.10). Based on the Finnish Accounting Standards applied to the Parent Company, the profit of the Parent Company for the reporting period amounted to EUR 284.6 million, since the conversion issue has been recorded in the reserve for invested unrestricted equity without impacting the P/L account.

Liquidity

As at 30 June 2017, the Company's cash and cash equivalents amounted to EUR 1.6 million (EUR 3.8 million as at 31 December 2016).

Financing

During the review period, the Company has financed its operations entirely from its cash reserves.

Equity

Following Talvivaara Sotkamo's bankruptcy in 2014, the 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 Debt Restructuring Programme

Based on the provisions of the confirmed Debt Restructuring Programme, interest equal to 12-month EURIBOR added with 2 percent units p.a. shall accrue on the secured loans of in total EUR 7.5 million for the duration of the corporate reorganisation proceedings. The interest expense on the secured debt accrued from the beginning of the restructuring proceedings 29 November 2013 until its completion on 2 June 2017 amounts to EUR 0.6 million. It is customary that the debtor and the secured creditors agree to adjust such interest liability in terms of the repayable amount and/or the repayment schedule. Pending such potential agreement by and between the Company and the secured creditors, the Company has booked the entire amount as a provision.

Assets

On the statement of financial position as at 30 June 2017, property, plant and equipment totalled EUR 0.02 million (31 December 2016: EUR 0.02 million). Intangible assets totalled EUR 0 (31 December 2016: EUR 0). Due to the applied non-going concern reporting basis, the Company has written down the value of its

shares in Fennovoima as well as the equity investments made into FATB Oy for covering the development and manufacturing costs of the energy saving technology.

Corporate reorganisation

Pursuant to the ruling by the District Court of Espoo of 2 June 2017, Mr. Pekka Jaatinen, who had been acting as the Administrator of the Company's corporate reorganisation proceedings, was appointed the Supervisor under the confirmed Debt Restructuring Programme. The main task of the Supervisor is to monitor that the payment schedule is complied with and that payments are made to the creditors when the Supervisor deems that this can be done without jeopardizing the operations of the Company.

Reporting basis

Talvivaara's interim financial statements for the first six months of 2017 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 Talvivaara's success in securing the necessary funding and/or cash flow for the Company to discharge all of its liabilities and the continuance of the Group's viable business.

Business development projects

Talvivaara's strategic aim is to establish a sustainable business or businesses that match the expertise inherent in the Company as well as to provide the prospect of early cash flow. The new business opportunities investigated by the Company include, among others, projects in the recycling, energy-saving and energy production sectors. Talvivaara 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.

Talvivaara has, through its subsidiary FATB Ltd, continued the development 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 Company also expects the technology to stabilize the melting process and even increase the capacity of an electric arc furnace. Talvivaara has continued the development and testing of the technology to refine the technology and to ready it for deployment in an industrial environment. Test runs of the technology will start at the selected prospective clients during the autumn of 2017. The aim is to commercialize the technology by the end of the year 2017.

In addition, the 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 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.

Talvivaara acquired in 2011-2012 an approximately 60MW capacity share in the Fennovoima nuclear project in Finland. 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. On 16 May 2016, the 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 0.5 million to be imposed on Talvivaara. The

Company has already in the past gone through the applied disclosure practices extensively and in great detail with the Financial Supervisory Authority and the Company's view is that no crime has been committed.

The Helsinki District Court gave its ruling on 2 June 2017, giving a suspended sentence to CEO Pekka Perä for disclosure offenses during 2012-2013. Of the ten charges concerning Mr. Perä, seven were dismissed in their entirety and one partially. The other defendants, former CEO of the Company Harri Natunen and the Company's former CFO / Deputy CEO Ms. Salla Miettinen-Lähde were given fines. The Court ordered the Company to EUR 50,000 corporate fines, which is however considered restructuring debt of last priority, which would not receive any payment under the Company's authorized payment schedule. The Company and the defendants have appealed the decision to the Helsinki Court of Appeals. In the Company's view, the decision of the Helsinki District Court has no impact on the Company, its financial position or on the position of the CEO.

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 was not a party to the case, but has been notified that the insider dealing charges concerned the same time period as the disclosure case. In its ruling of 2 June 2017, the Helsinki District Court gave also a decision on the misuse of inside information, giving a suspended sentence to the Executive Committee member. The decision has been appealed to the Helsinki Court of Appeals. In the Company's view, the decision of the Helsinki District Court has no impact on the Company, its financial position or on the employment of the member of the Executive Committee in the Company.

