Financial Review 2024

25 March 2025

Financial Review 2024

Terrafame

Financial review

2024 in brief

Terrafame enhances low-carbon mobility by delivering responsibly produced battery chemicals to the global battery industry. One of the world's largest production lines for chemicals used in electric vehicle batteries is located on Terrafame's industrial site. The plant is capable of producing nickel sulphate for around 1 million electric vehicles (EVs) per year. The carbon footprint of the nickel sulphate produced by Terrafame is among the smallest in the industry. Terrafame's integrated, unique and energy-efficient production process from the mine to battery chemicals is located on a single industrial site. It provides customers with a truly transparent, traceable and European battery chemical supply chain.

Key figures

Net sales	EBITDA	EBITDA-%
EUR 544.5 million	EUR 66.3 million	12.2%

Operating result	Own personnel at the end of the year	All personnel on the industrial site, avg. ca.
EUR -12.6 million	793	2,000

Equity ratio,%	LTIFR1, own personnel (1)	LTIFR1, all (1)
50.5%	5.2	4.9

(1) Occupational accidents leading to absence from work per million hours worked (LTIFR1, rolling 12 months).

- Terrafame's net sales and EBITDA decreased in 2024 due to lower market prices.
- Net sales decreased by 2.9% from 2023 and were EUR 544.5 (560.9) million. EBITDA decreased to EUR 66.3 (100.6) million.
- In January, the Vaasa Administrative Court issued two interim decisions that restricted ore and waste rock extraction as well as the construction and use of new production and waste areas. Due to the delay in the final decisions, Terrafame had to suspend mining operations at the end of 2024 as the interim decision's extraction limits were reached.
- In April, Terrafame had to shut down the battery chemicals plant due to national strikes. The plant was restarted in June. During the shutdown, planned maintenance activities were also carried out.
- Despite the challenging market situation, Terrafame managed to expand its customer portfolio and signed contracts with new globally operating customers who value sustainably produced battery chemicals.
- In June, Terrafame started the recovery of natural uranium at its industrial site in Sotkamo, Finland.

Terrafame's financial review for the year 2024 is the company's first IFRS financial statement. The comparative figures in parentheses are unaudited IFRS figures and refer to the corresponding period of the previous year, unless otherwise stated.

CEO's review

Seppo Voutilainen
CEO
Terrafame Ltd

In 2024, Terrafame's net sales nearly reached the previous year's level despite a difficult market situation. However, our EBITDA decreased due to lower sales prices. In the fourth quarter, our business operations reflected the full-year development rather well. I should note, however, that Terrafame's net sales increased significantly in the fourth quarter thanks to a supply agreement signed in late 2024, enabling us to reduce the increased battery chemicals inventories. In addition, we reached a quarterly record in the production of battery chemicals.

Compared to our estimate in early 2024, the electrification of mobility has progressed more slowly, especially in Europe, which affected the demand for battery chemicals. In addition, the imbalance in the nickel and nickel sulphate markets continued throughout the year due to a significant increase in production in Asia. This was reflected in clearly lower prices compared to the previous year and negatively impacted Terrafame's net sales and result, although successful price hedging partly offset this impact.

Despite the challenging market conditions, we managed to expand our customer portfolio and signed contracts with new globally operating customers who value sustainably produced battery chemicals. In 2025, we will continue to increase the production capacity of our battery chemicals plant towards the planned capacity. Additionally, the deliveries of metal intermediates were at quite a good level throughout the year thanks to our flexible production process.

The profitability programme launched in 2024 progressed as planned, and it had a positive effect on our result. We will continue working on the identified areas of development in 2025. The significant on-going investments are also progressing well. Furthermore, the uranium recovery, initiated in June 2024, continued as planned.

During the year, we developed our safety work with the aim of further shifting the responsibility for operational safety to the different departments and teams.
We also had close collaboration with customers in developing sustainable operations; for example, a significant car manufacturer conducted an extensive sustainability audit on our operations. The audit utilised, among others, EcoVadis, which is an internationally recognised and trusted provider of business sustainability ratings. Terrafame was evaluated for the first time using EcoVadis' extensive criteria and we achieved the second highest gold level, which has been reached by five percent of the companies that passed the assessment. This is a great example of our commitment to sustainability.

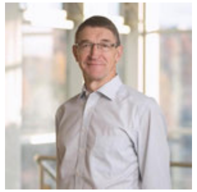
In December 2024, the Vaasa Administrative Court (VAC) passed two decisions relating to Terrafame, one of which concerns the environmental and water permit covering all of Terrafame's operations, i.e. the main permit, and the other concerns the KL1 waste rock area. In its interim decisions in early 2024, the VAC had imposed restrictions on extraction as well as on the construction and use of new production and waste areas until the passing of final decisions. As the extraction quotas set in the interim decisions were met before the final decisions were passed in late 2024, we were forced to halt our mining operations. The VAC's final decisions have a negative impact on Terrafame's operations and cause significant additional costs, which is why in January 2025 we sought for leave to appeal in the Supreme Administrative Court (SAC). In addition, we requested the SAC to pass an interim decision regarding key restrictions on operations.

In early 2025, we expect a decision on the application with which we seek a strategic project status for the yet unexploited Kolmisoppi ore deposit as part of a supply chain that complies with the European Critical Raw Materials Act (CRMA). We also expect the Regional State Administrative Agency for Northern Finland to decide on a permit regarding the mining of the Kolmisoppi land area.

In February 2025, we communicated about a financing arrangement to fund our investment programme over the next few years. This arrangement demonstrates our owners' and Nordic banks' long-term commitment to and confidence in our business despite the external challenges.

Overall, the year 2024 was a rather challenging one for Terrafame. Indeed, I would like to give special thanks to all Terrafame employees and the personnel of our partner companies for their steadfast work over the past year. In 2025, we will continue our work to reduce the carbon footprint of mobility, and we still consider the electrification of mobility to be inevitable in the longer term.

Chair of the Board's review



Lauri Ratia

Chair of the Board

Terrafame Ltd

The year 2024 was complex for Terrafame as the market environment continued to be difficult. However, the company performed rather well in last year's tough market conditions.

The key change in Terrafame's operating environment was the notable deceleration of the electrification of mobility in Europe and the significant delay in the creation of a purely European battery supply chain. The company sought new customerships with global car manufactures for its sustainably produced battery chemicals and succeeded in doing so. These deliveries will take place in 2025. We will continue to advance the continuous development of the battery chemicals plant and estimate that the plant will reach its planned capacity by the end of 2026.

The company's net sales and EBITDA decreased year-on-year due to lower prices of metals compared to 2023 and weakened demand. Nickel prices fell because of significant capacity increases in Asia. However, it was noteworthy that our net sales turned to growth in late 2024, driven by a new supply agreement related to battery chemicals. In addition, thanks to the company's flexible production process, we managed to produce metal intermediates for the market.

Seppo Voutilainen assumed his role as Terrafame's CEO in early 2024, and under his leadership, the company has determinedly begun to advance a transformation programme aiming for clearly improved operational efficiency. The measures taken to date have already had positive effects, and the implementation of the programme will continue this year.

In December, the Vaasa Administrative Court (VAC) passed two decisions that are challenging for Terrafame. Even though the maximum annual ore extraction volume under the decisions is 18 million tonnes, which is vital for our business model, the other regulations pertaining to the VAC's decisions will, if upheld, negatively impact Terrafame's operations and cause significant additional costs. Therefore, Terrafame sought leave to appeal in the Supreme Administrative Court (SAC). We see that there are weighty reasons for the annulment of the VAC's decisions. The leave to appeal was sought in the SAC in late January 2025.

For its part, Terrafame's success has enabled making battery supply chain investments elsewhere in Finland. The company's importance to regional economy and employment in Kainuu is significant. Additionally, Terrafame is a significant producer of critical raw materials, accounting for around 70% of the nickel produced in Europe. Hence, I can say that the positive impact of Terrafame's operations is extensive and undeniable especially in Finland – and important for Europe as well.

In the long term, the battery chemicals markets offer promising opportunities for Terrafame's extremely low-carbon, sustainably produced and traceable products although no correction to the global, or especially the European, market situation is on the horizon in the short term. Furthermore, reaching carbon neutrality by 2039 is still an extremely salient goal for Terrafame.

The year 2025 is an important milestone for Terrafame, as it will mark 10 years since the company was founded. Over the years, the company has transformed from a metal intermediates producer into an enabler of electric mobility. Terrafame's and partners' professionals have done groundbreaking work, for which I want to thank them hugely. We have created a significant industrial operator in Kainuu, providing direct and indirect employment opportunities for more than 5,500 people. In addition, I would like to thank our customers and partners for their confidence and the continued good cooperation.

Terrafame

Board of Directors' review

The Terrafame parent company prepares the first consolidated financial statements for the financial year 2024 in accordance with IFRS standards.

The subsidiary Terrafame Alueverkko Oy, which is 100% owned by Terrafame Ltd, has been consolidated in the consolidated financial statements and has no significant impact on the Group's figures in the financial year 2024.

Terrafame Ltd's financial information for the comparison period presented in the Board of Directors' review are unaudited IFRS figures.

Figures in parentheses refer to the corresponding period of the previous year, unless otherwise stated.

Strategy

Terrafame's goal is to enhance low-carbon mobility with responsible battery chemicals. The company's vision is to be among the most cost efficient and responsible producers of battery chemicals.

The company is advancing towards its vision with a strategy divided into three focus areas: financial stability, sustainability as a competitive advantage, and evolving as a specialty chemicals company.

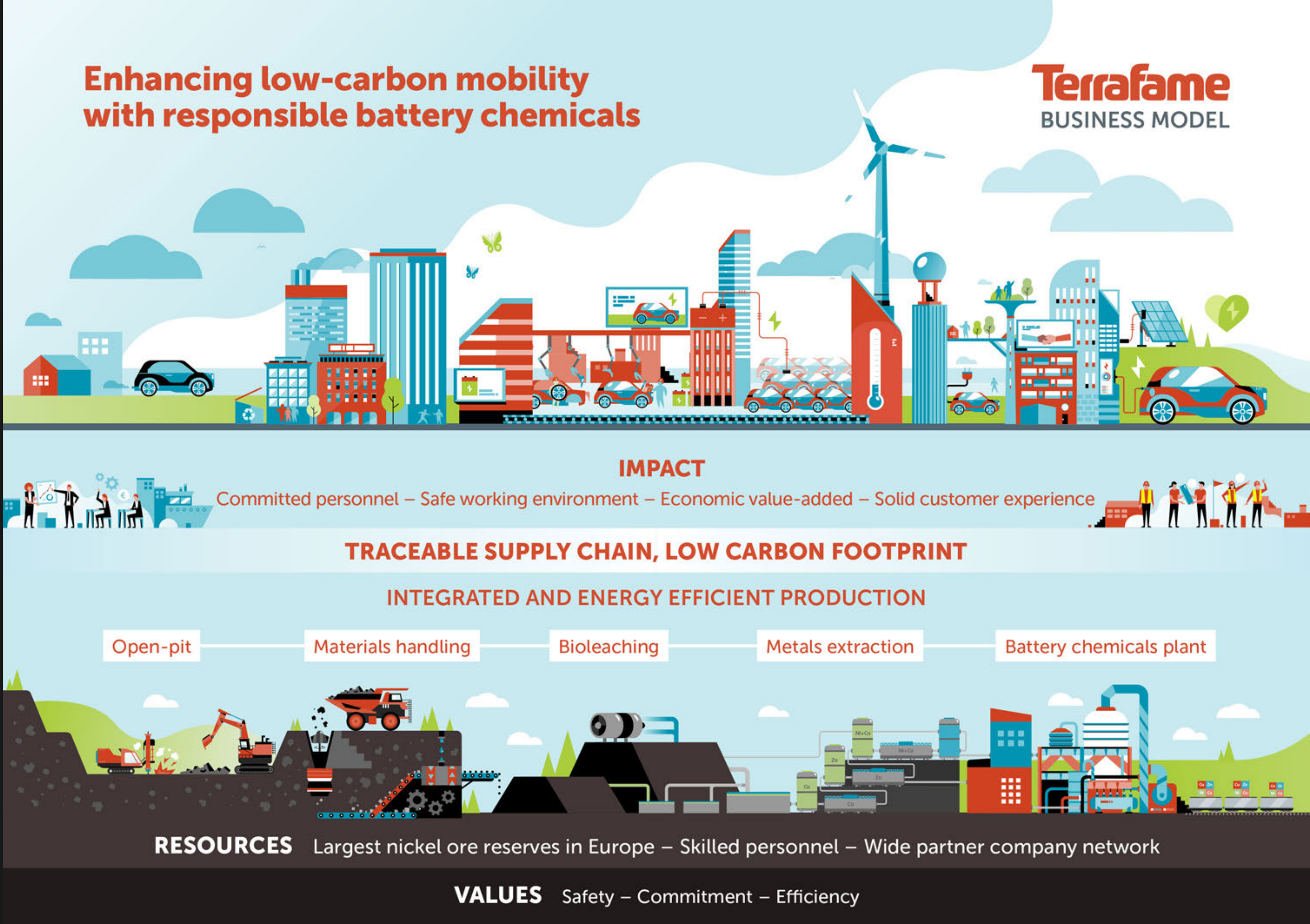
A traceable supply chain, a small carbon footprint and reliable deliveries are the core strengths of the strategy which Terrafame discusses directly with major car manufacturers. This strengthens our position in the value chain.

Traceability is made possible by a unique production process, located in the same industrial site from the mine to the battery chemicals plant. This ensures sustainability, which is appreciated by global electric vehicle manufacturers.

The bioleaching method is of primary importance in terms of strategy implementation. The method consumes 90% less energy than conventional methods. It enables Terrafame to significantly reduce our customers' carbon footprints and improve our cost-effectiveness.

Reliable deliveries are based on Europe's largest nickel reserves. The large reserves and one of the world's largest battery chemicals plant ensure reliable deliveries to global customers.

The competitive factors described above have made Terrafame a leader. Strengthening this leadership is an integral part of the strategy. That is why highly competent employees and partners are strategic competitive factors that drive the company forward. Terrafame's values – safety, commitment and efficiency – are therefore necessary for the realisation of the purpose of the operations.



Enhancing low-carbon mobility with responsible battery chemicals
Terrafame
BUSINESS MODEL
IMPACT
Committed personnel – Safe working environment – Economic value-added – Solid customer experience
TRACEABLE SUPPLY CHAIN, LOW CARBON FOOTPRINT
INTEGRATED AND ENERGY EFFICIENT PRODUCTION
Open-pit
Materials handling
Bioleaching
Metals extraction
Battery chemicals plant
RESOURCES Largest nickel ore reserves in Europe – Skilled personnel – Wide partner company network
VALUES Safety – Commitment – Efficiency

Market environment

Electric vehicle and battery markets

According to Rho Motion's Monthly EV Battery Chemistry Assessment report, a total of around 17.1 (13.6) million electric passenger cars and light commercial vehicles were sold worldwide in 2024. This represents an increase of around 26% from 2023. The growth was especially driven by China, whereas sales declined in Europe. In 2023, sales increased by approximately 35% from 2022.

Sold electric passenger cars and light commercial vehicles

Million pcs	1–12 2024	1–12 2023	Change
China	11.0	7.9	39%
USA and Canada	1.79	1.64	9.3%
Europe	3.06	3.10	-1.2%
Other countries	1.29	0.99	30%
Total	**17.1**	**13.6**	**26%**

Source: Rho Motion Monthly EV Battery Chemistry Assessment

Manufacturers of battery cells and cathode materials have announced investments in giga factories that will strengthen the North American and European battery markets. According to Rho Motion, the global sales of electric vehicles are expected to continue to increase in 2025, albeit at a slightly more moderate pace than before. Sales are expected to increase by around 19% to 20.4 million cars.

In December 2024, including all vehicle categories, the sales-weighted average pack size was 51.1 (52.3) kWh.

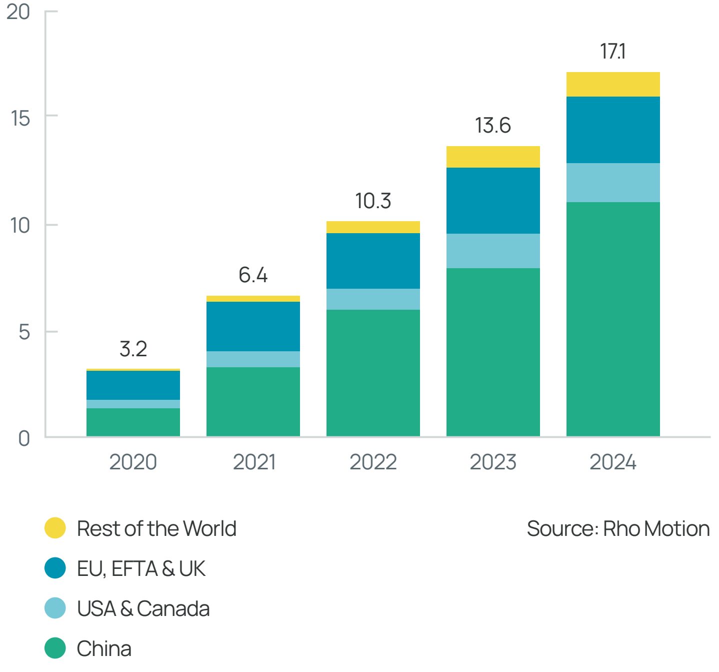
The electric vehicle battery market is clearly divided between high-nickel-content NCM batteries and LFP batteries. The market share of NCM 811 batteries, which have a high nickel content, was 22% (23) in December 2024, remaining at the previous year's level. The market share of LFP batteries was 52% in December 2024 (41% in December 2023).

In 2024, 8.1 (7.3) million electric vehicles utilising NCM battery technology were sold. Sales increased by around 11% compared to the previous year. Sales of electric vehicles utilising LFP battery technology increased by approximately 48% to 8.2 (5.6) million cars sold.

In terms of gigawatt hours, the demand for NCM batteries increased by around 11% to 415.1 (374.4) GWh in 2024 compared to the previous year. The share of NCM 811 batteries increased by around 29% to 196.2 (152.7) GWh. The share of LFP batteries increased by around 47% to 419.6 (284.6) GWh. (Source: Rho Motion Monthly EV Battery Chemistry Assessment)

Global EV sales

Includes electric passenger cars and light duty vehicles, million pcs



Source: Rho Motion

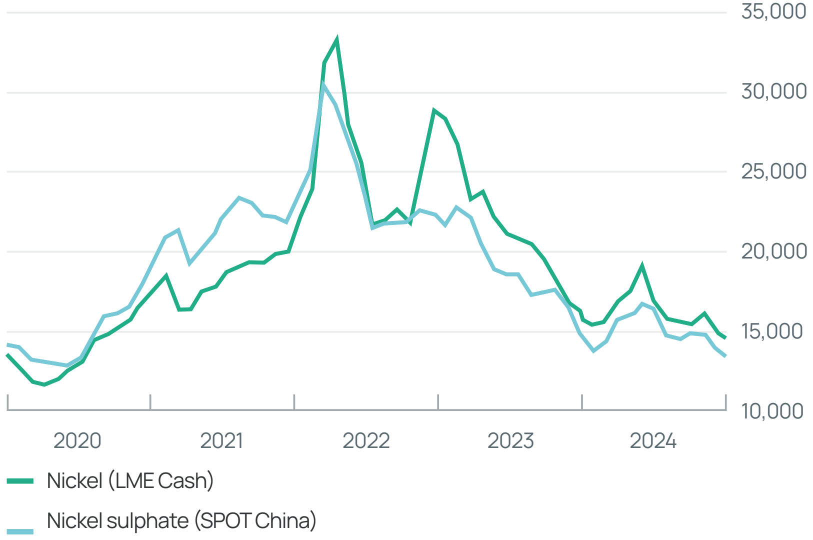
Terrafame

Nickel market

The price of nickel on the London Metal Exchange (LME) in 2024 was markedly lower than in 2023. The average market price in 2024 was 16,812 (21,474) USD/t, which is around 22% lower than in 2023.

The price of nickel sulphate (SPOT China) also fell markedly, and the average price in 2024 was 15,735 (18,930) USD/t, which is around 17% lower than in 2023. The spot price (SPOT China) of nickel sulphate has not been fully linked to the LME price since 2022.

Price development of nickel and nickel sulphate (USD/t)



The total combined nickel stocks on the London Metal Exchange (LME) and the Shanghai Futures Exchange (SHFE) at the end of December 2024 were 198,598 tonnes, which is around 2.5 times higher than in the corresponding period in 2023 (77,923). The strong decrease in nickel stocks, which began in the second quarter of 2021, turned around in the third quarter of 2023. The stock level at the end of December 2024 corresponded to demand for 3.1 weeks (0.8).