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

On 9 March 2017, Talvivaara announced 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 to the Company's understanding the charges concern the same time period of 2012-2013 as the disclosure case. 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.

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 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 Rovaniemi Court of Appeals, and the main hearing at the Court of Appeals is expected to take place in the autumn of 2017.

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 the Group is not able to create cash flow generating business or receive other funding to finance its operations, stakeholders could lose their entire investment in the Company

The Talvivaara Group does not currently have any income-generating business, and is therefore financing its operations entirely from its cash reserves. Even though the Company has already taken actions to minimize the current cost basis by temporarily laying off a part of its personnel and has kept its firm focus on a timely development of its business projects, maintaining and developing the current business opportunities and operations will require additional funding in the foreseeable future. Failure by the Company to obtain such financing while the business operations still yield insufficient cash flow could result in the bankruptcy of the Company. As a result, shareholders and creditors could lose their entire investment in the Company.

If Talvivaara is not able to make the payments under the authorized payment schedule, 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 Company will eventually be able to make the payments in accordance with the authorized payment schedule due to insufficiency of funds, 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 Company. As a result, shareholders and creditors could lose their entire investment in the Company.

The issuance of new equity instruments will lead to a significant dilution of the existing shareholding of Talvivaara

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 subscription price of the newly issued shares offered and the amount of funds raised in the potential equity financing.

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 Company there are currently no short term or long term incentive schemes in place.

Due to the unexpected delays in having the Company's Debt Restructuring Programme confirmed, Talvivaara laid off temporarily approximately 50 % of its personnel wholly or partly as of the beginning of June. In addition, the Company agreed with those members of the management who will remain outside the scope of the lay-offs on a voluntary arrangement whereby such employees will accept a portion of their compensation from the Company as debt, which shall be repaid to the employees once the new financing required for the Company's new business operations has been obtained.

Talvivaara's headcount was 20 at the end of the reporting period on 30 June 2017 (1-6/2016: 16). 75 % (1-6/2016: 69 %) of Talvivaara's employees were men and 25 % (1-6/2016: 31 %) were women. The average age of the Company's employees was 47 years (1-6/2016: 44 years).

Resolutions of the Annual General Meeting

Talvivaara's Annual General Meeting was held on 15 June 2017 in Espoo, Finland. The resolutions of the AGM included:

- that no dividend be paid for the financial year 2016;
- 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 75,000/year,

Chairman of the Audit Committee EUR 48,000/year and other Non-executive Directors: EUR 43,000/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 three (3) and that Mr. Tapani Järvinen, Mr. Stuart Murray and Ms. Solveig Törnroos-Huhtamäki were re-elected; and
- 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.

At its constituent meeting on 15 June 2017, the Board of Directors re-elected Mr. Tapani Järvinen as the chairman of the Board.

Shares and shareholders

The number of shares issued, outstanding and registered on the Euroclear Shareholder Register as of 30 June 2017 was 4,189,807,162.

As at 30 June 2017, the only shareholder holding more than 5% of the shares and votes of Talvivaara was Solidium Oy (7.6%).

As at 30 June 2017 the shares held in treasury by the Company amounted to in aggregate 192,883,000 (4.6% of the shares in the Company). The shares held in treasury by the Company do not carry any voting rights.

Share based incentive plans

As at 30 June 2017, the Company has no share based incentive schemes in place.

Events after the review period

As at the date of this Interim Report 14 September 2017, the Group's cash and cash equivalents amount to approximately EUR 1 million.

The Group has continued the development of its business projects and has focused on finding a funding solution for the near and medium term.

Short-term outlook

The operational outlook for Talvivaara is greatly dependent on the materialisation and further development of the Group's new income generating business opportunities and/or obtaining funding therefor.

Whilst the final Debt Restructuring Programme gives the Company reasonably ample time to discharge all of its liabilities under the restructuring programme, there is no certainty that the Company will be successful in developing its new business opportunities and, ultimately, in making the due payments in accordance with the authorised payment schedule.