Currency exchange rate

In 2024, the average EUR/USD exchange rate was 1.08 (1.08 in 2023).

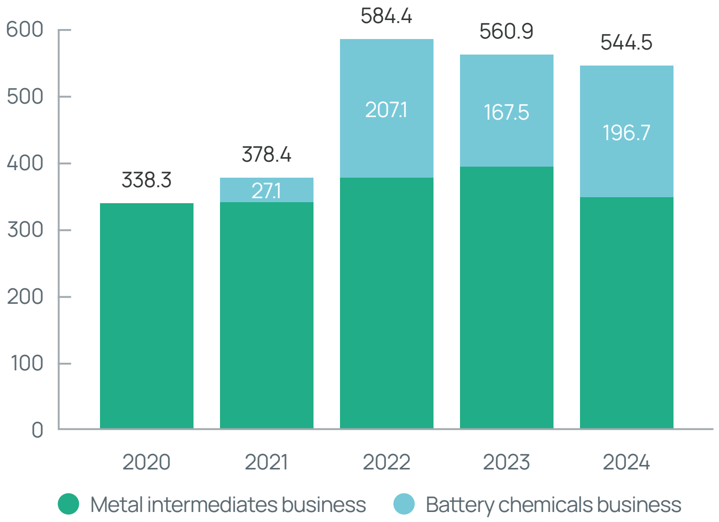
Net sales and financial performance

Net sales were EUR 544.5 (560.9) million, representing a decrease of 2.9% year-on-year. Net sales were affected by lower market prices of nickel sulphate and metals, as well as lower delivery volumes of metal intermediates compared to the previous year.

Net sales from the battery chemicals business totalled EUR 196.7 (167.5) million, or 36.1% (29.9) of the company's total net sales. Net sales grew due to increased delivery volumes towards the end of the year, driven by a new supply agreement. Although the battery chemicals plant had to be shut down in April for nearly two months due to national strikes, the production of battery chemicals was at a higher level than in the previous year. In addtion, the production of battery chemicals reached a quarterly record in the last quarter of the year. Net sales from the metal intermediates business totalled EUR 347.8 (393.4) million.

Net sales

EUR million

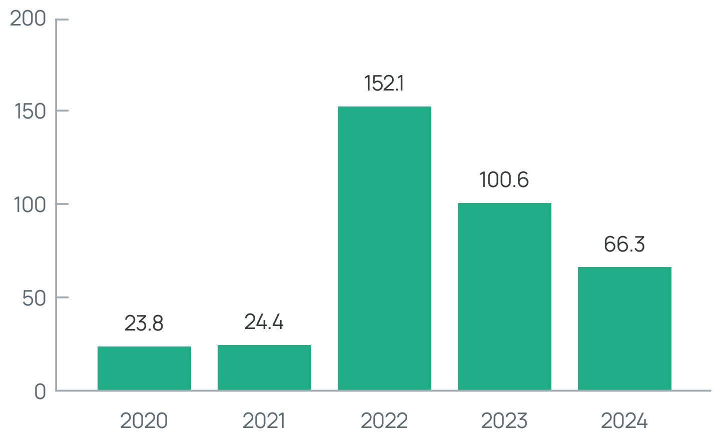


Financial data for the years 2023–2024 are IFRS figures, while for the years 2020–2022 they are FAS figures.

EBITDA was EUR 66.3 (100.6) million, or 12.2% (17.9) of net sales. Depreciation totalled EUR 78.9 (62.7) million in 2024.

EBITDA

Excl. non-recurring items, EUR million



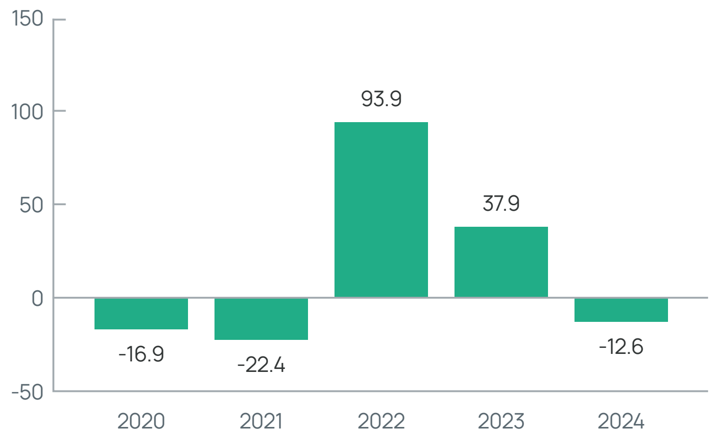
Financial data for the years 2023–2024 are IFRS figures, while for the years 2020–2022 they are FAS figures.

The operating result was EUR -12.6 (37.9) million. EBITDA and the operating result were weakened by lower market prices of nickel sulphate and metals. Improved cost efficiency had a positive impact on the result. Additionally, price hedging softened the impact of lower sales prices on net sales and the result.

The company's net financial items were EUR -27.0 (-43.5) million, and the result for the period was EUR -46.3 (-4.4) million.

Operating result

Excl. non-recurring items, EUR million



Financial data for the years 2023–2024 are IFRS figures, while for the years 2020–2022 they are FAS figures.

Cash flow and financial position

In 2024, cash flow from operating activities was EUR 42.3 (35.8) million, of which the change in net working capital accounted for EUR 3.7 (-39.5) million. Cash flow from investing activities was EUR -177.2 (-134.9) million. Cash flow after investment activities was EUR -135.0 (-99.1) million. At the end of 2024, the company's cash and cash equivalents totalled EUR 41.0 (15.2) million.

Terrafame's balance sheet total on 31 December 2024 was EUR 1,451.9 (1,307.2) million. Inventories totalled EUR 318.7 (313.3) million at the end of the financial year. The company's inventories are divided into three categories: materials and supplies, work in progress and finished products. The value of the inventory of materials and spare parts at the end of the financial year was EUR 34.0 (30.0) million. The value of work in progress was EUR 269.7 (258.6) million, and the value of the inventory of finished products was EUR 15.1 (24.7) million. The valuation principles for inventories are presented in more detail under "Intangible assets/Inventories" in the accounting principles on **page 34** of the financial statements.

At the end of the financial year, trade receivables totalled around EUR 73.0 (49.0) million. Accruals totalled around EUR 61.9 (77.4) million. Other receivables totalled around EUR 12.0 (13.4) million.

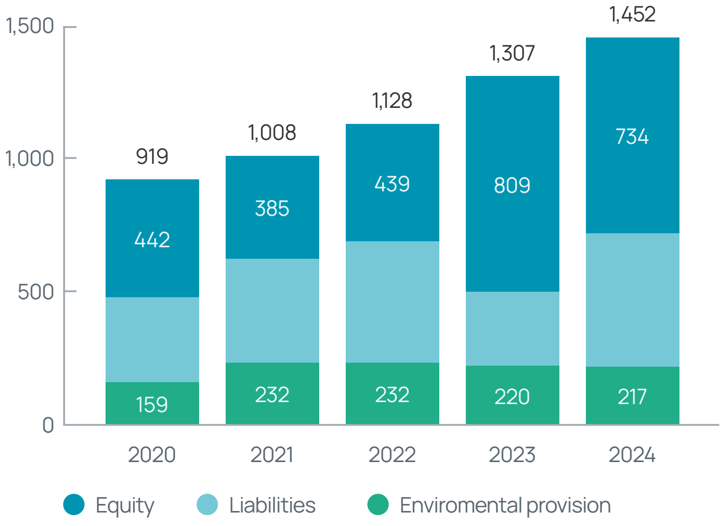
Equity stood at EUR 733.9 (809.0) million at the end of 2024. Debt totalled EUR 501.3 (278.5) million. In addition, the balance sheet includes a remediation provision of EUR 216.7 (219.7) million for the costs arising from closing a mine and cleaning the environment. The rehabilitation provision is explained in more detail under "Rehabilitation provision for mine closure and environmental clean-up costs" in the accounting principles on **page 38** of the financial statements.

Due to the challenging market situation, the company's liquidity position was tight at the end of 2024. This was addressed by entering into a new nickel sulphate supply agreement, launching a significant profitability program, and agreeing on a substantial EUR 215 million financing arrangement with the owners. The financing arrangement is detailed further in the key events after the financial period.

Terrafame's equity ratio was 50.5% (61.9) at the end of the financial year, and its gearing was 40.7% (15.6). The decrease in the equity ratio is due to the loans taken out by the company during the year, the result of the financial year, and the change in the fair value reserve.

Equity and liabilities

EUR million



Financial data for the years 2023–2024 are IFRS figures, while for the years 2020–2022 they are FAS figures.

Key figures and their calculation formulas are presented on **page 24**.

Capital expenditure

In 2024, capital expenditure totalled EUR 211.1 (138.2) million. Of this total, EUR 51.5 (25.7) million was used to improve productivity and increase capacity, and EUR 159.6 (112.4) million was used to sustain production.

Capital expenditure, EUR million	1–12 2024	1–12 2023	Change
Sustaining capital expenditure	159.6	112.4	41.9%
Investments in productivity improvement and capacity growth	51.5	25.7	100.4%
Total capital expenditure	**211.1**	**138.2**	**52.7%**

Sustaining capital expenditure mainly consisted of preparatory work related to the exploitation of the next sections of the Kuusilampi mine. Other significant sustaining capital expenditure included the start of the construction of a new section of the waste rock area, and preparatory work for the new secondary sections (5–6).

The most significant investments in productivity improvement and capacity growth were related to the preparing of uranium recovery as well as preparatory work related to the exploitation of the Kolmisoppi ore deposit. Mining equipment was also significantly renewed during the financial year.

In August 2023, Terrafame decided to invest more than EUR 200 million in a new secondary leaching area, which is planned to be introduced in 2026. In 2024, investments in the new secondary area totalled EUR 71.1 million. The construction of the new area will continue in 2025. New secondary leaching areas are needed on the industrial site when old ones become full.

Currency and commodity hedges

In the 2024 financial year, the company continued to hedge its cash flow against a decrease in the US dollar exchange rate and metal prices in line with its hedging policy.

The company applied hedge accounting. More information about hedges is provided in Note 1.18 to the financial statements on page 52.

Financing arrangements

In 2024, there were no new significant financing-related arrangements. The strengthening of the company's financing position announced in February 2025 is described in Key events after the financial period. The amounts presented in the following table cover all the financing items received by Terrafame from its shareholders during its time of operation, as well as debt financing items converted into equity (excluding the arrangement announced in February 2025).

	Equity financing	Debt financing	Transfer	Converted equity	Re-payments	Debt financing	Total financing
Finnish Minerals Group	537.3	58.0	0.0	0.0	-58.0	65.0	602.3
Galena Asset Management	389.6	0.0	0.0	0.0	0.0	0.0	389.6
Trafigura	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mandatum	47.7	0.0	0.0	0.0	0.0	0.0	47.7
Total	**974.6**	**58.0**	**0.0**	**0.0**	**-58.0**	**65.0**	**1,039.6**

Terrafame

Shares and shareholders

Terrafame has one series of shares. At the end of December 2024, the company had 5,968,655 (5,197,154) shares. Its share capital was EUR 2.0 (2.0) million, and its shareholders' equity was EUR 733.9 (809.0) million.

At the end of December 2024, Finnish Minerals Group (FMG), a special-assignment company of the state of Finland, owned 56.1% (64.4), Galena funds owned 39.4% (32.9) and Mandatum owned 4.5% (2.7) of Terrafame.

Share arrangements carried out in 2024 are presented in the following table:

	Galena 2	Galena Fund	Galena Co-Inv. 2	Galena 3	Galena 4	Mandatum	FMG	Total
Registered holding 31 Dec 2023	**14.7%**	**0.0%**	**0.0%**	**14.1%**	**4.1%**	**2.7%**	**64.4%**	**100.0%**
Changes in the number of shares during the financial year								
Equity funding	151,538	0	0	490,587	0	122,701	0	
Share transfer	-602,952	520,589	82,363					
Payment of interest and arrangement fees in shares	0	0	0	0	0	6,675	0	
Holding after option arrangements 31 December 2023	310,214	520,589	82,363	1,223,820	215,181	267,246	3,349,242	5,968,655
Non-registered holding 31 Dec 2023	**5.2%**	**8.7%**	**1.4%**	**20.5%**	**3.6%**	**4.5%**	**56.1%**	**100.0%**
Changes in the number of shares during the financial year								
Equity funding	0	0	0	0	0	0	0	
Share transfer	0	0	0	0	0	0	0	
Payment of interest and arrangement fees in shares	0	0	0	0	0	0	0	
Holding 31 December 2024	310,214	520,589	82,363	1,223,820	215,181	267,246	3,349,242	5,968,655
Registered holding 31 Dec 2024	**5.2%**	**8.7%**	**1.4%**	**20.5%**	**3.6%**	**4.5%**	**56.1%**	**100.0%**

Finnish Minerals Group's holding may decrease to no lower than 50.1% in the future if Galena funds and Mandatum exercise all their option rights. In such a case, the holding of Galena funds would be around 45.0% and the holding of Mandatum around 5.0%.

Key events during the financial period

Terrafame strengthened its financing

On 25 January 2024, Terrafame announced that the company had strengthened its financing. In connection with this, the funds managed by Galena Asset Management and Mandatum Holding Ltd exercised the option rights previously granted to them. The funds raised by means of the option rights have been used to repay long-term loans of EUR 142 million granted by Trafigura and Mandatum. As part of the share-holders' financing arrangement, Finnish Minerals Group increased the working capital facility granted to Terrafame to EUR 65 million and extended its maturity until June 2025.

In addition, Terrafame agreed on a new loan arrangement of EUR 250 million. The loan package is unsecured, with a maturity of four years. It includes a bullet loan of EUR 100 million and a revolving credit facility of EUR 150 million. The bullet loan is for refinancing Terrafame's existing liabilities. The revolving credit facility is for working capital needs and the company's general financing needs.

The above transactions were completed in December 2023 and have been recognised on the company's balance sheet on 31 December 2023 insofar as the financing had been used.

Seppo Voutilainen appointed as Terrafame's CEO

On 22 March 2024, Terrafame announced that the company's Board of Directors had appointed Seppo Voutilainen as the company's CEO. Voutilainen had acted as Terrafame's interim CEO since January 2024. Voutilainen has been a member of Terrafame's Leadership Team and the company's Chief Production Officer since 2020. The previous CEO Joni Lukkaroinen stepped down from his position on 17 January 2024.

Change negotiations related to profitability programme

On 5 April 2024, Terrafame announced that it had concluded the change negotiations initiated in February. As a result of the negotiations, Terrafame will make a reduction of 34 person-years, of which 27 are redundancies, on production-related and financials grounds as well as due to operational reorganisation.

The change negotiations were related to the profitability programme initiated in February 2024. During the change negotiations, Terrafame and the employee representatives also discovered other measures that will improve Terrafame's profitability.

Terrafame brought its battery chemicals plant to a halt due to national strikes in Finland

On 5 April 2024, Terrafame announced that it had decided to bring its battery chemicals plant to a halt for approximately four weeks. The decision arose from the national strikes in Finland that had continued for several weeks and were affecting the logistics chain. Due to the strikes, Terrafame was not able to execute the export deliveries of the products of its battery chemicals plant, which forced Terrafame to store the products in its industrial site. The shutdown of the battery chemicals plant did not affect Terrafame's metal intermediates production.

Appointments to Terrafame's Leadership Team

Mr David Garcia-Balbuena, M.Sc., was appointed as the Chief Production Officer and a member of the Leadership Team as of 1 June 2024. He moved to the Leadership Team from his position as the Head of Production, Bioleaching and Water management. Before his appointment, Garcia-Balbuena has held various managerial roles in the bioleaching and water management as well as geology and mine planning departments.

Mr Kristian Granit, M.Sc. (Process technology), was appointed as the Chief Services Officer and a member of the Leadership Team as of 1 June 2024. He moved to the Leadership Team from the position of the Deputy Chief Production Officer. Before this, he has held various managerial and leadership positions in electrical and automation maintenance, the metals extraction plant, and the battery chemicals plant.

Former Chief Technology Officer Antti Arpalahti continues in the Leadership Team as the Chief Technology, Strategy and Projects Officer, focusing on research and development, strategy, and projects.

Terrafame started uranium recovery

On 18 June 2024, Terrafame started recovering natural uranium on its industrial site in Sotkamo, Finland. The company's production process enables the low concentration of natural uranium found in the ore to be used as a by-product. The uranium recovered by Terrafame will be transported abroad for further processing, after which it will be used in nuclear energy production. In total, the preparations required investments of approximately EUR 20 million. Once the operation has reached its planned capacity in full, the recovery of uranium will increase Terrafame's net sales by approximately EUR 30–40 million per year, accounting for a few percent of Terrafame's estimated net sales in the coming years.

Terrafame applied for a strategic project status for the exploitation of the Kolmisoppi ore deposit under the EU's Critical Raw Materials Act

On 21 August 2024, Terrafame announced that it had submitted an application to the European Commission seeking a strategic project status for the Kolmisoppi project under the European Union's Critical Raw Materials Act (CRMA).

The CRMA came into effect in May 2024 and aims to sustainably ensure the availability of raw materials that are critical and strategic in terms of Europe's economy and clean transition. The CRMA covers more than 30 raw materials, defining the battery grade nickel produced by Terrafame as well as cobalt and copper as strategic raw materials. Among other things, the status of a strategic project ensures that permitting processes proceed according to the deadlines set in the CRMA, decreasing the scheduling risk related to permitting.

Change negotiations concluded in December

On 11 December 2024, Terrafame announced that it had concluded the change negotiations initiated in October 2024. As a result of the negotiations, Terrafame will make a reduction of a maximum of 30 person-years on production-related and financial grounds as well as due to operational reorganisation. In addition, Terrafame will implement temporary layoffs and changes to the work scheduling, among other things. At the beginning of the negotiations, Terrafame estimated that the maximum personnel reduction need would be in total 75 person-years. Terrafame is seeking improved operational efficiency and cost savings primarily through other measures than personnel reductions such as various development projects.

Personnel

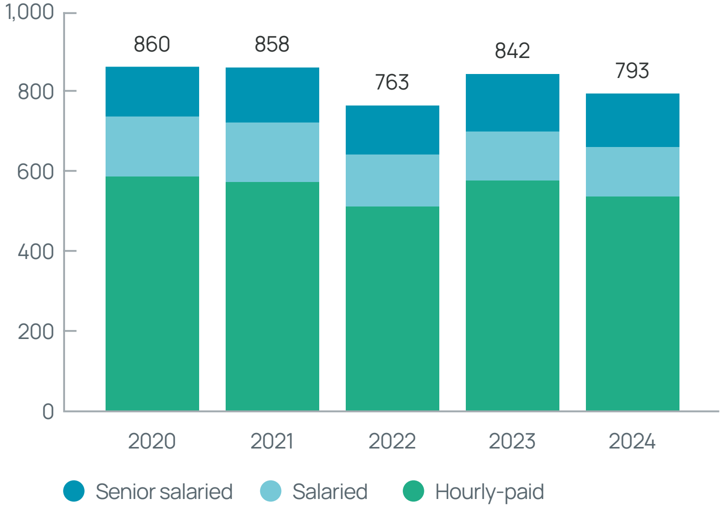
Sustainability is at the core of Terrafame's business operations. Terrafame supports and respects human rights and labour rights and requires the same from its business partners. The company is continuously developing its operations together with its personnel to provide a safe and healthy working environment for its employees and those of its partner companies, as well as learning and career development opportunities for its personnel.

Around 2,000 people work regularly on Terrafame's industrial site. Terrafame had 793 (842) employees at the end of December 2024. The decrease was due to the profitability programme-related personnel reductions implemented during the year.

An average of 1,217 (1,038) people employed by contractors and subcontractors worked on the industrial site during the reporting period (FTE). The increase mainly resulted from the construction of the new secondary leaching area as well as increased haulage of waste rock at the Kuusilampi open pit mine.

Terrafame personnel on 31 December

Active



Occupational safety

Safety is one of Terrafame's values, and the continuous development of a safety culture has been one of the main priorities since the company was established. Operations within the industrial site must be safe both for the company's own employees and those of its partners in all circumstances and situations. Terrafame's aim is zero accidents.

During the financial period, partner companies' accident frequency rate decreased due to Terrafame's and partner companies' long-term cooperation to improve safety at work. Unfortunately, the development of safety at work did not meet expectations as regards Terrafame's own employees. For 2025, the company has created an occupational safety development programme, with the aim of redirecting the safety development of Terrafame's own personnel towards zero accidents.

Accident frequency rate, 12-month LTIFR1	31 Dec 2024	31 Dec 2023	Change
Accident frequency rate, Terrafame employees	5.2	4.5	15.6%
Accident frequency rate, partner companies	4.7	5.0	-6.0%
Total accident frequency rate on the industrial site	4.9	4.8	2.1%

Sustainability

All Terrafame's operations are based on sustainability and continuous improvement. The objectives of Terrafame's sustainability work for 2022–2024 are set out in the company's sustainability programme, the progress of which has been monitored in the sustainability review published annually. Terrafame has a comprehensive approach to sustainability incorporating the environment, social responsibility and good governance. The themes of our sustainability programme are linked to the UN Sustainable Development Goals as far as applicable. Terrafame is also committed to the UN Global Compact initiative, which provides an internationally approved framework for demonstrating sustainability. The initiative's ten principles are based on global human rights, labour, environmental and anti-corruption agreements.

In addition, Terrafame's employees and partners, as well as its suppliers of services and materials, must comply with the company's Code of Conduct and the principles of the sustainability policy. Policy implementation is supported by Terrafame's certified management system (ISO 9001, ISO 45001 and ISO 14001) and more detailed operating guidelines.

The sustainability programme 2022–2024 concluded at the end of the year. During the programme period, the company succeeded in developing, for example, its energy management system, which was ISO 50001-certified in February 2025. This was also reflected in the external verification of the requirements of the international Towards Sustainable Mining (TSM) standard of the mining industry, conducted every three years. The latest verification was conducted in late 2024. In line with its targets, Terrafame has achieved at least an A level rating (rating from C to AAA) in all areas included in the assessment. Compared to the previous verification, the company's rating increased most in the area of climate change management related to energy efficiency and greenhouse gas emissions.

The sustainability programme included targets related to, for example, water management and waste recycling, and the company achieved progress on these themes in 2020–2024. Terrafame will estimate the achievements and future areas of development of the sustainability programme in 2025.

Terrafame's sustainability work was also evaluated as part of a customer audit at the end of 2024. One of the assessment tools used was the internationally recognised and trusted EcoVadis, which helps companies evaluate their sustainability efforts related to the environment, labour practices and human rights, ethics, and sustainable procurement. In its first EcoVadis assessment, Terrafame achieved the second highest gold level, which has been reached by 5% of the companies evaluated in the past 12 months.

Environmental monitoring

Terrafame monitors the state of the environment on the industrial site in accordance with the permit decisions and the monitoring programme approved by the authorities. Terrafame's annual environmental monitoring reports are available in Finnish on its website at **www.terrafame.fi**. The report for 2024 will be published in April–May 2025.

Sulphate loading of natural waterways is one of the most significant environmental impacts of Terrafame's production. In 2024, sulphate loading was caused by the treatment of runoff waters and the discharge of purified water. The increase in sulphate loading in 2024 resulted from higher volumes of purified discharge water. However, sulphate loading was clearly below the annual permit quota.

Key indicators related to discharge waters	1-12 2024	1-12 2023
Purified discharge waters, Mm^3	10.9	10.1
Sulphate in discharge waters, tonnes (permit quota 17,000 tonnes)	12,424	11,056
Recycling rate for sulphate from processes, % (target 100%)	99%	99%

Corporate sustainability reporting

Terrafame is obligated to comply with the CSRD requirements only from 2025 onwards. However, Terrafame has voluntarily draw up a non-assured sustainability report for 2024, which will be published separately from the Board of Directors' Review in March 2025. The report is available on the **website**. As a consequence, Terrafame no longer publishes a non-financial information in conjunction with the Board of Directors review and Financial statements as in 2019-2023.

The disclosures and data points presented in the 2024 sustainability report are based on Terrafame's double materiality assessment, conducted in two phases during 2023 and 2024. In preparing the report, relevant disclosure requirements of the EU's Corporate Sustainability Reporting Directive have been applied, guiding the content and structure of the report.

Terrafame's last Sustainability Review was published in June 2024, and it is available on the **website**.

Double materiality assessment

Terrafame performed the identification and assessment of material sustainability matters in two phases during 2023 and 2024. The materiality assessment process was initiated in autumn 2023 and led by an external expert. Terrafame's management and specialists participated in the process. The process began by defining Terrafame's value chain. Subsequently, Terrafame's impacts, risks, and opportunities were mapped and assessed. Stakeholder representatives were also consulted as part of the process, and the insights from stakeholder interviews were used in the assessment of sustainability matters. The results of the first phase were compiled into a materiality matrix at the end of 2023.

In summer 2024, the double materiality assessment was expanded to cover all necessary sub-topics, and the assessment of identified sustainability matters was refined to align with the criteria set out in the ESRS standards. In conjunction with the refined materiality assessment, the materiality threshold was reviewed to ensure that it was set at a level whereby the sustainability matters defined as material provide an accurate and sufficient overview of Terrafame's sustainability matters. Terrafame's Leadership Team has approved the final materiality assessment in autumn 2024.

Governance

As a non-listed company, Terrafame follows the Securities Market Association's current Corporate Governance Code to the extent that it is applicable. The 2024 Corporate Governance Statement is published simultaneously with, but separately from, the Board of Directors' review on the **website**.

Annual General Meeting

Terrafame's Annual General Meeting (AGM) was held on 20 March 2024. The AGM adopted the financial statements for 2023, decided on profit distribution in accordance with the Board of Directors' proposal and discharged the members of the Board and the CEO from liability.

The AGM confirmed the number of Board members as seven and re-elected Lauri Ratia, Matti Hietanen, Jesus Fernandez, Riitta Mynttinen, Julian Sanchez and Jyrki Vainionpää as members of the Board. Peter Schuhmacher was elected as new member of the Board. Tuomo Mäkelä was not available for re-election. Lauri Ratia was elected as Chair of the Board and Matti Hietanen as its Vice Chair.

The AGM decided to keep the Board members' fees unchanged. The annual fee for the Chair of the Board is EUR 72,000. The annual fee for each member of the Board is EUR 36,000. In addition, the Chair and members of the Board are paid a meeting fee of EUR 600 based on their attendance in Board or committee meetings.

KPMG Oy Ab, Authorised Public Accountants, was elected as the auditor, with APA Toni Aaltonen as the principal auditor.

Leadership Team

At the end of 2024, Terrafame's Leadership Team consisted of the following members:

Seppo Voutilainen
CEO

Antti Arpalahti
Chief Technology, Strategy and Projects Officer

David Garcia-Balbuena
Chief Production Officer

Kristian Granit
Chief Services Officer

Veli-Matti Hilla
Chief Sustainability Officer

Janne Palosaari
Chief Commercial Officer

Heini Rötsä
Chief People Officer

Ville Sirviö
Chief Financial Officer

Permits

On 20 June 2022, Terrafame announced that it had submitted its environmental permit application for the exploitation of Kolmisoppi and the expansion of the mining concession to the Regional State Administrative Agency for Northern Finland. Kolmisoppi, which remains unexploited, is the second ore deposit located in Terrafame's mining concession. Including Kolmisoppi, Europe's largest nickel ore reserves are located in Terrafame's mining concession in Sotkamo. In addition to nickel, zinc, cobalt, copper and uranium are also recovered from the ore. Since 2021, nickel and cobalt have been processed into battery chemicals at the company's battery chemicals plant for use in electric car batteries.

On 17 February 2023, the Regional State Administrative Agency for Northern Finland decided to not process the Kolmisoppi project permit application. A key obstacle to processing the permit application in accordance with the scope of the application submitted in June 2022 was the fact that the procedure to deviate from the objectives of the water management plan requires a legislative amendment, which is still under preparation.

Terrafame decided to change the Kolmisoppi project plans so that the project will proceed in two phases. In the first phase, the company will apply for a permit to exploit the ore deposit in the Kolmisoppi land area, with mining scheduled for 2028–2033. The first-phase permit application was submitted to the Regional State Administrative Agency for Northern Finland in the summer of 2023. In the second phase, Terrafame will apply for a permit to expand the mine into the water area, with mining scheduled for 2040–2050. Between 2033 and 2040, mining will take place in the current Kuusilampi mine.

In August 2024, Terrafame applied for a strategic status for the Kolmisoppi ore deposit as part of a supply chain that complies with the EU's Critical Raw Materials Act (CRMA). The application is currently being processed, and a decision on the matter is expected in the first half of 2025.

In December 2024, the Vaasa Administrative Court (VAC) passed two decisions relating to Terrafame, one of which concerns the environmental and water permit covering all of Terrafame's operations, i.e. the main permit, and the other concerns the KL1 waste rock area.

The Regional State Administrative Agency for Northern Finland gave a permit decision on the main permit in 2022 and a permit decision on the KL1 waste rock area in 2023. In January 2024, the VAC passed interim decisions on the abovementioned permits, restricting the ore and waste rock extraction volumes, among other things.

In its decisions, the VAC confirmed the increase in the ore extraction volume to 18 million tonnes per year, approved earlier by the Regional State Administrative Agency for Northern Finland, but restricted the waste rock extraction volume to 30 million tonnes per year. In its own decision, the Regional State Administrative Agency for Northern Finland had approved an increase in the waste rock extraction volume from 30 million tonnes to 45 million tonnes per year. The VAC's decisions partly restrict the construction and use of the new secondary leaching area SEK5–8 and the new waste rock area KL1. In January 2025, Terrafame has sought leave to appeal in the Supreme Administrative Court regarding the decisions. More information is available on key events after the financial period.

Related party events

The legal and other administrative services purchased from Finnish Minerals Group totalled EUR 0.6 (0.6) million, and the product development project management services purchased from Finnish Minerals Group totalled around EUR 0.2 (0.2) million.

Net sales of nickel-cobalt sulphide and zinc sulphide to Trafigura Group during the financial year amounted to EUR 94.0 (229.7) million, and net sales of nickel sulphate to Trafigura Group amounted to EUR 80.0 (54.1) million.

Information about the financing arrangements carried out with related-party companies Finnish Minerals Group, Trafigura Group and Galena funds is provided under "Financing arrangements" in the Board of Directors' review.

All transactions between Terrafame and its related parties have taken place on market terms.

A more detailed description of related party transactions is provided in Note 1.26 to the financial statements on page 64.

Tax footprint

Terrafame is committed to sustainability in all areas, including taxation. Terrafame has a significant role in society and an important regional role, especially in the Kainuu region. The company operates only in Finland and thus does not pay taxes in other countries.

Tax footprint reporting is based on the guidance on tax reporting issued by the Ownership Steering Department of the Prime Minister's Office on 1 October 2014. Mandatory insurance contributions included in salary costs are excluded from reporting. These insurance contributions are directly related to salaries and are treated as direct salary costs because of the nature of the insurance policies. In addition, the company does not report minor VAT amounts included in foreign travel and training expenses.

Terrafame has yet to generate any taxable income. However, the company has incurred significant tax expenses because of the energy and fuel taxes related to its operations. In addition, the company has paid normal taxes related to the acquisition and ownership of property.

Tax on mined minerals

In Finland, the Act on Mined Minerals Tax went into effect on 1 January 2024. The tax also applies to Terrafame, as the company extracts and produces nickel, zinc, copper, cobalt and uranium, which are defined as metal ores in the Act on Mined Minerals Tax.

The liability to pay the metal ore tax arises when Terrafame transfers the ore to the primary bioleaching heaps after extracting and crushing. The tax on metal ores is determined on the basis of the amount of metal contained in the mined mineral and its taxable value. The tax is 0.6% of the taxable value of metal, which is based on the international market prices of metals, among other things. The Finnish Tax Administration establishes the tax values for the tax period on the basis of the previous calendar year's price data.

The Finnish Tax Administration has issued an in-depth tax guideline on mined mineral taxation on 24 January 2025. The guidance has been issued after the financial year of 2024. In addition to the tax on metal ores, a tax on any other mined minerals should be paid based on the point in time at which the mined mineral is extracted.

The tax for other mined minerals is EUR 0.20 per tonne of ore.

Terrafame's view is that the in-depth tax guideline does not align with the purpose of mined mineral taxation and that the interpretation is incorrect. Therefore, in accordance with the purpose of the Mined Mineral Tax Act, Terrafame should pay the tax on metal ores according to its own calculations. Terrafame will seek an advance ruling from the tax authorities on this matter during the 2025 financial year.

As a result of the above, Terrafame Ltd has amortised approximately EUR 6.5 million in metal ores tax into its profit.

Terrafame Ltd's tax items in 2024 and 2023

Taxes payable	2024	2023
Direct taxes paid	**2,489**	**3,563**
Income tax	0	0
Transfer tax	10.5	0
Property tax	697	691
Employer's health insurance contributions	558	685
Customs fees	823	1,844
Statutory fees	401	342
Indirect taxes paid	**7,429**	**11,081**
Excise tax, net	6,556	10,482
Insurance premium tax	860	585
Waste tax	13	14
Taxes collected and accounted for	**-43,955**	**-18 545**
Withholding tax	10,988	10,234
Value added tax, net	-54,944	-28,778
Total	**-34,037**	**-3,901**
Ratio of tax payments to net sales	-6.25%	-0.70%

EUR thousand

In the parent company's FAS financial statements as of 31 December 2024, deferred tax assets of approximately EUR 12.3 million have not been presented. In the consolidated financial statements in accordance with IFRS standards, the deferred tax asset has been recorded. The deferred tax arises from confirmed losses from previous tax years that have not been utilised in taxation. The amount remains after the estimated taxable income for the tax year 2024. On 31 December 2024, the parent company's FAS financial statements showed approximately EUR 12.3 million of unrecognised deferred tax assets. In consolidated financial statements in accordance with IFRS standards, a deferred tax asset is recognised. Other deferred taxes are recognised in the financial statements relating to right-of-use assets and fair values of derivatives held for hedging purposes, as well as biological assets. In the income statement, the impact of those deferred taxes is approximately EUR -0.2 million and in the balance sheet, the net tax liability totals EUR 9.3 million.

Research and development

Terrafame researches and develops its production process mainly in the context of normal business operations. Development activities are counted towards normal business expenses.

The company continuously researches bioleaching and possibilities to further enhance it through agglomeration, aeration, and irrigation. In 2024, Terrafame focused particularly on researching and developing closure measures, uranium recovery, and the rare earth metal recovery it enables.

For several years, Terrafame has been conducting surface structure trials in secondary leaching and the waste rock area to study the best ways to close the areas at the end of their service life. In 2024, the company conducted pilot studies on closure measures to investigate the best methods for closing areas at the end of their operational life. Closure work began in the KL2 waste-rock area. A total area of approximately nine hectares was closed using the structure specified in the permit application. Simultaneously, test structures were built to allow the company to continue more detailed research on closure, landscaping structures, and environmental impacts. At the end of the year, Terrafame submitted a comprehensive closure plan to the authorities, including highly developed models of closure and environmental impacts.

The company started uranium recovery in the summer of 2024, and the development of the process will continue as part of normal operations in the coming years. Uranium recovery enables further research into the recovery of rare earth metals. The company joined the REMHub project, which is researching the recovery of rare earth metals. The project is funded by the European Union and is developing a responsible rare earth metal refining chain.

At the end of the year, Terrafame started more efficient recycled feedstock pilot operations at its battery chemicals plant. In 2023, Terrafame and Fortum Battery Recycling signed an agreement for a pilot project in which metals recycled from the black mass of Fortum's electric car batteries will be utilized in Terrafame's battery chemical production.

Key events after the financial period

Terrafame is seeking leave to appeal regarding the Vaasa Administrative Court's decisions

On 27 January 2025, Terrafame announced that it has sought leave to appeal in the Supreme Administrative Court (SAC) regarding the decisions passed by the Vaasa Administrative Court (VAC) in December 2024. Additionally, Terrafame is requesting the SAC to pass an interim decision regarding key restrictions on operations. The VAC's decisions are described above in the Permits section.

In Terrafame's view, it was important that the VAC upheld the ore extraction volume of 18 million tonnes per year. If upheld, the other regulations pertaining to the VAC's decisions will, however, negatively impact Terrafame's operations and cause significant additional costs. Terrafame sees that the VAC's decisions unjustifiably undermine Terrafame's operating conditions and create unnecessary uncertainty in the planning of the company's operations. In the company's view, there are weighty reasons for the annulment of the VAC's decisions and the making of an interim decision.

Terrafame strengthens its financing position

On 27 February 2025, Terrafame announced it had negotiated a financing arrangement to fund the company's investment programme over the next few years. As part of the financing solution, Terrafame and its main owners – Finnish Minerals Group and the Galena funds – have agreed on a EUR 100 million financing arrangement consisting of a EUR 50 million shareholder loan and a EUR 50 million equity financing commitment. In addition, Terrafame has agreed on a EUR 50 million advance payment arrangement with Trafigura.

In the same context, Terrafame has agreed on a one-year extension to the maturity of an existing EUR 250 million bank loan agreement as well as on extending a EUR 65 million revolving credit facility previously received from Finnish Minerals Group for the same period. The new maturity of the bank loan and the revolving credit facility ends in December 2028.

Assessment of the most significant risks and uncertainties

The company's operations are affected by various general risks related to industrial operations, including the impact of environmental permits and other official permits, as well as taxes and fees, on the company's costs. The schedules and conditions related to various permits also bring uncertainty to operations. The most significant business risks include the delay in the schedule for the electrification of mobility, changes in exchange rates, nickel prices and nickel sulphate prices, as well as the counterparty risk related to customers and other business partners and the risks related to the prices of significant raw materials and electricity. The key risks related to Terrafame's production operations are associated with occupational safety and the environmental safety of processes.

Risks arising from the geopolitical situation may also affect the company's business operations. Delays in investment in the European electric car value chain increase the risk of market volatility.

From a risk management perspective, it is important that the company's production process is flexible. It allows Terrafame to focus either on the production of battery chemicals or on the production of metal intermediates, depending on the market situation. In addition, significant risks identified during risk assessments are reduced by price hedging, technical improvement, investments and competence development, for example.

Near-term outlook

- The battery chemicals market is expected to continue to be challenging in 2025, but Terrafame's production process enables flexible operations also in the intermediates market.
- The price development of base metals and battery chemicals involves considerable uncertainty.
- The development of operational efficiency, profitability and safety at work will continue.
- Terrafame is awaiting resolutions on key permit matters from the Supreme Administrative Court and the Kolmisoppi CRMA application in the first half of 2025.

The Board of Directors' proposal on the distribution of profit

Terrafame Ltd's loss for the financial year in accordance with the Accounting Act is EUR 15,249,534.78, and distributable equity on 31 December 2024 was EUR 641,629,693.38. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed and that the result for the financial year be left in equity.

Terrafame

Key figures and formulas for calculating the figures

	Group	Terrafame Ltd					
Scope of operations	**IFRS 2024**	**IFRS 2023**	**FAS 2024**	**FAS 2023**	**FAS 2022**	**FAS 2021**	**FAS 2020**
Net sales, EUR million	544.5	560.9	544.5	560.9	584.4	378.4	338.3
Balance sheet total, EUR million	1,451.9	1,307.2	1,402.4	1,242.6	1,128.1	1,006.7	918.5
Total capital expenditure, EUR million	211.1	138.2	211.1	138.2	83.0	117.9	201.8
as % of net sales	38.8	24.6	38.8	24.6	14.2	31.2	59.7
Average number of personnel	861	830	861	830	840	910	833
Profitability							
EBITDA, MEUR	66.3	100.6	84.2	84.3	152.1	-48.8	23.8
EBITDA-%	12.2	17.9	15.5	15.0	26.0	n.a.	7.0
EBIT	-12.6	37.9	6.6	23.3	93.9	-95.3	-16.9
EBIT-%	n.a.	6.8	1.2	4.1	16.1	n.a.	n.a.
Net profit	-46.3	-4.4	-15.3	-7.1	63.0	-115.8	-8.2
Profitability, excl. non-recurring items (FAS)							
EBITDA	66.3	100.6	64.7	99.4	152.1	24.2	23.8
EBITDA-%	12.2	17.9	11.9	17.7	26.0	6.4	7.0
EBIT	-12.6	37.9	-12.9	38.4	93.9	-22.4	-16.9
EBIT-%	n.a.	6.8	n.a.	6.8	16.1	n.a.	n.a.
Solvency							
Equity ratio, %	50.5	61.9	48.1	57.8	38.9	38.2	48.1
Net gearing, %	40.7	15.6	44.4	17.6	44.7	42.6	31.0

Equity ratio

(Equity + minority interest)*100 / Balance sheet total – short-term and long-term advance payments received

Net gearing

(Interest bearing debt – cash funds)*100 / Equity + general provisions

Terrafame has adopted the IFRS 16 Leases standard as permitted by section 5:5b of the Finnish Accounting Act and by the IAS Regulation (EU) in its financial accounting effective 1 January 2019, using the simplified approach. The cumulative impact of the implementation of the standard has been recognised on the balance sheet and the comparative figures have not been restated.