Talvivaara Mining Company Plc
Board of Directors

BALANCE SHEET (All amounts in EUR)		Group, IFRS		Parent Company, FAS		
		Note	As at 30 Jun 17	As at 31 Dec 16	As at 30 Jun 17	As at 30 Jun 16
ASSETS						
Non-current assets						
Property, plant and equipment	6	16,262	18,899	16,262	21,592	18,899
Intangible assets	7	-	-	-	-	-
Other receivables		27,482	26,822	27,482	26,822	26,822
Investments in group companies	8	-	-	13,500	-	13,500
Total non-current assets		43,743	45,721	57,243	48,414	59,221
Current assets						
Trade receivables	9	-	-	902,069	898,184	-
Other receivables	9	289,756	268,890	111,145	1,432,458	268,756
Cash and cash equivalents		1,589,623	3,776,623	801,398	4,193,678	3,765,827
Total Current assets		1,879,378	4,045,513	1,814,611	6,524,320	4,034,583
TOTAL ASSETS		1,923,122	4,091,234	1,871,855	6,572,734	4,093,804
EQUITY AND LIABILITIES						
Equity attributable to the owners						
Share capital	10	80,000	80,000	80,000	80,000	80,000
Share premium	10	8,085,842	8,085,842	8,085,842	8,085,842	8,085,842
Other reserves	10	799,729,611	797,348,200	1,036,109,774	797,968,638	797,968,638
Retained deficit	10	(816,835,314)	(1,337,240,512)	(1,053,254,986)	(1,328,674,458)	(1,337,858,380)
Total equity	10	(8,939,861)	(531,726,470)	(8,979,370)	(522,539,978)	(531,723,900)
Current liabilities						
Borrowings	11	9,568,434	465,078,396	9,568,434	465,042,831	465,078,396
Trade payables	12	137,500	2,219,681	125,742	2,162,258	2,219,681
Other payables	12	1,157,048	68,519,627	1,157,048	61,907,624	68,519,627
		10,862,982	535,817,704	10,851,225	529,112,712	535,817,704
Total liabilities		10,862,982	535,817,704	10,851,225	529,112,712	535,817,704
TOTAL EQUITY AND LIABILITIES		1,923,122	4,091,234	1,871,855	6,572,734	4,093,804

INCOME STATEMENT	Group, IFRS			Parent Company, FAS		
	Note	Period ended 30 Jun 17	Year ended 31 Dec 16	Period ended 30 Jun 17	Period ended 30 Jun 16	Year ended 31 Dec 16
(All amounts in EUR)						
Other operating income	13	657	14,026,894	728,132	14,019,322	14,026,894
Materials and services	14	-	(180,219)	-	(174,762)	(180,219)
Personnel expenses	15	(1,113,205)	(2,435,356)	(1,113,205)	(1,512,874)	(2,435,356)
Depreciation and amortisation	16	(2,637)	(302,017)	(2,637)	(299,324)	(302,017)
Impairment charges on intangible assets	17	-	(121,272)	-	(93,626)	(121,272)
Other operating expenses	18	(1,113,080)	202,779,457	(912,575)	203,931,287	202,782,027
Operating profit/loss		(2,228,266)	213,767,487	(1,300,285)	215,870,023	213,770,057
Finance income	19	525,275,096	17,069	289,515,306	9,338	17,069
Finance cost	20	(2,641,632)	(15,258,326)	(3,611,627)	(8,166,640)	(15,258,326)
Finance cost (net)		522,633,463	(15,241,257)	285,903,679	(8,157,302)	(15,241,257)
Profit/Loss before taxes		520,405,198	198,526,229	284,603,393	207,712,721	198,528,799
Income tax	21	-	-	-	-	-
PROFIT/LOSS FOR THE FINANCIAL PERIOD		520,405,198	198,526,229	284,603,393	207,712,721	198,528,799
Profit/Loss attributable to the owners of the Company,						
(€/share)						
Diluted and undiluted	10	0.13	0.09	0.07	0.10	0.09