Terrafame

Consolidated Financial Statements (IFRS)

Terrafame

Consolidated Financial Statements (IFRS)

1 January–31 December 2024

Consolidated statement of comprehensive income

	Note	2024	2023
Net sales	1.1	544,491	560,930
Cost of goods sold	1.3	-477,019	-477,935
Gross profit		**67,471**	**82,994**
Other operating income	1.4	6,076	5,725
Sales and marketing expenses	1.5	-19,442	-5,630
Administrative expenses	1.6	-40,212	-27,897
Other operating expenses	1.7	-26,470	-17,298
Operating profit/loss		**-12,577**	**37,895**
Financial income and expenses	1.8		
Interest income and other financial income		3,844	5,962
Interest and other finance expenses		-30,842	-43,455
Financial income and expenses		**-26,998**	**-37,493**
Profit/loss before tax		**-39,575**	**402,**
Income taxes	1.9	-6,709,	-4,759
Profit/loss for the financial year		**-46,284**	**-4,357**
Other comprehensive income			
Items that may be reclassified to profit or loss in subsequent periods			
Cash flow hedging – effective portion of changes in fair value reserve		-36,044	145,410
Taxes on items that may be reclassified to profit or loss in subsequent periods		7,209	-29,082
Other comprehensive income, net		-28,835	116,328
Total comprehensive income for the financial year		**-75,119**	**111,971**

EUR thousand

Consolidated balance sheet

Assets

Non-current assets	Note	31 Dec 2024	31 Dec 2023	1 Jan 2023
Intangible assets	1.11	220	282	305
Tangible assets	1.12	935,164	811,255	728,420
Biological assets	1.13	10,488	8,873	7,712
Investments in associates		0	1	0
Deferred tax assets	1.19	12,253	18,771	37,657
Other receivables	1.16	291	0	0
Non-current assets		**958,416**	**839,182**	**774,094**
Current assets				
Inventories	1.14	318,715	313,250	288,908
Trade and other receivables	1.15	133,702	139,558	82,031
Cash and cash equivalents	1.16	41,039	15,230	45,501
Current assets		493,456	468,039	416,440
Assets total		**1 451,872**	**1,307,221**	**1,190,534**

EUR thousand

Equity and liabilities

	Note	31 Dec 2024	31 Dec 2023	1 Jan 2023
Equity	1.17			
Subscribed capital		2,000	2,000	2,000
Invested unrestricted equity fund		972,670	972,670	802,610
Fair value reserve	1.18	30,687	59,522	-56,806
Retained earnings (losses)		-225,181	-220,823	-297,916
Profit/loss of the financial year		-46,284	-4,357	77,093
Equity		**733,892**	**809,012**	**526,981**
Non-current liabilities				
Deferred tax liabilities	1.19	9,261	16,279	1,324
Interest-bearing liabilities	1.23	268,065	41,362	102,163
Provisions	1.22	216,680	219,729	205,251
Non-current liabilities		**494,005**	**277,370**	**308,737**
Current liabilities				
Interest-bearing liabilities	1.23	71,363	100,324	139,700
Trade and other payables	1.24	152,612	120,515	215,116
Current liabilities		**223,975**	**220,839**	**354,816**
Liabilities total		**717,980**	**498,209**	**663,553**
Equity and liabilities total		**1 451,872**	**1,307,221**	**1,190,534**

EUR thousand

Consolidated cash flow statement

Cash flow from operating activities	**Note**	**2024**	**2023**
Profit/loss before tax		-39,575	402
Adjustments to operating profit/loss	1.25	27,854	35 990
Depreciation and amortisation		78,879	62,658
Change in net working capital		3 664	-39,458
Interest paid and other financial expenses		-29,233	-26,420
Interest received, operational		724	2,647
Cash flow from operating activities		**42,313**	**35,819**
Cash flow from investing activities			
Investments in tangible and intangible assets		-177,268	-134,927
Investments in other activities		-10	0
Purchased Subsidiary Shares		10	-1
Cash flow from investing activities		**-177,268**	**-134,928**

EUR thousand

Cash flow from financing activities	**Note**	**2024**	**2023**
Paid increase in equity		0	28,000
Proceeds from long-term borrowings		199,259	27,767
Proceeds from short-term borrowings		65,000	65,000
Repayment of short-term borrowings		-98,581	-49,699
Repayment of short-term lease liabilities		-5,564	-1,174
Cash flow from financing activities		**160,113**	**69,894**
Change in cash and cash equivalents		**25,158**	**-29,214**
Foreign exchange rate effect on cash and cash equivalents		651	-1,056
Cash and cash equivalents at the beginning of the period		15,230	45,501
Cash and cash equivalents at the end of the period		**41,039**	**15,230**

EUR thousand

Consolidated statement of changes in equity

	Note	Subscribed capital	Invested unrestricted equity fund	Fair value reserve	Retained earnings	Attributable to parent	Total equity
Equity 1 Jan 2023		**2,000**	**802,610**	**-56,806**	**-220,823**	**526,981**	**526,981**
Comprehensive income							
Profit/loss for the period					-4,357	-4,357	-4,357
Other comprehensive income (adjusted basis) Cash flow hedging				116,328		116,328	116,328
Total comprehensive income for the period		**0**	**0**	**116,328**	**-4,357**	**111,971**	**111,971**
Business transactions with shareholders							
Share issue			35,099			35,099	35,099
Exercised option rights			134,961			134,961	134,961
Total business transactions with shareholders		**0**	**170,060**	**0**	**0**	**170,060**	**170,060**
Equity 31 Dec 2023		**2,000**	**972,670**	**59,522**	**-225,180**	**809,012**	**809,012**
Equity 1 Jan 2024		**2,000**	**972,670**	**59,522**	**-225,180**	**809,012**	**809,012**
Comprehensive income							
Profit/loss for the period					-46,285	-46,285	-46,285
Other comprehensive income (adjusted basis) Cash flow hedging				-28,835		-28,835	-28,835
Total comprehensive income for the period		**0**	**0**	**-28,835**	**-46,285**	**-75,120**	**-75,120**
Business transactions with shareholders							
Total business transactions with shareholders		**0**	**0**	**0**	**0**	**0**	**0**
Equity 31 Dec 2024	1.17	**2,000**	**972,670**	**30,687**	**-271,465**	**733,892**	**733,892**

EUR thousand

Accounting Principles for Consolidated Financial Statements

Basic information about the Group

Terrafame Ltd (Business ID 2695013-5) (the "parent company") is a Finnish limited liability company and the parent company of Terrafame Group ("Terrafame", "Terrafame Group" or "the Group"). Terrafame Ltd is domiciled in Sotkamo and its registered address is Malmitie 66, 88120 Tuhkakylä, Finland.

Terrafame Group includes Terrafame Alueverkko Oy, a wholly-owned (100%) subsidiary of Terrafame Ltd, established during the financial year 2023 and domiciled in Sotkamo. The subsidiary was established for electricity network operations, and its actual business operations will start during the financial year 2025 once its electricity network operator's permit process has been completed. Thus, the consolidation of the subsidiary does not have a significant effect on the Group's figures.

Terrafame Ltd is a group company of Finnish Minerals Group, whose parent company is Finnish Minerals Group (Business ID 2674050-9). Finnish Minerals Group is domiciled in Helsinki and its registered address is Keskuskatu 5 B, 8th floor, 00100 Helsinki, Finland.

The Group operates internationally and engages in the recovery, processing and sale of metals, as well producing and sale of battery chemicals and other chemicals, ore exploration, exploitation, mining and other mining and extractive activities, the purchase and sale of mining rights, and business operations based on or related to, or applicable to, the knowledge acquired in these areas. The parent company may also own real estate and securities and engage in their trading and other investment activities.

A copy of Terrafame Group's financial statements is available at Terrafame Ltd's office, and they can also be viewed on the company's website at **www.terrafame.com**.

Basis of preparation

Terrafame's first consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted in the European Union as well as the IAS and IFRS standards and SIC and IFRIC interpretations effective on the date of closing of the accounts, 31 December 2024. The comparative figures for previous years, converted in accordance with IFRS standards, and the changes compared to FAS reporting are presented in **IFRS Note 1.29**.

The notes to the consolidated financial statements also comply with Finnish accounting and company law. The financial statement information is reported in tables and related texts in thousands of euros and in the report of the Board of Directors in millions of euros to one decimal place. The presented comparative figures are Terrafame Ltd's unaudited IFRS figures. All the presented figures have been rounded according to general rounding rules, so the sum of the individual figures may be different from the sum presented. Key figures have been calculated using exact values. Comparative information has been adjusted where necessary to correspond with the information of the year under review.

Terrafame's Board of Directors has authorised the publication of these financial statements on 27 February 2025. Under the Finnish Limited Liability Companies Act, shareholders have the right to approve or reject the financial statements at a general meeting held after their publication. The general meeting also has the power to amend the financial statements.

The consolidated financial statements are drawn up on the basis of initial acquisition costs, with the exception of financial assets recognised at fair value through profit or loss, derivatives measured at fair value and biological assets measured at fair value less estimated costs to sell. The assets, liabilities and contingencies acquired through business combinations have been measured at their fair values at the acquisition date. The Group has no assets, liabilities or contingent liabilities acquired in a business combination.

The preparation of financial statements under IFRS means that Group management must necessarily make certain estimates and judgements concerning the application of the accounting policies. Information about such considerations made by the management with the greatest influence on the figures presented in the financial statements are explained under the item 'Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates'.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group owns more than half of the voting rights or otherwise has a controlling interest. The existence of potential voting rights is also considered when assessing the existence of control in the case that the instruments entitling to potential control are currently exercisable. Control exists when the Group, by virtue of being part of the entity, is subject or entitled to its variable returns and is able to influence those returns by exercising it power within the entity.

Translation of items denominated in foreign currencies

Figures in the consolidated financial statements are shown in euro, which is the functional and presentation currency of the parent company, Terrafame Ltd, and its subsidiary, Terrafame Alueverkko Oy.

Transactions in foreign currencies are entered in euro at the rates prevailing at the transaction date or average rates provided by central banks. Monetary foreign currency items are translated into euro using the rates prevailing at the balance sheet date. Foreign exchange gains and losses related to business operations are included in the corresponding items of net sales, operating expenses or financial income and expenses.

Operating profit

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as follows: an operating profit is a net amount derived from net sales plus other operating income, less purchase expenses, purchase expenses are adjusted for changes in inventories (growth in these increases and reductions decrease the operating profit) and expenses from production for own use, less employee benefit expenses, depreciation, amortisation and any impairment losses and other operating expenses. All other items in the income statement are shown below the operating profit. Exchange rate differences are included in the operating profit if they arise from items related to operations with third parties. Otherwise, they are recognised in financial income and expenses. The realised earnings-related impacts of changes in the value of effective hedging instruments covered by hedge accounting are presented uniformly with the hedged item.

Revenue recognition

The revenue of Terrafame Group mainly consists of sales of battery chemicals, fertilisers and intermediate metal products. A large portion of the company's production is sold under long-term contracts, but sales revenue is recognised on the basis of individual sales transactions. The terms of delivery determine when the transfer of control to the customer takes place. Revenue is recognised net of sales-related foreign exchange gains and losses and any applicable sales taxes. Most sales are priced in US dollars. Individual deliveries constitute a separate performance obligation.

According to established business practices, recognition of sales revenue based on a best estimate per delivered batch of metals is, if necessary, adjusted according to the final weighing and analysis data.

The sales revenue recognition of metal intermediate products is based on an advance invoice drawn up upon delivery according to preliminary analysis and measurement results and the market prices for the month preceding the month of delivery. There may be variability in consideration. Variable considerations are adjusted as needed on the basis of the final analysis and measurement results, in which case the prices of delivered metals are also adjusted to correspond to the market prices of the agreed pricing period. The final analysis and measurement results are normally obtained within a few months.

The sales revenue recognition of battery chemicals is based on an advance invoice drawn up upon delivery according to the analysis and measurement results confirmed by the company and the market prices for the month preceding the month of delivery. There may be variability in consideration. Variable consideration should be adjusted on the basis of the prices of the battery chemicals delivered, to reflect the market prices for the agreed pricing period when those prices are known.

With regard to deliveries for which final analysis and measurement results have not yet been obtained, the sales prices and euro-denominated valuations are adjusted at the date of reporting so as to correspond to the average market prices of the month of the financial statements and the exchange rates at the balance sheet date. With regard to these deliveries, the company also considers the need to make write-downs due to the changes in analysis and measurement results of market prices. No such write-downs have been recorded in the financial statements of 31 December 2024. In addition, the commodity and currency hedges for metal tonnes sold have been taken into account in the valuation of sales.

Government grants

Government grants related to the acquisition of tangible fixed assets have been recognised by deducting the grant from the asset's carrying amount when there is reasonable assurance that the grant will be received and the Group will comply with any conditions attached to the grant. Grants are recognised as deferred income on a systematic basis over the useful life of the asset. Grants receivable as compensation for costs already incurred are recognised as income in profit or loss in the period in which the grant is receivable. Grants received are shown in other operating income.

Pension obligations

The Group companies have pension schemes in accordance with the local conditions and practices. The schemes are generally funded through payments to insurance companies. Currently all pension schemes are defined contribution plans.

Defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to pay all employees the benefits related to employee service in current and prior periods. Under defined contribution plans the payments are accounted for as an expense for the period for which the payment is made.

Leases

Terrafame Group acts as a lessee, in which role it has mainly leased machinery and equipment, other small appliances, and premises. As a rule, the Group records all its right-of-use assets and lease liabilities associated with leases in its balance sheet. The Group applies the standard's exemptions concerning short-term leases of up to 12 months and goods of a value of up to approximately EUR 5,000. The Group does not recognise these in the balance sheet, but accounts for the lease payments of the above-mentioned leases on a straight-line basis over the lease term. The lease term is the period during which the lease cannot be cancelled. It includes the period covered by an extension or termination option, if the lessee is reasonably certain to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

At the inception date of the lease, the Group recognises a lease liability and a corresponding right-of-use asset. A right-of-use asset is initially measured at cost, which includes the original amount of the lease liability, plus any lease payments made at or prior to the inception date of the lease, less lease incentives obtained, plus any initial direct costs incurred by the Group, as well as the estimated restoration costs.

After the inception date of the lease, the right-of-use asset is measured at cost less the accumulated depreciation, amortisation and impairment loss. The asset is adjusted with certain items attributable to the re-measurement of the lease liability. The right-of-use asset is depreciated on a straight-line basis starting from the inception date of the lease over the asset's useful life or the lease term. The useful life of the right-of-use asset is determined in the same way as the useful life of corresponding fixed assets held. If necessary, the right-of-use asset is tested for impairment and any impairment losses are recognised through profit or loss.

The original lease liability is measured at the current value of lease payments that were not made at the inception date of the lease. The Group discounts leases using agreement-specific internal borrowing rates. The value of the lease liability consists of: fixed payments, including factually fixed payments; variable lease payments that depend on an index or a rate and which are initially measured using the index or rate as at the lease's inception date; amounts payable by the lessee based on residual value guarantees; and the purchase option exercise price, if it is reasonably certain that the Group will exercise the option.

In subsequent periods, lease liabilities are measured at amortised cost using the effective interest method. The lease liability is remeasured when there is a change in future lease payments due to a change in the index or rate used to determine those payments, or if there is a change in the amounts expected to be payable under a residual value guarantee. Changes made by the Group in the assessment of a purchase option of an underlying asset or an extension or termination option may also lead to a re-measurement of the lease liability. When the lease liability is remeasured, a corresponding adjustment is made to the asset's carrying amount, or it is recognised through profit or loss if the carrying amount of the right-of-use asset has decreased to zero.

The Group has not concluded any significant agreements as a lessor.

Impairment losses

The Group assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. The value in use refers to the estimated future net cash flows obtainable from the asset or cash-generating unit, discounted to their current value. The value in use is forecast on the basis of circumstances and conditions prevailing at the time of testing. The discount rate takes into account the time value of money as well as the special risks involved for each asset, different industry-specific capital structures and the expected ROI for investors. An impairment loss is recorded when the carrying amount of an asset is greater than its recoverable amount. If the impairment loss is allocable to a cash-flow-generating unit, it is allocated first to reduce the goodwill of the unit and subsequently to reduce other assets of the unit. As at the date of reporting or the end of the reference period, the Group has no goodwill contributing to its valuation.

The impairment loss is reversed if a change has occurred in circumstances and the recoverable amount of the asset has changed since the impairment loss was recognised.

Borrowing costs

Borrowing costs are recognised as an expense for the financial period during which they are incurred. Borrowing costs directly attributable to acquisition, construction or manufacturing of a tangible fixed asset (property, plant and equipment) meeting the criteria shall be capitalised as part of the asset's acquisition cost.

Income taxes

Tax expenses on the income statement consist of the tax based on taxable income for the year and deferred taxes. Taxes based on taxable income for the year are calculated using the applicable tax rates. Taxes are adjusted with any taxes arising from previous periods.

Deferred taxes are calculated from all temporary differences between the carrying amount and taxable amount. Deferred taxes are calculated using the tax rates set at the balance sheet date. Deferred tax assets arising from taxable losses carried forward are recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used.

Other taxes

Tax on mined minerals must be paid by the party that has mined the mineral and is, under the Mining Act, required to have a permit for mining. The Act on Mined Minerals Tax applies to mined minerals for which the obligation to pay the tax arises on or after 1 January 2024.

Terrafame Group's obligation to pay tax on mined minerals arises under Section 3, Paragraph 1 of the Act on Mined Minerals Tax when the metal ores listed in the Annex of the Act on Mined Minerals Tax are delivered to the primary leaching. The tax on mined minerals mentioned in the Annex, the tax on metal ores, is 0.6 percent of the taxable value of the metal contained in the mined mineral. The Finnish Tax Administration confirms the taxable values for the tax period based on the price data of the previous calendar year.

The Finnish Tax Administration issued an in-depth tax guideline on 24 January 2025 regarding mined mineral taxation. The in-depth tax guideline was issued after the end of the financial year 2024. According to the guideline, in addition to the tax on metal ores, a tax on other possible mined minerals should be paid based on the time the mined mineral is extracted, in accordance with Section 3, Paragraph 2 of the Act on Mined Minerals Tax. According to Section 5, Paragraph 2 of the Act on Mined Minerals Tax, the tax on other mined minerals is EUR 0.20 per tonne of ore or utility stone.

Terrafame's view is that the in-depth tax guideline does not align with the purpose of mined mineral taxation and that the interpretation is incorrect. Therefore, in accordance with the purpose of the Act on Mined Minerals Tax, Terrafame should pay the tax on metal ores according to its own calculations. Terrafame will seek an advance ruling from the tax authorities on this matter during the 2025 financial year.

As a result of the above, Terrafame Ltd has amortised approximately EUR 6.5 million in metal ores tax into its profit.

Tangible assets

Tangible assets, which on 31 December 2024 include buildings and infrastructure, machinery and equipment used in production operations, laboratory equipment, vehicles, roads, and structures for environmental protection, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes costs that are directly attributable to the acquisition, construction or production of an asset, and borrowing costs that meet the criteria.

Spare parts with a useful life of more than one year have been recognised in tangible assets.

The recovery of ore reserves in the areas identified in the excavation plan requires removing the soil and waste rock overlying the mineral ore deposit. The resulting stripping costs have been capitalised and will be charged to expense as planned under the usage-based depreciation method as the recovery of the identified ore reserves progresses under the excavation plan. This balance sheet item is accounted for and tracked in accordance with the interpretation requirements of IFRIC 20 Stripping costs in the Production Phase of a Surface Mine.

Depreciation charges are not recorded for work in progress or land. Other assets are depreciated using the straight-line method so that the depreciable amount – acquisition cost less residual value – is allocated on a systematic basis over the asset's useful life as follows:

Tangible asset	Depreciation period
Roads and power lines	25 years
Buildings and structures	10–40 years
Leaching heap foundations	10–30 years
Machinery and equipment	4–25 years
Stock	5–10 years
Vehicles	5–10 years
Spare parts recognised as PPE	3 years
Environmental protection structures	25 years

The useful life, depreciation methods and potential residual values of assets are reassessed at each reporting date. The reassessment is based on the Group's estimates of ore reserves, mineral resources, production capacity and other relevant factors. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other operating income or expenses, respectively, in the income statement.