STATEMENT OF CASH FLOWS

	Group, IFRS		Parent Company, FAS		
	Period ended 30 Jun 17	Year ended 31 Dec 16	Period ended 30 Jun 17	Period ended 30 Jun 16	Year ended 31 Dec 16
(all amounts in EUR)					
Cash flows from operating activities					
Profit/Loss for the period	520,405,198	198,526,229	284,603,393	207,712,721	198,528,799
Adjustments for					
Depreciation and amortisation	2,637	302,017	2,637	299,324	302,017
Other non-cash income and expenses	(525,781,196)	(216,944,740)	(289,754,323)	(216,005,213)	(216,948,106)
Impairment charges on intangible assets	-	121,272	-	93,626	121,272
Interest income	538,665	(17,069)	538,729	(9,338)	(17,069)
Interest expenses	2,609,068	15,258,326	2,609,063	8,166,640	15,258,326
Cash flow before change in working capital	(2,225,628)	(2,753,965)	(2,000,499)	257,760	(2,754,761)

Change in working capital					
Decrease(+)/increase(-) in trade and other receivables	30,344	(42,084)	30,344	203,656	(42,084)
Decrease(-)/increase(+) in trade and other payables	13,453	614,521	13,453	(864,554)	614,521
Change in working capital	43,797	572,436	43,797	(660,898)	572,436
Net cash used in operating activities before financing activities and taxes	(2,181,832)	(2,181,528)	(1,956,703)	(403,139)	(2,182,324)
Interest and other finance cost paid	(5,597)	(119,489)	(5,597)	(65,785)	(119,489)
Interest and other finance income	429	17,069	429	30	17,069
Net cash generated (used) in operating activities	(2,187,000)	(2,283,949)	(1,961,866)	(468,894)	(2,284,745)
Cash flows from investing activities					
Acquisition of subsidiary, net of cash acquired	-	(2,000)	(970,000)	-	(12,000)
Proceeds from sale of property, plant and equipment	-	1,400,000	-	-	1,400,000
Investments in associated companies	-	-	(32,564)	-	-
Net cash generated (used) in investing activities	0	1,398,000	(1,002,564)	0	1,388,000
Cash flows from financing activities					
Net cash generated from financing activities	0	0	0	0	0
Net (decrease)/increase in cash and bank overdrafts	(2,187,000)	(885,949)	(2,964,430)	(468,894)	(896,745)
Cash and bank overdrafts at beginning of the year	3,776,623	4,662,572	3,765,827	4,662,572	4,662,572
Cash and bank overdrafts at end of the period	1,589,623	3,776,623	801,398	4,193,678	3,765,827

STATEMENT OF CHANGES IN EQUITY

EUR	Group, IFRS				
	Share capital	Share premium	Other reserves	Retained deficit	Total
1 January 2017	80,000	8,085,842	797,348,200	(1,337,240,512)	(531,726,470)
Conversion of restructuring loans	-	-	2,381,411	-	2,381,411
Profit (loss) for the period	-	-	-	520,405,198	520,405,198
30 June 2017	80,000	8,085,842	799,729,611	(816,835,314)	(8,939,861)

1 % of the subscription price of new shares has been entered to the reserve for invested unrestricted equity of the Group (IFRIC 19).

EUR	Parent Company, FAS				
	Share capital	Share premium	Other reserves	Retained deficit	Total
1 January 2016	80,000	8,085,842	797,968,638	(1,536,387,179)	(730,252,700)

Profit (loss) for the period	-	-	-	207,712,721	207,712,721
30 June 2016	<u>80,000</u>	<u>8,085,842</u>	<u>797,968,638</u>	<u>(1,328,674,458)</u>	<u>(522,539,978)</u>
Profit (loss) for the period	-	-	-	(9,183,922)	(9,183,922)
31 December 2016	<u>80,000</u>	<u>8,085,842</u>	<u>797,968,638</u>	<u>(1,337,858,380)</u>	<u>(531,723,900)</u>
Conversion of restructuring loans	-	-	238,141,137	-	238,141,137
Profit (loss) for the period	-	-	-	284,603,394	284,603,394
30 June 2017	<u>80,000</u>	<u>8,085,842</u>	<u>1,036,109,774</u>	<u>(1,053,254,986)</u>	<u>(8,979,370)</u>

The subscription price of new shares has been entered to the reserve for invested unrestricted equity of the Parent Company outright.

NOTES

1. Basis of presentation and non-going concern

These consolidated Interim Financial Statements of Talvivaara 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 was completed on 2 June 2017. 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 Interim Financial Statements for the period ended 30 June 2017 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 Group's ability to realise its assets and discharge its liabilities in the normal course of business and from the lack of visibility on the Group'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 2017 Interim 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 Talvivaara's success in securing the necessary funding and/or cash flow for the Company to discharge all of its liabilities and the continuance of the Group's viable business.