Intangible assets

Other intangible assets are recorded at cost if the cost is reliably measurable and the future economic benefits for the Group are probable. Other intangible assets consist of IT applications supporting the Group's business operations. The Group's IT applications are amortised over 3–5 years.

Research and development costs

Research costs are recognised as an expense in profit or loss once they have been incurred. Development expenditure is capitalised when it is probable that the development project will bring financial gains to the Group in the future and meets the recognition criteria, including technical feasibility and economic viability.

Development projects are analysed separately to determine the date on which the capitalisation of development costs can begin for a project. After initial recognition, capitalised development costs are measured at cost less accumulated depreciation and impairment losses. The depreciation period is determined individually for each project. If it is found that the carrying amount exceeds the recoverable amount, the impairment loss corresponding to the difference is recognised in profit or loss. Terrafame Group currently has no capitalised development expenditure.

Biological assets

Biological assets, i.e. living trees on company-owned land, are measured on initial recognition and at each balance sheet date at fair value less estimated point-of-sale costs. The fair values of biological assets other than young seedlings are based on quoted prices in active markets for biological assets. Biological assets, i.e. those physically attached to land, are recognised and measured at their fair value separately from the land.

The fair value of harvest, measured as its value at the time of sale, is deducted from the fair value of the biological assets. The estimated growth of trees is recognised as gains in the fair value of biological assets. The changes in the fair value of biological assets are included in operating profit in the income statement.

Inventories

The Group classifies its inventories into three groups: raw materials and consumables, work in progress, and finished products.

Raw materials and consumables are measured at the average purchase price of the goods in stock. A so-called write-down on slow-moving items is made on the slow-moving goods in the raw materials and consumables inventory. If an item has been in stock for more than a year, a write-down of 25 percent is made. The write-down increases annually by 25 percentage points, so the value of an item that has been stored for more than four years is zero.

Work in progress and finished products (metal content for sale) are presented in the balance sheet as valued at actual production costs but up to the net realisable value of the products on the balance sheet date. Net realisable value refers to the estimated selling price in the ordinary course of business, less the production costs necessary to making work in progress and finished products ready for sale.

The acquisition cost of work in progress and finished products (production cost) includes the fixed and variable costs of production and maintenance that supports production, as well as depreciation on these operations, based on the actual production costs in the production process.

As of 2023, the value of metals in the ore in primary and secondary heaps included in the work in progress inventory of metal intermediates business for financial reporting will be measured with a procedure in which the acquisition cost of metals in ore capitalised during the reporting period is determined according to the production chain's average costs per operation in the reporting period and the previous financial period. Previously, the valuation has been based on the costs per operation in the reporting period. The change should mitigate the impact of exceptional short-run fluctuations on the value of the work in progress inventory of metal intermediates business shown in the balance sheet. Borrowing costs are not included in the acquisition cost.

In metal intermediates business, work in progress includes metals in the ore in primary and secondary heaps, as well as metals in the leaching process or metal precipitation and filtration process that can be processed for sale as a finished product. The work in progress in the battery chemical business is nickel-cobalt sulphide, which is used as raw material in the refining process. It is valued on the basis of the stage of completion of the main phases of the production process (high pressure acid leaching, extraction and crystallisation).

The amount of metal included in work in progress is determined by calculating the metal tonnes added to and removed from the production process, i.e., the work in progress inventory. The recoverable quantities of nickel, zinc, copper and cobalt included in work in progress are determined on the basis of the estimated ore concentrations based on geological surveys, the estimated recovery percentages of metals in the bio heap leaching process, the recovery percentages of the metal recovery plant and the battery chemicals plant.

Ore concentrations, the amount of metals in the production process and the metals recovery percentage are reviewed monthly.

The value of inventories determined in accordance with the principle of net realisation value includes discretionary factors related to, for instance, the measurement of metal volume in work in progress, metals recovery percentages, production costs, the production time necessary to complete sales, and sales prices.

Financial assets

Financial assets are classified based on the Group's business model for managing financial assets and their contractual cash flow characteristics to the following categories:

- Measured at amortised cost
- Measured at fair value through other comprehensive results
- Measured at fair value through profit or loss

The classification is based on the Group's business model objective and the contractual cash flow characteristics of the investments. Purchases and sales of financial assets are recognised on the basis of the settlement date. At the time of initial recognition, the Group designates financial asset items as measured at fair value and, in the case of items not measured at fair value through profit or loss, the transaction costs directly attributable to the item will be added to or deducted from it. Financial assets at fair value through profit or loss are recorded at the time of initial recognition in the balance sheet at fair value and transaction costs are recognised in profit or loss.

Classified in the **Financial assets measured at amortised cost** category are financial assets for which the objective of the business model is to hold financial assets and to collect contractual cash flows consisting solely of capital and interest payments. This item includes trade receivables, loan receivables and other receivables that are non-derivative financial assets. The assets classified in this category are measured at amortised cost under the effective interest rate method. The carrying amount of short-term trade receivables and other receivables is deemed to correspond to their fair value. These items are shown in the balance sheet as short-term assets if they are expected to be realised within 12 months of the end of the reporting period. If necessary, the Group recognises an expected credit loss reduction from the financial assets measured at amortised cost.

The Group applies a simplified procedure for the determination of expected credit losses for trade receivables measured at amortised cost. Under the simplified procedure, credit losses are determined using the reserve matrix and recorded in the amount corresponding to the credit losses expected to occur over the life of the financial asset. Expected credit losses are estimated based on information about past events. The model also takes into account forecasts of future economic conditions available at the reporting date.

In the 2024 financial statements, a credit loss provision of approximately EUR 15,000 has been recognised against trade receivables due to a known customer insolvency proceeding. In 2023, no expected credit losses have been recorded for trade receivables due to good credit rating and outstanding receivables from customers.

Receivables are recognised as credit losses when there is objective evidence that the Group will not be able to collect all amounts. Any impairment is recognised in the income statement as operating expenses. When a receivable is deemed irrecoverable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the income statement.

Classified in the **Financial assets recognised at fair value through profit or loss** category are financial assets that are acquired to be held for trading purposes or classified at the time of initial recognition to be measured at fair value through profit or loss.

Financial assets are derecognised when the Group's contractual entitlement to cash flows has lapsed or been transferred to another party or when the Group has transferred significant ownership risks and revenues outside the Group.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash at bank and cash in hand.

Financial liabilities

Financial liabilities are classified into the following categories:

- Recognised at amortised cost
- Recognised at fair value through profit or loss.

Financial liabilities are recognised at fair value at the time of initial recognition and, in the case of a financial liability other than that recorded at fair value through profit or loss, transaction costs directly attributable to the item will be added to or deducted from it.

Financial liabilities posted at amortised cost are measured at amortised cost under the effective interest rate method. The difference between the amount received and the recoverable amount is recorded in the income statement under the effective interest rate method over the loan period. Financial liabilities are classified as short-term unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. A financial liability is derecognised when the Group either pays the debt to the lender or has been legally exempted from the principal obligation relating to the liability as the result of a judicial process or by the lender. Interest-bearing liabilities are liabilities that either include a contractual interest component or are discounted to reflect the fair value of the liability.

The interest-bearing loans, including lease liabilities, trade payables and other non-interest-bearing liabilities, included in the Group's financial liabilities are classified as liabilities measured at amortised cost.

The Group's financial liabilities recognised at fair value through profit or loss consist of derivative instruments.

A financial liability is derecognised when the Group either pays the debt to the lender or has been legally exempted from the principal obligation relating to the liability as the result of a judicial process or by the lender. A financial liability is derecognised if the terms of the liability are changed and the change leads to a significant change in future cash flows. The new liability is recognised at fair value. Where changes occur in the amount or timing of the loan's expected cash flow, the carrying amount of the loan is adjusted to reflect actual and expected cash flows and the resulting income or expense is recognised in the income statement.

Derivatives and hedge accounting

Derivatives

The Group's parent company uses foreign exchange and commodity derivatives to hedge the Group's exposure to risks arising from balance sheet item and foreign currency purchase and sales contracts. The derivatives used by Terrafame were acquired for hedging purposes, and hedge accounting has been applied to them. All derivatives are recognised initially at fair value. Unrealised change in the value of derivatives that are considered effective hedges are recognised at fair value in the balance sheet's fair value reserve as per the portfolio valuation report for the last day of the reporting period. The accounting process for gains and losses on fair value measurement is based on the purpose of use of the derivative contract.

The realised earnings-related impacts of changes in the value of effective hedging instruments that are covered by hedge accounting are presented uniformly with the hedged item. In the event of any ineffective hedging, changes in the fair value of hedging instruments are recognised in profit or loss.

Hedge accounting

The parent company applies hedge accounting to all hedging instruments. At the beginning of the hedging arrangement, the relationship between each hedging instrument and the hedged asset, as well as the risk management objectives, are documented by hedging instrument type. The effectiveness of the hedging relationship is assessed at the beginning of hedging and in quarterly accounts at a minimum.

If the hedging relationship no longer meets the hedge accounting criteria or the hedging instrument is sold, expires, or the related contract is terminated or realised, hedge accounting will be terminated prospectively.

Cash flow hedging

The parent company's hedging activities are entirely focused on cash flow hedging. The effective portion of changes in the fair values of derivatives acquired for the purpose of hedging forecasted cash flows are recognised at fair value through other comprehensive income in the fair value reserve under equity. The cumulative fair value is shown in the cash flow hedge reserve under equity. Changes in fair value are recognised in profit or loss for the same periods in which hedged cash flows affect the result. The parent company can use currency swaps (forward contracts and options) as hedging instruments for future cash flows denominated in a foreign currency.

When hedge accounting for a cash flow hedge is terminated, the amount accumulated in the cash flow hedge reserve is included in equity until it is transferred to profit or loss for the same financial period in which the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, the amount accumulated in the cash flow hedge reserve will be immediately transferred as a reclassification adjustment to profit or loss.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted at the current pre-tax interest rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Rehabilitation provision for mine closure and environmental clean-up costs

A rehabilitation provision for mine closure costs is made with respect to the estimated future costs of closure and restoration, and for environmental restoration and rehabilitation to the condition required by the environmental permits granted for mining operations.

Prevention of the threat of environmental pollution entails environmental and landscaping obligations. After mining operations have ceased, any machinery and equipment, chemicals, fuels and waste involving the risk of environmental pollution must be removed from the site. This will be carried out as part of normal mining operations. In addition, the open pit must be restored to the condition required by public safety.

The majority of the estimated restoration costs arises from the closure of waste rock areas and primary and secondary leaching areas, the treatment and clean-up of primary and secondary leaching solution channels, the construction, covering and landscaping of gypsum ponds, the treatment of rock drainage, the fencing of open pits and the ex post supervision of the mining site.

The mine closure plan is based on the covering of areas with water and oxygen-impermeable material, and long-term aftercare. It is assumed that environmental monitoring of the mine will continue for 30 years after closure of the mine.

The rehabilitation costs have been estimated in accordance with the cost level at the date of closing of the accounts. In preparing the management's estimate, calculations and assessments of the company's closure costs provided by external experts and authorities were taken into account. The formation of the opinion has also been supported by Terrafame's extensive completed pilot projects on closure work. The rehabilitation provision of 31 December 2024 in the consolidated balance sheet was EUR 216.7 (219.7) million.

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Accounting policies requiring consideration by management and crucial factors of uncertainty associated with estimates

Estimates and assumptions regarding the future have to be made during the preparation of the financial statements, and the outcome may differ from the estimates and assumptions. Furthermore, the application of accounting policies requires consideration.

The estimates made when preparing the financial statements are based on the management's best knowledge at the balance sheet date. The estimates are based on prior experience, as well as future assumptions that are considered to be the most likely on the balance sheet date with regard to issues such as the expected development of the Group's economic operating environment in terms of sales and cost levels. The Group monitors changes on a regular basis using both internal and external sources of information, and any changes to these estimates and assumptions are entered in the accounts for the period in which the estimate or assumption is adjusted and for all periods thereafter.

Tangible and intangible assets

The management of Terrafame Group has used its judgement in the recognition of tangible and intangible assets in the balance sheet and in determining their useful lives, which has an impact on the consolidated balance sheet and the amount of depreciation to be recorded. Similarly, management is required to use judgment in determining the useful lives of intangible assets identified in accordance with IFRS 3, and in determining the amortisation period. This affects the financial result for the period through depreciation and changes in deferred taxes.

For tangible fixed assets, comparisons have been made of the market prices of similar assets, and the depreciation of the acquired assets due to aging, wear and other similar factors has been estimated. The fair value measurement of intangible fixed assets is based on estimates of cash flows associated to fixed assets. Management considers the assumptions and estimates to be sufficiently accurate to provide a basis for estimating the fair value. The Group also reviews any indication of impairment loss of tangible and intangible fixed assets at each date of the financial statements. If management identifies factors that may indicate a potential impairment of the company's equipment, the company performs an impairment test during the financial year. If the impairment test calculation results in a decrease in the value in use of the company's assets below their net carrying amount, the company recognises the impairment loss in profit or loss.

Valuation of mineral resources and ore reserves

In the Group's mining operations, estimates have to be applied in recognising mineral resources acquired in business combinations as assets on the consolidated balance sheet. In the recognition and measurement of mineral resources and ore reserves, the Group utilises available third-party analyses of the quantities, mineral content, estimated production costs and recovery potential of the resource. The reliability of the evaluation and calculation basis for mineral resources and ore reserves is also a key consideration. In the mining and minerals business, mineral resources and ore reserves are commonly classified into categories such as 'proven' and 'probable' ore reserves, and 'measured' and 'indicated' mineral resources.

Rehabilitation provisions

The Group assesses the rehabilitation liabilities associated with its mines and production facilities annually. The amount of provision reflects the management's best estimate of the rehabilitation costs. In determining the amount of provision, the Group has listed matters that it will rehabilitate and/or restore to the condition required by the licence terms in accordance with the nature of its operations and the official permit conditions. The Group estimates that rehabilitation measures will be taken in connection with its mining operations or, at the latest, in connection with mine closure. These measures are estimated to take a few years after the mine closure.

At the date of the financial statements, the Group has estimated the extent and unit cost of the various matters requiring rehabilitation and calculated the rehabilitation provision accordingly. In estimating the extent and unit cost of the various matters, the Group has used its best inhouse experts in the matters in question.

In determining the fair value of the provisions, assumptions and estimates are made in relation to discount rates, the expected cost to rehabilitate the area and remove or cover the contaminated soil from the site, the expected timing of those costs, and whether the obligations stem from past activity. These uncertainties may cause the actual rehabilitation costs to differ from the provision which has been made.

Definition of value of work in progress

The value of inventories determined in accordance with the principle of net realisation value includes discretionary factors related to, for instance, the measurement of metal volume in work in progress, metals recovery percentages, production costs, the production time necessary to complete sales, and sales prices.

Leases

To process leases in accordance with IFRS 16, estimates and assumptions made by management must be used, inter alia, when assessing factors that have an impact on defining the lease term as well as leases that are valid until further notice. In addition, management's assumptions are used when assessing leases with termination and continuation options. Management's estimates are also required to determine which discount rate to use. Management's estimates have an impact on the amount of right-of-use assets and lease liabilities in the balance sheet, as well as on the recording of income and expenses in the income statement.

Deferred taxes

The recognition of deferred tax assets is based on management's forecasts and estimates of whether the company will generate sufficient taxable income in the future. The estimates used in the calculation are based on the latest management forecasts at the reporting date and assumptions consistent with the assumptions used elsewhere in the financial statements. The assessment requires consideration of, for example, future taxable income, the tax planning strategies available, and other factors that have a positive or negative impact. The amount of deferred tax assets on the balance sheet could be lower if the above estimates were to change or if the legislation in force would limit the possibility to take advantage of the estimated tax benefit.

New standards, amendments and interpretations

The new standards, amendments or interpretations adopted on 1 January 2024 have had no impact on the consolidated financial statements of Terrafame Ltd.

New standards, amendments or interpretations to be adopted on 1 January 2025 or later, published by the date of closing of the accounts, are not expected to have a material impact on the consolidated financial statements of Terrafame Ltd.

1 Notes on the consolidated financial statements

1.1 Net sales

Industry distribution	2024	2023
Metal intermediates business	347,824	393,433
Battery chemicals business	196,667	167,497
Total	**544,491**	**560,930**

Geographical distribution		
Europe	304,448	403,531
Asia	115,363	109,398
America	126,179	24,342
Australia	-1,499	23,658
Total	**544,491**	**560,930**

1.2 Employee benefit expenses and total depreciation

Total employee benefit expenses	2024	2023
Wages and salaries	48,051	45,455
Pensions costs	8,542	8,680
Other personnel expenses	1,424	1,934
Total	**58,017**	**56,069**

Number of personnel		
The Group's average number of personnel during the financial period	861	830
The Group's number of personnel at the end of the financial period	793	842

Total depreciation, amortisation and impairment charges		
Intangible assets		
Intangible assets	27	115
Other intangible assets	80	48
Total	106	163
Tangible assets		
Buildings	6,471	6,530
Right-of-use assets, buildings	24	0
Machinery and equipment	35,357	36,630
Right-of-use assets, machinery and equipment	5,909	3,406
Other tangible assets	31,012	15,930
Total	78,773	62,495
Total depreciation	**78,879**	**62,658**

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1.3

Cost of goods sold

	2024	2023
Raw materials and consumables		
Purchases during the financial year	172,445	205,596
Change in stocks	-4,007	1,260
Total raw materials and consumables	168,438	206,856
External services	85,523	97,897
Total	**253,961**	**304,753**
Change in Inventory		
Change in Work in progress	-11,096	-16,782
Change in Finished goods	9,638	-8,820
Total	**-1,458**	**-25,603**
Personnel expenses		
Wages and salaries	39,913	39,748
Pensions expenses	7,121	7,581
Other personnel expenses	952	1,384
Total	**47,986**	**48,714**
Depreciation		
Depreciations	76,858	60,567
Total	**76,858**	**60,567**
Other expenses		
Other Cost of goods sold expenses	99,673	89,504
Total	**99,673**	**89,504**
Cost of goods sold total	**477,019**	**477,935**

1.4

Other operating income

	2024	2023
Revaluation of biological assets	1,614	1,161
Insurance claims	62	21
Grants received	3,717	2,795
Proceeds from sale of tangible and intangible assets	59	2
Other fees and compensation	624	1,745
Total other operating income	**6,076**	**5,725**

1.5

Sales and marketing expenses

Personnel expenses	2024	2023
Wages and salaries	705	721
Pensions expenses	123	138
Other personnel expenses	14	30
Total	**842**	**889**
Depreciation		
Depreciation	135	71
Total	**135**	**71**
Other expenses		
Other Sales and Marketing expenses	18,465	4,671
Total	**18,465**	**4,671**
Sales and Marketing expenses total	**19,442**	**5,630**

Due to the challenging market situation, the costs of sales and marketing in 2024 have risen due to reorganisation of deliveries and storage costs.

1.6 Administrative expenses

Personnel expenses	2024	2023
Wages and salaries	4,233	3,318
Pensions expenses	757	663
Other personnel expenses	210	194
Total	**5,200**	**4,176**

Depreciation		
Depreciation	223	295
Total	**223**	**295**

Other expenses		
Other Administrative expenses	34,640	23,088
Total	**34,640**	**23,088**

Auditors' remunerations		
Audit	117	129
Certificates and reports	0	7
Tax consultancy	8	0
Other services	23	200
Total	**149**	**337**

Administrative expenses total	**40,212**	**27,897**

Administrative costs for 2024 have been particularly increased by the tax on mined minerals, which went into effect on 1 January 2024, and which has been amortised to the Group's result by EUR 6.5 million. There has also been an increase in costs in terms of consulting fees and insurance premiums.

1.7 Other operating expenses

Research and development costs	2024	2023
Total research and development costs recognised as an expense	675	931

Personnel expenses		
Wages and salaries	1,795	1,659
Pensions expenses	315	244
Other personnel expenses	40	51
Total	**2,149**	**1,955**

Depreciation		
Depreciation	1,664	1,726
Total	**1,664**	**1,726**

Other operating expenses		
Other operating expenses	21,982	12,686
Total	**21,982**	**12,686**

Other operating expenses total	**26,470**	**17,298**

In connection with the reorganisation of deliveries, freight and storage costs have increased. The commissioning of the uranium recovery plant has, for its part, increased the cost level.

1.8

Finance income and cost

Finance income	2024	2023
Interest income from other deposits	724	879
Foreign exchange gains	651	5,083
Other financial income	2,469	0
Total finance income	**3,844**	**5,962**

Exchange rate gains during the reporting period consist of the valuation of bank accounts at the rate at the balance sheet date. Exchange rate gains for the comparison period include unrealised exchange rate gains of EUR 3.3 million from the valuation of foreign exchange loans and EUR 1.1 million from the valuation of bank accounts at the closing date. Other financial income includes non-effective hedging income realised from hedging activities in metal prices.

Finance expenses	2024	2023
Other interest expenses	21,138	25,769
Foreign exchange losses	598	2,584
Other financial expenses	9,106	15,102
Total finance expenses	**30,842**	**43,455**
Total financial income and cost	**-26,998**	**-37,493**

Other interest expenses for the financial year consist of financing expenses for loans, bank accounts, rental expenses and trade receivables.

Exchange rate losses during the financial year consist of the exchange rate difference of the currency loan. The exchange rate loss for the comparison period includes EUR 1.5 million of foreign exchange rate difference and unrealised exchange rate loss of EUR 1.1 million from the valuation of bank accounts at the balance sheet date.

During the financial year and the comparison period, other financial expenses mainly consist of the cancellation of the environmental provision discount and the financing and arrangement fees of the loans.

1.9

Income taxes

Income taxes in the income statement	2024	2023
Tax based on taxable income of the financial period	2,000	4,684
Taxes from previous periods	4,518	0
Tax based on taxable income for the period	**6,518**	**4,684**
Deferred taxes	**191**	**75**
Income tax expense	**6,709**	**4,759**
The Finnish corporate tax rate in the financial year 2024 was 20 %.		
Deferred taxes in the balance sheet (net)	**2,992**	**2,492**

1.10

Business acquisitions and divestitures

The Group made no business acquisitions or sales in the financial year 2024.

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1.11

Intangible assets

	Intangible rights	Other capitalized long-term expenditures	Investments in progress	Total
Acquisition cost at 1 Jan 2023	2,547	324	40	2,911
Increase	0	0	140	140
Capitalisation for the year	0	180	-180	0
Acquisition cost at 31 Dec 2023	**2,547**	**504**	**0**	**3,051**
Accumulated amortisation and impairment losses at 1 Jan 2023	2,379	227	0	2,606
Amortisation for the year	115	48	0	163
Accumulated amortisation and impairment losses at 31 Dec 2023	**2,494**	**275**	**0**	**2,769**
Carrying amount at 31 Dec 2023	**53**	**229**	**0**	**282**
Acquisition cost at 1 Jan 2024	2,547	504	0	3,051
Increase	0	0	45	45
Capitalisation for the year	0	45	-45	0
Acquisition cost at 31 Dec 2024	**2,547**	**549**	**0**	**3,096**
Accumulated amortisation and impairment losses at 1 Jan 2024	2,494	275	0	2,769
Amortisation for the year	27	80	0	106
Accumulated amortisation and impairment losses at 31 Dec 2024	**2,521**	**354**	**0**	**2,875**
Carrying amount at 31 Dec 2024	**26**	**195**	**0**	**220**

1.12

Tangible assets

	2024	2023
Property, plant and equipment	895,116	802,982
Right-of-use assets	40,048	8,273
Carrying amount at 31 Dec	**935,164**	**811,255**

	Land	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Acquisition cost at 1 Jan 2023	3,440	134,895	412,621	323,577	79,834	954,367
Increase	2	0	11,253	7,295	125,607	144,156
Capitalisation for the year	0	1,137	11,777	39,495	-52,409	0
Acquisition cost at 31 Dec 2023	**3,442**	**136,031**	**435,652**	**370,366**	**153,032**	**1,098,523**
Accumulated amortisation and impairment losses at 1 Jan 2023	0	31,130	143,124	62,197	0	236,451
Amortisation for the year	0	6,530	36,630	15,930	0	59,090
Accumulated amortisation and impairment losses at 31 Jan 2023	**0**	**37,660**	**179,754**	**78,127**	**0**	**295,541**
Carrying amount at 31 Dec 2023	**3,442**	**98,371**	**255,898**	**292,239**	**153,032**	**802,982**
Acquisition cost at 1 Jan 2024	3,442	136,031	435,652	370,366	153,032	1,098,523
Increase	361	0	7,858	0	165,111	173,330
Capitalisation for the year	0	13,238	21,401	155,097	-189,736	0
Decrease	0	0	168	8,191	0	8,359
Acquisition cost at 31 Dec 2024	**3,803**	**149,270**	**464,743**	**517,272**	**128,407**	**1,263,494**
Accumulated amortisation and impairment losses at 1 Jan 2024	0	37,660	179,754	78,127	0	295,541
Amortisation for the year	0	6,471	35,357	31,012	0	72,839
Accumulated amortisation of deductions and transfers	0	0	-3	0	0	-3
Accumulated amortisation and impairment losses at 31 Dec 2024	**0**	**44,131**	**215,108**	**109,139**	**0**	**368,378**
Carrying amount at 31 Dec 2024	**3,803**	**105,139**	**249,635**	**408,133**	**128,407**	**895,116**

1.12

Tangible assets

Right-of-use assets	Buildings	Machinery and equipment	Total
Acquisition cost at 1 Jan 2023		21,332	21,332
Increase		1,174	1,174
Acquisition cost at 31 Dec 2023		**22,506**	**22,506**
Accumulated amortisation and impairment losses at 1 Jan 2023		10,827	10,827
Amorsation for the year		3,406	3,406
Accumulated amortisation and impairment losses at 31 Dec 2023		**14,232**	**14,232**
Carrying amount 31 Dec 2023		**8,273**	**8,273**

Right-of-use assets			
Acquisition cost at 1 Jan 2024	0	22,506	22,506
Increase	4,407	33,301	37,708
Decrease	0	371	371
Acquisition cost at 31 Dec 2024	**4,407**	**55,436**	**59,843**
Accumulated amortisation and impairment losses at 1 Jan 2024	0	14,232	14,232
Amortisation for the year	24	5,909	5,934
Accumulated amortisation of deductions and transfers	0	-371	-371
Accumulated amortisation and impairment losses at 31 Dec 2024	**24**	**19,771**	**19,795**
Carrying amount at 31 Dec 2024	**4,383**	**35,665**	**40,048**

The right-of-use assets leased by Terrafame consist mainly of production-related machinery and equipment, such as heavy-duty dump trucks, excavators, lorries and service vehicles as well as warehouse space. The length of the leases is typically approximately five years, after which the company and the lessor can decide on the use of the lease's continuation option, if one is included in the agreement. As of 31 December 2024, no continuation options were included in the lease liability, as Terrafame does not yet have reasonable assurance that the continuation options will be exercised.

The maturity analysis of the lease liabilities is shown in **Note 1.21 'Financial risk management'**.

1.12

Tangible assets

IFRS 16 Leases

Items recognised through profit or loss	2024	2023
Lease expenses of low value assets	458	86
Lease expenses of short-term leases	6,136	6,884
Depreciation of fixed assets (machinery and equipment)	5,934	3,406
Interest expenses on leases (included in item 'Interest expenses')	2,213	342

The lease expenses itemised above are mainly included in the income statement item Other operating expenses.

Items recognised in the cash flow statement		
Total cash outflow from leases	5,273	8,058

1.13

Biological assets

The land owned by Terrafame Ltd includes biological assets (forest). The forests are managed in accordance with a forest management plan. Approximately one-third of the mining concession area has been taken into production use. Biological assets are measured at fair value based on a third-party estimate, less sales-related costs. Growing stock and seeding stand have been measured at fair value, separately from land. Seeding stands have no value in timber trade since the trees will not be saleable until after 25–30 years. The value of seeding stands has been taken into account in the value of forests by discounting them at 31 December 2024 (25 years, interest rate 5%). The fair value of biological assets is based on classification level 3.

The fair value of harvest, measured as its value at the time of sale, is deducted from the fair value of the biological assets. The estimated growth of trees is recognised as gains in the fair value of biological assets. The changes in the fair value of biological assets are included in operating profit in the income statement.

Biological assets	31 Dec 2024	31 Dec 2023
Value of growing stock	10,402	8,773
Value of seeding stands	86	100
Biological assets total	**10,488**	**8,873**
Total growing stock, m3	329,338	338,568
Total seeding stands, ha	267,40	305,10
Balance at 1 Jan	**8,873**	**7,712**
Gains/losses on fair value measurement	1,614	1,161
Balance at 31 Dec	**10,488**	**8,873**

1.14 Inventories

	31 Dec 2024	31 Dec 2023
Raw materials and consumables	33,973	29,966
Work in progress	269,675	258,579
Finished goods	15,067	24,705
Total	**318,715**	**313,250**

The end product inventory of metal intermediates on 31 December 2024 was measured at acquisition cost, on a cost basis, at EUR 6.7 (8.6) million, because the net realisable value was higher than the cost-based value.

The value of work in progress in metal intermediates business measured on a cost basis on 31 December 2024 was EUR 265.2 (254.0) million, and the value of work in progress in battery chemicals production measured on a cost basis was EUR 4.4 (4.6) million.

The inventory of finished products in battery chemicals business on 31 December 2024 has been measured at net realisable value, EUR 8.6 (16.1) million, because the cost-based value was higher than net realisable value. A claim reserve of EUR 0.2 million will be allocated to the battery chemicals business' finished product inventory facility in 2024.

The value of raw materials and consumables on 31 December 2024 includes a provision of EUR 9.8 (9.8) million for slow-moving inventory, which reduces the value of inventory.

1.15 Trade and other receivables

Short-term	**2024**	**2023**
Trade receivables	72,793	48,754
Prepaid expenses and accrued income	3,333	2,879
Derivative assets	46,691	74,541
Collateral	0	0
Other receivables	10,885	13,384
Total	**133,702**	**139,558**

Aging of trade receivables and items recognised as credit loss		
Undue	38,129	42,417
Overdue		
Under 30 days	18,948	6,269
30-60 days	17,340	48
61-90 days	4,044	0
Over 90 days	-5,669	20
Total	**72,793**	**48,754**

Current receivables by currency, EUR		
USD	123,342	124,195
EUR	10,336	15,294
GBP	24	32
CAD	0	37
Total	**133,702**	**139,558**

Other receivables consist of the following items		
Value added tax receivables	4,366	7,476
Others	6,519	5,908
Total	**10,885**	**13,384**

1.16

Cash and cash equivalents

	2024	2023
Cash in hand and at banks	41,039	15,230
Total	**41,039**	**15,230**

1.17

Notes on shareholders' equity

Subscribed capital	2024 Number of shares	2024 Subscribed capital	2023 Number of shares	2023 Subscribed capital
1 Jan	5,197,154	2,000	4,998,830	2,000
Issued shares	771,501	0	198,324	0
Subscribed capital 31 Dec	**5,968,655**	**2,000**	**5,197,154**	**2,000**

Invested unrestricted equity fund	2024 Number of shares	2024 Subscribed capital	2023 Number of shares	2023 Subscribed capital
1 Jan	5,197,154	972,670	4,998,830	802,610
Issued shares	771,501	0	198,324	170,060
Invested unrestricted equity fund 31 Dec	**5,968,655**	**972,670**	**5,197,154**	**972,670**

Terrafame has one series of shares.

1.17

Notes on shareholders' equity

Decisions made and authorisations given by the General Meeting of Shareholders, Terrafame Ltd

On 12 December 2023, with the consent of the option holders, Terrafame Ltd's shareholders resolved to cancel the then-existing option rights, revised on 27 August 2020, and to issue new, unexercised option rights in a corresponding number. Simultaneously, the shareholders resolved to cancel the other authorisations granted to the Board of Directors on 27 August 2020 regarding a directed share issue, with the exception of the authorisation concerning the directed issuance of 81,000 new shares to Terrafame Ltd's parent company for the purpose of maintaining control. This authorisation remains valid indefinitely.

No decisions regarding new authorisations or option rights were made during the 2024 financial year.

Option rights and other special rights related to Terrafame Ltd shares can be transferred to permitted transferees. Both the direct and indirect pledging of options are prohibited. The subscribed capital agreed for the option rights is EUR 176.46, and subscription rights may be exercised in several tranches, in part or in full. The option holder does not have rights to any dividends or assets distributed from the company's reserves for invested unrestricted equity.

In 2023, the funds managed by Galena Asset Management and Mandatum Holding Ltd exercised the option rights previously granted to them. In the spring of 2024, 71,419 option rights matured unexercised. The remaining option rights held by Galena Asset Management will mature on 31 December 2025.

Options and other special rights	Maximum number of issued shares	Maximum number of forgiven shares	Shares outstanding
(pcs)	1 Jan 2024	31 Dec 2024	31 Dec 2024
Batch 7	71,419	71,419	0
Batch 8	441,918		441,918
Batch 9	21,518		21,518
Batch 10	21,518		21,518
Batch 11	21,518		21,518
Batch 12	21,518		21,518
Batch 13	21,518		21,518
At the end of the year	**620,927**	**71,419**	**549,508**

Options and other special rights	Maximum number of issued shares	Maximum number of forgiven shares	Shares outstanding
(pcs)	1 Jan 2023	31 Dec 2023	31 Dec 2023
Batch 7	880,915	809,496	71,419
Batch 8	582,033	140,115	441,918
Batch 9	21,518		21,518
Batch 10	21,518		21,518
Batch 11	21,518		21,518
Batch 12	21,518		21,518
Batch 13	21,518		21,518
At the end of the year	**1,570,538**	**949,611**	**620,927**

1.18

Notes to hedging derivatives

	31 Dec 2024 Fair value			31 Dec 2023 Fair value			2024 Notional amount USD	2023 Notional amount USD
Currency and interest rate derivatives	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**		
Foreign exchange forwards	0	4,822	-4,822	2,179	0	2,179	237,000	133,000
Metal derivatives							**Tonnes**	**Tonnes**
Nickel forward contracts	36,846	0	36,846	56,974	0	56,974	12,900	10,465
Zinc forward contracts	507	1,844	-1,337	480	111	369	32,185	3,300
Derivatives total	**37,353**	**6,666**	**30,687**	**59,633**	**111**	**59,522**		
Long-term derivatives	1,463	98	1,365	686	0	686		
Short-term derivatives	35,890	6,568	29,322	58,947	111,	58,836		

	31 Dec 2024	31 Dec 2023
Gross assets on the balance sheet	46,691	74,541
Gross liabilities on the balance sheet	8,332	138

The fair value calculation of hedges is based on market rates and quotations on the balance sheet date in accordance with the hedging portfolio. Counterparties to derivative transactions have been approved in accordance with the company's hedging policy. Intercompany receivables and liabilities are connected on a transaction level with each counterparty and accounted for on a daily level by transaction.

Hedging instruments had a significant impact on the company's financial position and the predictability of its profitability for the next 12 months on 31 December 2024. The company had set up a cash flow hedge against a weakening US dollar with a hedging rate of approximately 50%.

The company had hedged at a rate of around 40% against the weakening of the price of nickel and at a rate of around 70% against the weakening of the price of zinc for the deliveries agreed for the coming year by means of derivatives. In addition, in accordance with its hedging policy, the company had hedged almost all of its completed nickel and zinc deliveries that had been reported as sales. For this reason, changes in market prices after the balance sheet date have little impact on the sales revenue recognised on nickel and zinc batches delivered during 2024.

1.19

Deferred tax assets and tax liabilities

Deferred taxes

In the income statement	31 Dec 2024	31 Dec 2023
Biological assets	-323	-232
Confirmed losses	-6,518	-4,684
Leases	132	158
Total	**-6,709**	**-4,759**
On the balance sheet		
Derivatives, deferred tax liability	7,672	14,881
Confirmed losses,deferred tax asset	12,253	18,771
Biological assets, deferred tax liability	1,075	752
Leases, deferred tax liability	514	646
Balance at 31 Dec	**2,992**	**2,492**
Unrecognised deferred taxes		
Rehabilitation provision		
Deferred tax asset	10,920	11,530
Deferred tax liability	6,517	8,416
Deferred depreciation		
Deferred tax asset	22,410	15,698
Balance at 31 Dec	**26,813**	**35,645**

1.20

Contingent liabilities and other liabilities

Other service agreement liabilities	31 Dec 2024	31 Dec 2023
Within one year	7,583	7,695
After one year but within five years	6,185	0
Total	**13,768**	**7,695**

Securities complying with environmental and mining permits

Beneficiary	Type of security	31 Dec 2024 Amount of security total	31 Dec 2023 Amount of security total
Kainuu Centre of Economic Development, Transport and the Environment; no. 196	Credit insurance	384,825	362,325
Security in accordance with permit decision no. 52/2013/1	Bank guarantee	1,500	1,500
Security in accordance with permit decision no. 43/2014/2	Bank guarantee	6	6
Security in accordance with permit decision no. 43/2015/1	Bank guarantee	100	100
Security in accordance with permit decision no. 3/2017/1	Bank guarantee	50	50
Security in accordance with permit decision no. 76/2017/1	Bank guarantee	100	100
Security in accordance with permit decision no. 5/2021	Bank guarantee	200	200
Security in accordance with permit decision no. 87/2022	Bank guarantee	17	17
Security in accordance with permit decision no. 87/2022	Bank guarantee	10	10
Decision of the Finnish Safety and Chemicals Agency Tukes, 30 June 2014, KaivNro: 2819	Bank guarantee	100	100
Decision of the Finnish Safety and Chemicals Agency Tukes, 30 June 2014, KaivNro: 2819	Bank guarantee	35	35
Decision of the Finnish Safety and Chemicals Agency Tukes, 30 June 2014, KaivNro: 2819	Bank guarantee	50	50
Total		**386,993**	**364,493**
Other securities	Bank guarantee	**482**	**1,895**
Real estate investments' VAT refund liability		**13,266**	**12,181**

Business and real estate mortgages and the pledging of the mining concession certificate served as collateral for the company's long-term financing agreements. During the 2023 financial year, the company's business and real estate mortgages were released (see **Note 2.19: Short-term loans from financial institutions**).

1.21

Financial risk management

The nature of business exposes Terrafame Group to foreign exchange, commodity price, credit and liquidity risks. The goal of the Group's financial risk management is to minimise the negative effects of changes in financial and commodity markets on its result and cash flow.

Terrafame's commercial and finance department identifies and assesses risks, acquires the instruments needed to hedge against risks, and reports on risks and any changes therein to the company's CEO and Board of Directors. Hedging transactions are carried out in accordance with the principles approved by the Board of Directors. If necessary, foreign-exchange forward transactions and options, foreign currency loans, interest rate swaps and nickel and zinc forwards, and options are used in financial risk management.

The hedging policy adopted by Terrafame's Board of Directors defines the objectives of hedging, permitted hedging instruments, hedging levels, organisational responsibilities and reporting necessary for the management and control of financial risks. The accounting policies to be applied are also outlined in the hedging policy. The company's Board of Directors approves all counterparties to agreements relating to financial risk management. According to the hedging policy, derivative instruments can only be used to manage business risks. The use of derivative instruments to hedge against non-business risks (for trading purposes or speculative use) is prohibited.

The company's financial management submit reports on risk management, hedging position and outcomes to the CEO and Board of Directors on a monthly basis.

Currency risks

Since Terrafame Group operates in the euro area and sales are made in US dollars, the company's business operations involve currency risks.

In 2024, the Group had USD-denominated sales worth USD 574.4 million, and the USD-denominated foreign-exchange forward transactions due during the financial year totalled USD 306 million. The hedge ratio was therefore set at 53.3%. As a result, a 10% change in the value of EUR/USD would have only affected the Group's net sales by 4.7%.

In 2023, the Group had USD-denominated sales worth USD 604.4 million, and the USD-denominated foreign-exchange forward transactions due during the financial year totalled USD 366 million. The hedge ratio was therefore set at 60.6%. As a result, a 10% change in the value of EUR/USD would have only affected the Group's net sales by 3.9%.

Most of Terrafame's long-term loans from financial institutions in the accounting period 2023 were USD-denominated. In accordance with the hedging policy, the risk of revaluing loans related to exchange rate changes is not subject to hedging measures. In the financial year 2024, there were no foreign currency loans following the transition to the company's EUR 250 million financing package.

Interest rate risk

The Group's interest rate risk arises from loans from financial institutions for which the reference rate is a variable interest rate. At the date of closing the accounts, the consolidated balance sheet showed EUR 339.4 (141.7) million in interest-bearing liabilities. On the same date, the repayment period of interest-bearing liabilities was approximately 2.5 years. This calculation includes all of the liabilities for which a repayment period can be defined. The company has not taken any special measures to hedge against interest rate risks during the financial year.

Possible changes in the interest rate level would not have had a significant impact on the Group's result and shareholders' equity. An increase of one percentage point in the reference rate would have increased the interest costs of finance loans by approximately EUR 3.2 million. In accordance with the hedging policy, the risk of revaluation of loans is not subject to hedging measures.