As of the date of this Interim Report 14 September 2017, there is no certainty as to whether the Company can fulfill all the set requirements within the given time frame.

2. Property, Plant & Equipment

(All amounts in EUR)	Group, IFRS		
	Buildings	Machinery and equipment	Total
Gross carrying amount at 1 January 2017	0	40,200	40,200
Deductions	-	-	0
Gross carrying amount at 30 June 2017	0	40,200	40,200
Accumulated depreciation and impairment losses at 1 January 2017	0	21,301	21,301
Depreciation for the period	-	2,637	2,637
Deductions	0	0	0
Accumulated depreciation and impairment losses at 30 June 2017	0	23,938	23,938
Carrying amount at 1 January 2017	0	18,899	18,899
Carrying amount at 30 June 2017	0	16,262	16,262
	Parent Company FAS		
		Machinery and equipment	Total
(All amounts in EUR)	Buildings		
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 30 June 2016	0	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 period	-	298,403	298,403
Deductions	(11,899,045)	(15,687,988)	(27,587,033)
Accumulated depreciation and impairment losses at 30 June 2016	0	18,608	18,608
Carrying amount at 1 January 2016	0	4,692,782	4,692,782
Carrying amount at 30 June 2016	0	21,592	21,592
Deductions	-	-	0
Gross carrying amount at 31 December 2016	0	40,200	40,200
Accumulated depreciation and impairment losses at 30 June 2016	0	18,608	18,608
Depreciation for the period	-	2,693	2,693
Accumulated depreciation and impairment losses at 31 December 2016	0	21,301	21,301
Carrying amount at 30 June 2016	0	21,592	21,592
Carrying amount at 31 Dec 2016	0	18,899	18,899
Gross carrying amount at 1 January 2017	0	40,200	40,200
Deductions	-	-	0
Gross carrying amount at 30 June 2017	0	40,200	40,200
Accumulated depreciation and impairment losses at 1 January 2017	0	21,301	21,301
Depreciation for the period	-	2,637	2,637
Deductions	0	0	0
Accumulated depreciation and impairment losses at 30 June 2017	0	23,938	23,938
Carrying amount at 1 January 2017	0	18,899	18,899
Carrying amount at 30 June 2017	0	16,262	16,262

3. Borrowings

EUR	Group, IFRS		Parent Company, FAS		
	As at 30 Jun 17	As at 31 Dec 16	As at 30 Jun 17	As at 30 Jun 16	As at 31 Dec 16
Restructuring loan capital	6,130,578	427,500,000	6,130,578	427,500,000	427,500,000
Restructuring loan interest	40,259	16,510,880	40,259	16,510,880	16,510,880
Accrued interest on restructuring loans after commencement of restructuring proceedings	-	12,822,068	-	12,822,068	12,822,068
Other borrowings during procedure	3,397,597	8,245,447	3,397,597	8,209,883	8,245,447
	9,568,434	465,078,395	9,568,434	465,042,831	465,078,395

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, 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 remaining indebtedness of the Parent Company, as adjusted in accordance with the Parent Company's debt restructuring programme confirmed on 2 June 2017, and consists of: Revolving Credit Facility (EUR 4.8 million), the guarantee liability granted to Finnvera (EUR 0.5 million), the senior unsecured convertible bonds due in 2015 (EUR 0.5 million) and the senior unsecured bonds due in 2017 (EUR 0.35 million). Of the restructuring loan capital, EUR 4.1 million is secured in accordance with the draft restructuring programme and EUR 2.0 million is unsecured. The restructuring loan capital shall fall due for payment on 2 June 2019, at the latest. In case the Parent Company is unable to repay its restructuring debts by the due date of 2 June 2019, this may result in bankruptcy of the Parent Company, in which case its liabilities related to the restructuring loan capital shall be determined in accordance with section 66 of the Finnish Restructuring of Enterprises Act (47/1993, as amended).

Pursuant to the debt 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 was cut by 99 percent.

Restructuring loan interest

Restructuring loan interests are unsecured debts and payable to the holders of the restructuring debt in accordance with the Parent Company's debt restructuring programme. The restructuring loan interest shall fall due for payment on 2 June 2019, at the latest.

In case the Parent Company is unable to repay its restructuring debts by the due date of 2 June 2019, this may result in bankruptcy of the Parent Company, in which case its liabilities related to the restructuring loan interest shall be determined in accordance with section 66 of the Finnish Restructuring of Enterprises Act.

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 included EUR 13.0 million and trade and other payables included EUR 61 million of accumulated interest, which would have fallen due only in case the draft restructuring programme was not confirmed. The Parent Company accrued the interest on the balance sheet for all restructuring debt based on the original loan terms, despite the fact that the accumulation of interest payment obligation on unsecured restructuring debt ceased when the restructuring proceedings were started. Upon the confirmation of the Parent Company's debt restructuring programme on 2 June 2017, it was verified that the accumulation of interest ceased at the time the restructuring proceedings were started, and a corresponding reversal was booked in the Parent Company's finance income.

In case the Parent Company is unable to repay its restructuring debts by the due date of 2 June 2019, this may result in bankruptcy of the Parent Company, in which case its liabilities related to the reversed interest liability shall be determined in accordance with section 66 of the Finnish Restructuring of Enterprises Act.

Other short-term borrowings

The other short-term borrowings consist entirely of the third-party security granted to Finnvera, as adjusted in accordance with the Parent Company's debt restructuring programme confirmed on 2 June 2017 (EUR 3.4 million). The amount is part of the Parent Company's secured debts.

In case the Parent Company is unable to repay its restructuring debts by the due date of 2 June 2019, this may result in bankruptcy of the Parent Company, in which case its liabilities related to the third-party security granted to Finnvera shall be determined in accordance with section 66 of the Finnish Restructuring of Enterprises Act.

4. Contingencies and commitments

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

EUR	As at 30 Jun 17	As at 30 Jun 16	As at 31 Dec 16
No later than 1 year	148,444	-	75,590
Later than 1 year and not later than 5 years	238,197	-	24,908
	386,641	0	100,498

Parent Company

EUR	As at 30 Jun 17	As at 30 Jun 16	As at 31 Dec 16
No later than 1 year	144,540	65,454	75,590
Later than 1 year and not later than 5 years	234,773	20,436	24,908
	379,313	85,890	100,498

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 (secured part EUR 4.1 million) and the Finnvera Financing Agreements (liability related to a third-party security of EUR 3.4 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, the Parent Company has guaranteed the obligations of Talvivaara Sotkamo under the Finnvera Promissary Note in the adjusted amount of EUR 0.5 million by a specific Surety Obligation.

Share-related key figures

		Six months to 30 Jun 17	Twelve months to 31 Dec 16	Six months to 30 Jun 17	Six months to 30 Jun 16	Twelve months to 31 Dec 16
Earnings per share	EUR	0.13	0.09	0.07	0.10	0.09
Equity per share	EUR	(0.00)	(0.25)	(0.00)	(0.25)	(0.25)
Weighted average numbers of ordinary shares in issue		4,155, 304	2,107, 821	4,155, 304	2,107, 487	2,107, 821
		626	627	626	275	627

Employee-related key figures

EUR	Group, IFRS		Parent Company, FAS		
	Period ended 30 Jun 17	Year ended 31 Dec 16	Period ended 30 Jun 17	Period ended 30 Jun 16	Year ended 31 Dec 16
Salaries	(937,654)	(2,080,382)	(937,654)	(1,283,800)	(2,080,382)
	2017	2016	2017	2016	2016
Average number of employees	20	25	20	34	25

Key financial figures of the Group

Return on equity $\frac{\text{Loss for the period}}{(\text{Total equity at the beginning of period} + \text{Total equity at the end of period})/2}$

Equity-to-assets ratio $\frac{\text{Total equity}}{\text{Total assets}}$

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

Debt-to-equity ratio $\frac{\text{Net interest-bearing debt}}{\text{Total equity}}$

Return on investment $\frac{\text{Loss for the period} + \text{Finance cost}}{(\text{Total equity at the beginning of period} + \text{Total equity at the end of period})/2 + (\text{Borrowings at the beginning of period} + \text{Borrowings at the end of period})/2}$

Share-related key figures

Earnings per share $\frac{\text{Loss attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$

Equity per share $\frac{\text{Equity attributable to equity holders of the Company}}{\text{Adjusted average number of shares}}$