Credit risk

The internal guidelines of the Group define the principles and responsibilities of credit control. Once a new customer agreement has been signed, the Group estimates its expected annual volume and share of net sales, as well as the customer's creditworthiness.

A credit loss of EUR 14,773 was recognised in the financial year 2024. Credit insurance has not been applied to secure trade receivables.

The aging schedule for trade receivables is presented in Note 1.15.

Capital management

The aim of the Group's capital management is to support business through an optimal capital structure and increase shareholder value by aiming at the highest possible return. An optimal capital structure also ensures smaller capital costs.

Developments in capital structure are monitored, among others, through the equity-to-assets ratio. The equity ratio on 31 December 2024 was 50.5 (61.9) %.

Liquidity risk

The Group continuously assesses and monitors the amount of financing required for business operations, so that the Group has sufficient liquid funds to finance its operations.

The maturity distribution based on debt contracts is as follows:

31 Dec 2024	Carrying amount	Cash flow	0-6 months	6 months-1 year	1-2 years	More than 2 years
Interest-bearing liabilities	301,515	342,222	74,425	6,148	12,196	249,452
Accounts payable	110,857	110,857	110,857	0	0	0
Lease liabilities	37,913	45,851	4,357	4,357	8,945	28,191
Derivative liabilities	8,332	8,332	6,809	1,400	123	0
Total	**458,616**	**507,261**	**196,448**	**11,905**	**21,264**	**277,644**
31 Dec 2023						
Interest-bearing liabilities	136,208	137,575	100,090	0	0	37,484
Accounts payable	93,738	93,738	93,738	0	0	0
Lease liabilities	5,478	6,095	954	954	3,684	504
Derivative liabilities	138	138	138	0	0	0
Total	**235,563**	**237,546**	**194,921**	**954**	**3,684**	**37,988**

On 27 February 2025, Terrafame announced it had negotiated a financing arrangement to fund the company's investment programme over the next few years. As part of the financing solution, Terrafame and its main owners – Finnish Minerals Group and the Galena funds – have agreed on a EUR 100 million financing arrangement consisting of a EUR 50 million shareholder loan and a EUR 50 million equity financing commitment. In addition, Terrafame has agreed on a EUR 50 million advance payment arrangement with Trafigura.

In the same context, Terrafame has agreed on a one-year extension to the maturity of an existing EUR 250 million bank loan agreement as well as on extending a EUR 65 million revolving credit facility previously received from Finnish Minerals Group for the same period. The new maturity of the bank loan and the revolving credit facility ends in December 2028.

The arrangement has no significant impact on the shareholder base of the company. With the revised financing arrangement, the company's management estimates that the company's financing will be sufficient to carry out the necessary investments and thus ensure the continuity of operations.

Market risk

The fair value calculation of hedges is based on market rates and quotations on the balance sheet date in accordance with the hedging portfolio. Counterparties to derivative transactions have been approved in accordance with Terrafame's hedging policy. Intercompany receivables and liabilities are connected on a transaction level with each counterparty and accounted for on a daily level by transaction.

The importance of hedging instruments to Terrafame's financial position and projected profitability for the next 12 months was high on 31 December 2024. The company had set up a cash flow hedge against a weakening US dollar with a hedging rate of approximately 50%. The company had set up a cash flow hedge against a decline in the price of nickel with a hedging rate of approximately 40% and in the price of zinc with a hedging rate of approximately 70% for forecasted deliveries during the coming year using derivatives. In addition, in line with its hedging policy, the company had set up hedges for almost all of its nickel and zinc deliveries, which had been completed and previously reported as sales. As a result, the change in market prices after the closing of the accounts has hardly no effect on the sales revenue recognised for nickel and zinc deliveries completed during the financial year 2024.

1.22

Provisions

Long-term provisions on the balance sheet are related to the environmental and rehabilitation liabilities associated with the Group's mine and production plants. The provisions are based on estimates of future liabilities.

Non-current rehabilitation provision	31 Dec 2024	31 Dec 2023
At the beginning of the year	219,729	205,251
Increase	0	7,294
Change due to discounting	-8,192	0
Unwinding of the discount	5,142	7,184
At the end of the year	216,680	219,729
Total non-current	**216,680**	**219,729**
Estimated cost of the rehabilitation provision		
Rehabilitation of bioleaching areas	114,097	115,703
Other rehabilitation work	102,583	104,026
Total estimated rehabilitation costs	**216,680**	**219,729**

On 20 June 2022, the Regional State Administrative Agency for Northern Finland issued its decision on the environmental and water permit covering all Terrafame's operations – that is, the master permit. The master permit determines the scope of all operations (including new plans for coming years), sets emission limits and defines an environmental guarantee for discontinued operations. The new permit also enables the progress of ongoing development projects, taking account of the interim decisions issued by the Vaasa Administrative Court in January 2024.

However, the permit decision increased Terrafame's environmental guarantee from EUR 138 million to EUR 324 million, which is high even by global comparison. In the third quarter of 2022, Terrafame filed an application with the Vaasa Administrative Court concerning the calculation principles of the guarantee.

Terrafame already increased the environmental provision in its financial statements for 2021, and the provision remained unchanged in Terrafame's financial statements for 2022. In Terrafame's financial statements for 2023, the provision was increased by EUR 15.1 million, mainly due to the introduction of new waste rock fields.

Due to the closures carried out during the financial year 2024 and the partial impact of the refined area-based closure costs, the discounted environmental provision decreased by EUR 3 million overall in the Group's IFRS financial statements. The provision decreased by EUR 8.2 million, while the unwinding of the discount over the period increased the provision by EUR 5.2 million. The amount of the provision in the consolidated balance sheet on 31 December 2024 was EUR 216.7 (219.7) million.

In preparation for costs arising from closure measures, Terrafame has included in its balance sheet an environmental provision that is updated annually. During the financial year 2024, the company has begun to accumulate data on the actual cost levels of completed rehabilitation work, as well as research data from extensive pilot project. Based on this accumulated information, the company has refined its estimate of the area-based closure costs included in the environmental provision recognised in the financial year. During the financial years 2021–2023, the costs were based on the collateral values defined in the environmental permits. The general costs in the guarantee requirement and the value added tax added to the unit cost are not included in the environmental provision, as these costs will not be borne by Terrafame when the company carries out its closing obligation.

Terrafame announced on 27 January 2025 that it has applied to the Supreme Administrative Court for leave to appeal against the decisions issued by the Vaasa Administrative Court (VAC) in December 2024. Additionally, Terrafame is requesting the Supreme Administrative Court (SAC) to issue an interim decision regarding key restrictions on operations. The VAC's decisions are described in more detail in the section "Permits" in the Board of Directors' review.

From Terrafame's perspective, it was important that the VAC upheld the ore extraction volume of 18 million tonnes per year. If upheld, the other regulations pertaining to the VAC's decisions will, however, negatively impact Terrafame's operations and cause significant additional costs. Terrafame considers that the VAC's decisions unjustifiably undermine Terrafame's operating conditions and create unnecessary uncertainty in the planning of the company's operations. In Terrafame's view, there are weighty reasons for annulling the VAC's decisions and issuing an interim decision.

1.23

Interest-bearing liabilities

Financial liabilities measured at amortised cost

Non-current	31 Dec 2024	31 Dec 2023
Loans from financial institutions – finance loan	236,515	37,484
Lease liability	31,550	3,878
Total	**268,065**	**41,362**

Current		
Loans from financial institutions – finance loan	0	40,724
Other payables	65,000	58,000
Lease liability	6,363	1,600
Total	**71,363**	**100,324**

The fair values of current and non-current liabilities do not differ significantly from their carrying amounts.

The financing arrangement announced by Terrafame on 25 January 2024 involved covenants. The covenants are the ratio of the previous 12 months' rolling EBITDA to the company's net debt (Net debt / EBITDA) and the gearing ratio (Gearing). The covenants are calculated on the basis of the currently consolidated IFRS financial statements, which are subject to adjustments agreed in the financing agreement.

Due to the challenging market situation, the company agreed on waivers with financiers the covenant levels for the second half of the financial year 2024, within which the limits were kept. As part of the overall financing arrangement announced on 27 February 2025, the company has agreed on changes to covenants and their levels, and according to the company's management view, it will remain in these limits.

1.24

Trade and other payables

Current	31 Dec 2024	31 Dec 2023
Accounts payable	110,857	94,528
Accruals and deferred income	32,131	24,560
Derivative liabilities	8,332	138
Other payables	1,292	1,289
Total	**152,612**	**120,515**

Non-interest bearing liabilities by currency, EUR		
USD	27,103	2,136
GBP	31	3
SEK	2,547	42
CAD	0	8
EUR	122,932	118,326
Total	**152,612**	**120,515**

During the financial year 2024, derivative assets and liabilities were recognised at fair value. A breakdown of these is presented in the **Notes to hedging derivatives 1.18**.

Terrafame

Classification of financial assets and liabilities 31 December 2024

	Carrying amount							
Financial assets	**Measured at amortised cost**	**Measured at fair value through profit or loss**	**Covered by hedge accounting**	**Total carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
Derivatives			46,691	46,691	46,691		46,691	
Trade receivables	72,793			72,793	72,793			
Cash and cash equivalents	41,034			41,034	41,034			
Total	**113,827**		**46,691**	**160,518**	**160,518**			
Financial liabilities								
Loans from financial institutions	236,515			236,515	236,515			
Other liabilities	65,000			65,000	65,000			
Lease liabilities	37,913			37,913	37,913			
Accounts payable	110,857			110,857	110,857			
Derivatives			8,332	8,332	8,332		8,332	
Total	**450,284**		**8,332**	**458,616**	**458,616**			

Classification of financial assets and liabilities 31 December 2023

	Carrying amount							
Financial assets	**Measured at amortised cost**	**Measured at fair value through profit or loss**	**Covered by hedge accounting**	**Total carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Taso 3**
Derivatives			74,541	74,541	74,541		74,541	
Trade receivables	48,754			48,754	48,754			
Cash and cash equivalents	15,230			15,230	15,230			
Total	**63,984**		**74,541**	**138,525**	**138,525**			
Financial liabilities								
Loans from financial institutions	78,208			78,208	78,208			
Other liabilities	58,000			58,000	58,000			
Lease liabilities	5,478			5,478	5,478			
Accounts payable	94,528			94,528	94,528			
Derivatives			138	138	138		138	
Total	**236,214**		**138**	**236,352**	**236,352**			

For financial assets and liabilities measured at amortised cost, the carrying amount is considered to be the best estimate of their fair value. The Group made no transitions between the classification levels of fair value during the financial year.

Classification level 1 fair values are based on the quoted (unadjusted) prices of identical assets or liabilities in an appropriate market. In determining the fair value of these instruments, the Group has mainly used Bloomberg valuations as the source of prices and the Group has verified that the prices received represented actual and frequent market transaction prices for the instruments in question.

The fair values of instruments in classification level 2 are for a significant part based on inputs other than the prices quoted in classification level 1, however, it is based on data that is observable for the asset or liability in question either directly (as the price) or indirectly (derived from the price).

In order to determine the fair value of these instruments, the Group uses generally accepted valuation models, the inputs of which are nonetheless for a significant part based on observable market data.

The fair values of level 3 instruments, on the other hand, are based on inputs on an asset or a liability that are not based on observable market data (unobservable inputs) but for a significant part on estimates made by management and the generally accepted methods of valuation used.

The fair value classification level for a specific item measured at fair value as a whole is determined on the basis of the lowest level input data relevant to the item in question. The significance of the input has been assessed in relation to the item measured at fair value as a whole.

1.25

Adjustments to cash flows from operating activities

Adjustments to operating profit/loss	2024	2023
Unrealised foreign exchange gains and losses	-651	-2,259
Finance income and costs	24,977	32,226
Other income and expenses that do not include payments	3,527	6,022
Total	**27,854**	**35,990**

Changes in debt due to financing

			Non-cash flow impact			
	1 Jan 2024	Changes arising from cash flows	Foreign exchange movements	Transfers	Other changes	31 Dec 2024
Non-current liabilities	37,484	199,031	0	0	0	236,515
Current liabilities	98,724	-36,894	3,170	0	0	65,000
Lease liabilities: non-current	3,878	0	0	-5,440	33,112	31,550
Lease liabilities: current	1,600	-5,273	0	5,440	4,596	6,363
Total liabilities arising from financing activities	**141,686**	**156,864**	**3,170**	**0**	**37,708**	**339,428**

Changes in debt due to financing

	Non-current liabilities	Current liabilities	Non-current lease liabilities	Current lease liabilities	Total liabilities arising from financing activities
Net liabilities 1 Jan 2023	101,129	133,686	1,034	5,887	241,736
Cash flows	0	-47,027	0	-3,718	-50,745
Date of acquisition	27,767	65,000	4,111	1,406	98,284
Exchange rate variations	-896	-9,089	0	0	-9,985
Other changes that do not include payment	-90,516	-43,846	-1,267	-1,974	-137,603
Net liabilities 31 Dec 2023	**37,484**	**98,724**	**3,878**	**1,600**	**141,686**

	Non-current liabilities	Current liabilities	Non-current lease liabilities	Current lease liabilities	Total liabilities arising from financing activities
Net liabilities 1 Jan 2024	37,484	98,724	3,878	1,600	141,686
Cash flows	-228	-98,724	0	-5,273	-104,226
Date of acquisition	199,259	65,000	33,112	0	297,371
Other changes that do not include payment	0	0	-5,440	10,036	4,596
Net liabilities 31 Dec 2024	**236,515**	**65,000**	**31,550**	**6,363**	**339,427**

1.26

Related party transactions

The key related parties of Terrafame Ltd are Finnish Minerals Group, the State of Finland, Galena Private Equity Resources Investment 2 L.P., Galena Private Equity Resources Investment 3 L.P., Galena Private Equity Resources Investment 4 L.P., Galena Private Equity Resources Fund L.P. and Galena Private Equity Resources Co-investment 2 L.P., as well as Trafigura Group. In addition, the related parties include members of Boards, CEOs, and management team members of Group companies, persons responsible for Terrafame's commercial agreements, immediate family members of persons referred to here, and entities in which they or their immediate family members exercise control or considerable influence. Terrafame's related parties also include entities in which the State of Finland exercises control or considerable influence. Terrafame has applied an exemption pursuant to which it only reports significant transactions with Government-related companies.

During the financial year 2023, funds managed by Galena Asset Management exercised previously granted option rights. The proceeds received from the options exercised were used to repay EUR 121.4 million in loans granted by Trafigura, which means that Terrafame no longer has shareholder loans from Trafigura. As part of shareholder financing, Finnish Minerals Group increased the working capital facility granted to Terrafame. The amount drawn from the facility at the end of the year was EUR 65.0 million.

The commercial agreements between Terrafame and Trafigura NatGas Limited generated EUR 174.0 million in sales during the financial period. The company has acquired legal and other administrative services worth EUR 0.6 million, management services for product development projects worth EUR 0.2 million and finance-related services worth approximately EUR 2.3 million from Finnish Minerals Group.

All business transactions between Terrafame Ltd and its related parties conformed to accepted market practices.

Business transactions with related parties	31 Dec 2024	31 Dec 2023
Net sales from goods and services		
Other related entities	174,040	252,714
Purchases of goods and services		
Group companies	807	790
Other related entities	59,899	64,956
Total	**60,706**	**65,746**
Open balances from sales and purchases of goods and services		
Trade receivables		
Other related entities	48,640	10,676
Accounts payable and other payable		
Group companies	170	288
Other related entities	14,597	5,642
Total	**14,767**	**5,930**
Loans, received		
Group companies	65,000	58,000

The Executives' benefits table includes the salaries and remunerations of the Board of Directors and CEOs and the executives of Group companies.

Executives' benefits	2024	2023
Salaries and other short-term benefits	1,923	1,756
Termination benefits	0	0
Post-employment benefits	0	0
Other long-term employee benefits	0	0
Share-based payments	0	0
Total	**1,923**	**1,756**

Wages and salaries	31 Dec 2024	31 Dec 2023
Seppo Voutilainen	278	0
Joni Lukkaroinen	267	474
CEO total	**545**	**474**
Members of the Board of Directors		
Lauri Ratia	84	80
Jesus Fernandez	45	44
Julian Sanchez	47	44
Matti Hietanen	48	44
Riitta Mynttinen	48	44
Jyrki Vainionpää	48	44
Tuomo Mäkelä (until 20 March 2024)	9	43
Peter Schuhmacher (from 20 March 2024)	35	0
Total remuneration of the Board of Directors	**365**	**343**
Total wages and salaries	**910**	**817**

Board fees are presented on an accrual basis.

In accordance with Terrafame's remuneration policy, the CEO's remuneration consists of a fixed base salary, fringe benefits based on the applicable company guideline, and the company's short-term incentive scheme and long-term incentive scheme.

The company's Board of Directors will decide on the potential remuneration payable to the CEO in spring 2025 under the 2024 short-term incentive scheme and under the long-term incentive scheme 2022¬2024. By 2023 or earlier, Lukkaroinen has been paid approximately EUR 75 thousand in fees for the financial year 2024.

CEO Voutilainen is entitled to the potential remuneration payable under the above-mentioned incentive schemes, considering the date he assumed the role of CEO.

Having served as the CEO of Terrafame until 17 January 2024, Joni Lukkaroinen is not entitled to participate in the short-term incentive scheme for 2024 nor is he entitled to any potential remuneration payable under the scheme. Further, Lukkaroinen is not entitled to participate in the long-term incentive scheme 2022–2024 nor is he entitled to any potential remuneration payable under the scheme. In January 2025, Lukkaroinen was paid a one-time severance pay of EUR 175,680, corresponding to six months' salary.

At the end of the financial year 2024, the members of the Board of Directors and executives of Terrafame Ltd and its related parties do not own the company's shares. All business transactions between the Group companies and their related parties conformed to accepted market practices. The pension cover of key personnel is determined on the basis of statutory pension provision. There are no option or other share-based incentive schemes in place for executives.

Short-term incentive scheme

In 2024, the remuneration criteria of the short-term incentive scheme related to sustainability and strategy implementation.

Long-term incentive scheme

In February 2019, Terrafame's Board of Directors decided to establish a long-term incentive scheme (LTI) for the company's management and other key individuals. The scheme consists of individual performance-based programmes starting every year. Each programme includes a three-year performance period and the payment of any rewards in cash after the performance period. The Board will separately decide on the initiation of each individual programme.

The CEO is included in the company's long-term incentive scheme, which currently has six programmes:

Programme	Payment date of possible rewards
LTI 2019–2021	Paid in spring 2022
LTI 2020–2022	Paid in spring 2023
LTI 2021–2023	Paid in spring 2024
LTI 2022–2024	Spring 2025
LTI 2023–2025	Spring 2026
LTI 2024–2026	Spring 2027

The rewards under the programmes will be paid provided that the performance targets set by the Board of Directors are achieved. The targets set for the LTI programmes are related to production, financial profitability and sustainability. Their purpose is to support Terrafame's development and success and the achievement of its strategic and corporate sustainability goals over the long term.

The treatment of rewards based on ongoing STI and LTI plan(s) will depend on the circumstances of the CEO's departure. In case of retirement or death or in case of termination at the initiative of the Company, the CEO may be entitled to the STI and LTI reward(s) or a portion thereof as determined by the Board based on the rules of the respective incentive scheme. If the CEO terminates his/her contract at his/her own initiative, the unvested rewards are as a main rule forfeited.

1.27

Parent company and subsidiary relationships of the Group

Terrafame Group's parent company is Terrafame Ltd, which owns 100% of its subsidiary, Terrafame Alueverkko Oy. Terrafame Group is a subgroup of Finnish Minerals Group.

Terrafame Alueverkko Oy was established in 2023 and will commence its actual operations upon receipt of a licensing decision from the Energy Authority.

1.28

Events after the financial period

Terrafame applies leave to appeal in the Supreme Administrative Court regarding the decisions issued by the Vaasa Administrative Court

Terrafame announced on 27 January 2025 that it has applied to the Supreme Administrative Court for leave to appeal against the decisions issued by the Vaasa Administrative Court (VAC) in December 2024. Additionally, Terrafame is requesting the Supreme Administrative Court (SAC) to issue an interim decision regarding key restrictions on operations. The VAC's decisions are described in more detail in the section Permits on the Board of Director's review.

From Terrafame's perspective, it was important that the VAC upheld the ore extraction volume of 18 million tonnes per year. If upheld, the other regulations pertaining to the VAC's decisions will, however, negatively impact Terrafame's operations and cause significant additional costs. Terrafame considers that the VAC's decisions unjustifiably undermine Terrafame's operating conditions and create unnecessary uncertainty in the planning of the company's operations. In Terrafame's view, there are weighty reasons for the annulment of the VAC's decisions and issuing an interim decision.

Terrafame strengthens its financial position

On 27 February 2025, Terrafame announced it had negotiated a financing arrangement to fund the company's investment programme over the next few years. As part of the financing solution, Terrafame and its main owners – Finnish Minerals Group and the Galena funds – have agreed on a EUR 100 million financing arrangement consisting of a EUR 50 million shareholder loan and a EUR 50 million equity financing commitment. In addition, Terrafame has agreed on a EUR 50 million advance payment arrangement with Trafigura.

In the same context, Terrafame has agreed on a one-year extension to the maturity of an existing EUR 250 million bank loan agreement as well as on extending a EUR 65 million revolving credit facility previously received from Finnish Minerals Group for the same period. The new maturity of the bank loan and the revolving credit facility ends in December 2028.

The arrangement will not have a significant impact on the company's ownership structure.

1.29

Notes concerning the IFRS transition

IFRS Financial Statements is Terrafame Group's first consolidated financial statements. The consolidated financial statements have been prepared in accordance with the international financial reporting standards (IFRS) adopted by the EU on 31 December 2024. The date of transition to IFRSs was 1 January 2023. In the IFRS transition, the Group applied IFRS 1 First-time Adoption of IFRSs.

Terrafame Group's consolidated financial statements for the financial year 2023 have not been prepared pursuant to Chapter 6, Section 1, Section 6 of the Accounting Act and Chapter 6, Section 3, Section 1, Section 1. The financial statements of the parent company Terrafame Oy are prepared in accordance with the Finnish Accounting Standards (FAS).

The effects arising from the adoption of IFRSs on the consolidated income statement reported in accordance with the Finnish GAAP for the financial year 1 January 31 December 2024 and on the consolidated balance sheet on 31 December 2024 are presented below. For the profit and loss account for the financial year 1 January 31 December 2023, the effects of the adoption of IFRSs are presented in comparison to the profit and loss account reported in accordance with the Finnish Financial Reporting Standards (FAS) of the parent company Terrafame Oy. The effects of the adoption of IFRSs on the balance sheet as at 31 December 2023 and on IFRSs on the balance sheet as at 1 January 2023 are presented similarly compared to the balance sheet reported in accordance with the Finnish GAAP (FAS) of the parent company Terrafame Ltd.

Leases

Terrafame has adopted the IFRS 16 Leases standard as permitted by section 5:5b of the Finnish Accounting Act and by the IAS Regulation (EU) in its financial accounting effective 1 January 2019, using the simplified approach. The IFRS 16 standard requires that all leases be recognised on the lessee's balance sheet. As a lessee, the company is required to recognise a right-of-use asset representing its right to use the underlying leased asset and, correspondingly, a lease liability representing its obligation to make lease payments, in its balance sheet. The right-of-use asset is depreciated in accordance with a depreciation schedule determined on the basis of the lease term or useful life of the asset. Interest on a lease liability is presented in finance expenses.

The company applies the standard's exemption to the assets of short-term leases and leases of low value, and these are not recognised as right-of-use assets and lease liabilities on the balance sheet. As a result, the payments associated with such leases are recognised as an expense in the income statement on a straight-line basis over the lease term. Such leases are classified as other leases in accordance with IFRS 16. As a result of the adoption of the standard, the company has recognised right-of-use assets on its balance sheet under machinery and equipment on the basis of lease liabilities concerning vehicles and mobile mining equipment. The company has not concluded any significant agreements as a lessor.

Biological assets

Land owned by Terrafame Ltd has biological assets (forest). Biological assets are measured at fair value on the basis of a third-party estimate, and the estimated sales-related costs are deducted from this value. The trees and seeding stands are valued at fair value separately from the land. Seeding stands have no value in timber trade since the trees will not be saleable until after 25–30 years. The value of seeding stands has been taken into account in the value of forests by discounting them to the current value per 31 December 2024 (25 years, interest rate 5%).

The fair value of logging, which is determined on the basis of the value at the time of sale, is subtracted from the fair value of biological assets. The estimated growth of trees is recorded as gains due to the increase in the fair value of biological assets. Changes in the fair value of biological assets are included in the operating profit or loss in the income statement.

Rehabilitation provision

In preparation for closure, Terrafame's balance sheet includes an environmental provision, which is updated annually. During the financial year 2024, the company has begun to accumulate data on the actual cost levels of completed rehabilitation work, as well as research data from extensive pilot project. Based on this accumulated information, the company has refined its estimate of the area-based closure costs included in the environmental provision recognised in the financial year. During the financial years 2021–2023, the costs were based on the collateral values defined in the environmental permits.

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of the time value of money is material, provisions are discounted at the current pre-tax interest rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A rehabilitation provision is made with respect to the estimated future costs of mine closure and restoration, and for environmental rehabilitation to the condition required by the environmental permits granted for mining operations.

The rehabilitation costs have been estimated in accordance with the cost level at the date of closing of the accounts. The rehabilitation provision of 31 December 2024 in the consolidated balance sheet was EUR 216.7 (219.7) million.

Income statement and balance sheet transition calculations from financial statements 2022–2023

Reconciliation calculations 2023

Income statement	FAS 1 Jan–31 Dec 2023	IFRS adjustments	IFRS 1 Jan–31 Dec 2023
Net sales	560,930		560,930
Cost of goods sold	-477,935		-477,935
Gross profit	82,994		82,994
Other operating revenues	4,564	1,161	5,725
Sales and marketing expenses	-5,630		-5,630
Administrative expenses	-27,897		-27,897
Other operating expenses	-30,778	13,480	-17,298
Operating profit/loss	**23,253**		**37,895**
Financial income and expenses			
Interest income and other financial income	5,962		5,962
Interest and other finance expenses	-36,271	-7,184	-43,455
Financial income and expenses	-30,309		-37,493
Profit/loss before tax	**-7,056**		**402**
Income taxes		-4,759	-4,759
Profit/loss for the financial year	**-7,056**	**2,699**	**-4,357**

The net IFRS adjustments to the 2023 profit/loss under FAS amount to EUR 2.7 million.

These comprise an increase of EUR 1.2 million in the fair value of biological assets, which is reported under Other operating income, and a deferred tax charge of EUR -0.2 million recognised in income taxes. Income taxes also reflect a change in deferred tax assets of EUR -4.7 million and a deferred tax charge of EUR 0.2 million relating to right-of-use assets.

Other operating expenses are adjusted by eliminating the change in the FAS environmental provision of EUR 15.1 million and by removing the amortisation of the ARO asset of EUR -1.6 million. Interest and other finance expenses include an adjustment of EUR -7.2 million, arising from the annual unwinding of the discount on the environmental provision, as required under IFRS.

Reconciliation calculations 2024

Consolidated income statement	FAS 1 Jan–31 Dec 2024	IFRS adjust-ments	IFRS 1 Jan–31 Dec 2023
Net sales	544,491		544,491
Cost of goods sold	-477,019		-477,019
Gross profit	67,471		67,471
Other operating revenues	4,462	1,614	6,076
Sales and marketing expenses	-19,442		-19,442
Administrative expenses	-40,212		-40,212
Other operating expenses	-5,652	-20,819	-26,470
Operating profit/loss	**6,628**		**-12,577**
Financial income and expenses			
Interest income and other financial income	3,844		3,844
Interest and other finance expenses	-25,721	-5,121	-30,842
Financial income and expenses	-21,878		-26,998
Profit/loss before tax	**-15,250**		**-39,575**
Income taxes		-6,709	-6,709
Profit/loss for the financial year	**-15,250**	**-31,034**	**-46,284**

The net IFRS adjustments to the 2024 profit/loss under FAS amount to EUR -31.0 million.

These adjustments comprise an increase of EUR 1.6 million in the fair value of biological assets, which is reported under Other operating income, and a deferred tax charge of EUR -0.3 million recognised in income taxes. Income taxes also reflect a change in deferred tax assets of EUR -6.5 million and a deferred tax charge of EUR 0.1 million relating to right-of-use assets.

Other operating expenses are adjusted by eliminating the change in the FAS environmental provision of EUR -19.5 million and by removing the amortisation of the ARO asset of EUR -1.3 million. Interest and other finance expenses include an adjustment of EUR -5.1 million, arising from the annual unwinding of the discount on the environmental provision, as required under IFRS.

In the 2024 financial statements, the company has reported a total of EUR 100 million in loans from credit institution using the effective interest rate method. The impact of the effective interest rate adjustment on the profit/loss for the year is immaterial (approximately EUR -20,000), as the adjustment also reverses amortised loan arrangement costs that were expensed to profit/loss under FAS.

Terrafame

Reconciliation calculations 1 Jan 2023

Balance sheet

Assets

Non-current assets	FAS 31 Dec 2022	IFRS change of presentation	IFRS adjust-ments	IFRS 1 Jan 2023
Intangible assets	305	0	0	305
Tangible assets	697,125	-5,111	36,406	728,420
Biological assets	0	5,111	2,601	7,712
Deferred tax assets	0	14,202	23,455	37,657
Total non-current assets	**697,431**			**774,094**
Current assets				
Inventories	288,908	0	0	288,908
Deferred tax assets	14,202	-14,202	0	0
Amounts owed by group companies	35	-35	0	0
Trade receivables	66,701	35	0	66,736
Other receivables	897	14,398	0	15,296
Prepayments and accrued income	14,398	-14,398	0	0
Cash and cash equivalents	45,501	0	0	45,501
Total current assets	**430,642**			**416,440**
Total assets	**1,128,072**	**0**	**62,462**	**1,190,534**

Equity and liabilities

Equity	FAS 31 Dec 2022	IFRS change of presentation	IFRS adjust-ments	IFRS 1 Jan 2023
Subscribed capital	2,000	0	0	2,000
Invested unrestricted equity	802,610	0	0	802,610
Fair value reserve	-56,806	0	0	-56,806
Retained earnings (losses)	-371,692	0	73,776	-297,916
Profit/loss of the financial year	62,957	0	14,135	77,093
Equity	**439,069**			**526,981**
Provisions	**232,024**	**-232,024**	**0**	**0**
Non-current liabilities				
Loans from credit institutions	102,163	-102,163	0	0
Deferred tax liabilities	0	0	1,324	1,324
Interest-bearing liabilities	0	102,163	0	102,163
Provisions	0	232,024	-26,773	205,251
Total non-current liabilities	**102,163**			**308,737**
Current liabilities				
Amounts owed to group companies	369	-369	0	0
Loans from credit institutions	139,700	-139,700	0	0
Interest-bearing liabilities	0	139,700	0	139,700
Trade payables	105,007	369	0	105,376
Other liabilities	1,239	108,502	0	109,741
Accruals and deferred income	108,502	-108,502	0	0
Total current liabilities	**354,816**			**354,816**
Total liabilities	**456,979**			**663,553**
Total equity and liabilities	**1,128,072**	**0**	**62,462**	**1,190,534**

According to the FAS principles, the required classification changes have been made to the reported balance sheet items in order to bring the classification into line with the IFRS balance sheet structure and presentation of the Terrafame Group.

Tangible fixed assets have been adjusted by EUR 2.6 million, representing the fair value of biological assets (forest) exceeding their carrying amount under FAS. Biological assets are adjusted to reflect the discounted value of forest. The ARO (Asset Restoration Obligation) asset, recognised based on the environmental provision, has been adjusted by its acquisition cost of EUR 37.8 million, and by the amortisation of that asset for the year 2022 of EUR -1.3 million.

Adjustments to the profit of prior financial periods mainly consist of the elimination of the change in the environmental provision under FAS made in 2021, amounting to EUR 73.0 million. The net IFRS adjustments to the 2022 profit/loss under FAS amount to EUR 14.1 million. This primarily consists of the recognition of the deferred tax asset on confirmed tax losses as long-term tax receivables of EUR 23.5 million, the amortisation of the ARO asset of EUR -1.3 million, and finance costs of EUR -7.5 million arising from the annual unwinding of the discount on the environmental provision. An expense of EUR -0.3 million and deferred tax relating to right-of-use assets of EUR -0.2 million have been recognised from the change in biological assets.

Deferred tax liabilities recognised on the balance sheet consist of tax liabilities arising from the valuation of right-of-use assets (EUR 0.8 million) and biological assets (EUR 0.5 million).

Discounting the environmental provision to its present value has resulted in a total adjustment of EUR -26.8 million compared to the nominal value of the provision under FAS, and the environmental provision reported in accordance with IFRS principles is EUR 205.3 million.

Reconciliation calculations 31 Dec 2023

Balance sheet

Assets

Non-current assets	FAS 31 Dec 2023	IFRS change of presentation	IFRS adjust-ments	IFRS 31 Dec 2023
Intangible assets	282	0	0	282
Tangible assets	774,284	-5,111	42,082	811,255
Biological assets	0	5,111	3,762	8,873
Investments in associates	1	0	0	1
Deferred tax assets	0	0	18,771	18,771
Total non-current assets	**774,567**			**839,182**
Current assets				
Inventories	313,250	0	0	313,250
Trade receivables	48,754	0	0	48,754
Other receivables	13,384	77,419	0	90,804
Prepayments and accrued income	77,419	-77,419	0	0
Cash and cash equivalents	15,230	0	0	15,230
Total current assets	**468,039**			**468,039**
Total assets	**1,242,606**	**0**	**64,615**	**1,307,221**

Equity and liabilities

Equity	FAS 31 Dec 2023	IFRS change of presentation	IFRS adjust-ments	IFRS 31 Dec 2023
Subscribed capital	2,000	0	0	2,000
Invested unrestricted equity	972,670	0	0	972,670
Fair value reserve	59,522	0	0	59,522
Retained earnings (losses)	-308,734	0	87,911	-220,823
Profit/loss of the financial year	-7,056	0	2,699	-4,357
Equity	**718,401**			**809,012**
Provisions	**247,123**	**-247,123**	**0**	**0**
Non-current liabilities				
Loans from credit institutions	41,362	-41,362	0	0
Deferred tax liabilities	14,881	0	1,398	16,279
Interest-bearing liabilities	0	41,362	0	41,362
Provisions	0	247,123	-27,394	219,729
Total non-current liabilities	**56,243**			**277,370**
Current liabilities				
Amounts owed to group companies	58,993	-58,993	0	0
Interest-bearing liabilities	0	100,324	0	100,324
Loans from credit institutions	42,324	-42,324	0	0
Trade payables	93,738	790	0	94,528
Other liabilities	1,289	24,698	0	25,987
Accruals and deferred income	24,495	-24,495	0	0
Total current liabilities	**220,839**			**220,839**
Total liabilities	**277,082**			**498,209**
Total equity and liabilities	**1,242,606**	**0**	**64,615**	**1,307,221**

According to the FAS principles, the required classification changes have been made to the reported balance sheet items in order to bring the classification into line with the IFRS balance sheet structure and presentation of the Terrafame Group.

Tangible fixed assets have been adjusted by EUR 3.8 million, representing the fair value of biological assets (forest) exceeding their carrying amount under FAS. Biological assets are adjusted to reflect the discounted value of forest. The ARO asset, recognised based on the environmental provision, has been adjusted by its acquisition cost of EUR 36.5 million, as well as by the EUR 7.3 million increase in the ARO asset recognised in 2023, and by the EUR -1.6 million amortisation of that asset for the financial year.

The deferred tax asset reported in the 2023 IFRS financial statements, based on confirmed losses, totalled EUR 18.8 million.

Adjustments to the retained earnings reported in the IFRS financial statements relate to IFRS adjustments recognised in prior periods with profit and loss and balance sheet effects (environmental provisions EUR 63.2 million, biological assets EUR 2.1 million, right-of-use assets EUR -0.8 million and deferred tax assets EUR 23.5 million). The net IFRS adjustments to the 2023 profit/loss under FAS amount to EUR 2.7 million. This primarily consists of the recognition of the change in the deferred tax asset on confirmed losses as long-term tax receivables of EUR -4.7 million, the amortisation of the ARO asset of EUR -1.6 million, and finance expenses of EUR -7.2 million arising from the annual unwinding of the discount on the environmental provision. In connection with the IFRS adjustments, the EUR 15.1 million change in the provision recognised as an expense under FAS has been reversed. A gain of EUR 1.2 million and a change in deferred tax relating to right-of-use assets of EUR 0.2 million have been recognised from the change in biological assets.

IFRS adjustments to deferred tax liabilities recognised on the balance sheet consist of tax liabilities arising from the valuation of right-of-use assets (EUR 0.6 million) and biological assets (EUR 0.8 million).

Reporting the environmental provision in accordance with IFRS principles has resulted in a total adjustment of EUR -27.4 million compared to the nominal value of the provision under FAS. This is comprised of the recognition of prior years' adjustments of EUR -26.8 million, the reversal of the change in the provision expensed under FAS of EUR -15.1 million, the unwinding of the discount on the IFRS provision of EUR 7.2 million, and the change in the IFRS provision of EUR 7.3 million. The environmental provision reported in accordance with IFRS principles is EUR 219.7 million.

Terrafame

Reconciliation calculations 31 Dec 2024

Consolidated balance sheet

Assets

Non-current assets	FAS 31 Dec 2024	IFRS change of presentation	IFRS adjust-ments	IFRS 31 Dec 2024
Intangible assets	220	0	0	220
Tangible assets	907,688	-5,111	32,587	935,164
Biological assets	0	5,111	5,376	10,488
Deferred tax assets	0	0	12,253	12,253
Other receivables	291	0	0	291
Total non-current assets	**908,199**			**958,416**
Current assets				
Inventories	318,715	0	0	318,715
Trade receivables	72,793	0	0	72,793
Other receivables	10,885	50,745	-720	60,909
Prepayments and accrued income	50,745	-50,745	0	0
Cash and cash equivalents	41,039	0	0	41,039
Total current assets	**494,176**			**493,456**
Total assets	**1,402,376**		**49,496**	**1,451,872**

Equity and liabilities

Equity	FAS 31 Dec 2024	IFRS change of presentation	IFRS adjust-ments	IFRS 31 Dec 2024
Subscribed capital	2,000	0	0	2,000
Invested unrestricted equity	972,670	0	0	972,670
Fair value reserve	30,687	0	0	30,687
Retained earnings (losses)	-315,792	0	90,611	-225,181
Profit/loss of the financial year	-15,250	0	-31,034	-46,284
Equity	**674,315**			**733,892**
Provisions	**227,608**	**-227,608**	**0**	**0**
Non-current liabilities				
Loans from credit institutions	268,806	-268,806	0	0
Deferred tax liabilities	7,672	-7,672	9,261	9,261
Interest-bearing liabilities	0	268,806	-741	268,065
Provisions	0	227,608	-10,928	216,680
Total non-current liabilities	**276,478**			**494,005**
Current liabilities				
Amounts owed to group companies	65,706	-65,706	0	0
Interest-bearing liabilities	0	71,363	0	71,363
Loans from credit institutions	6,363	-6,363	0	0
Trade payables	110,687	170	0	110,857
Other liabilities	1,292	40,464	0	41,756
Accruals and deferred income	39,928	-32,256	-7,672	0
Total current liabilities	**223,975**			**223,975**
Total liabilities	**500,453**			**717,980**
Total equity and liabilities	**1,402,376**	**0**	**49,496**	**1,451,872**

According to the FAS principles, the required classification changes have been made to the reported balance sheet items in order to bring the classification into line with the IFRS balance sheet structure and presentation of the Terrafame Group.

Tangible fixed assets have been adjusted by EUR 5.4 million, representing the fair value of biological assets (forest) exceeding their carrying amount under FAS. Biological assets are adjusted to reflect the discounted value of forest. The ARO asset, recognised based on the environmental provision, has been adjusted by its acquisition cost of EUR 42.2 million, as well as by the EUR -8.2 million change in the ARO asset recognised in 2024, and by the amortisation of EUR -1.3 million of that asset for the financial year.

The deferred tax asset recognised in the 2023 IFRS financial statements, based on confirmed losses, totalled EUR 12.3 million.

Adjustments to retained earnings presented in the IFRS financial statements relate to IFRS adjustments recognised in prior periods with profit or loss and balance sheet effects (environmental provisions EUR 69.5 million, biological assets EUR 3.0 million, right-of-use assets EUR -0.6 million and deferred tax assets EUR 18.8 million). The net IFRS adjustments to the 2024 profit/loss under FAS amount to EUR -31.0 million. This primarily consists of the recognition of the change in the deferred tax asset on confirmed losses as long-term tax receivables of EUR -6.5 million, the amortisation of the ARO asset of EUR -1.3 million, and finance expenses of EUR -5.1 million arising from the annual unwinding of the discount on the environmental provision. In connection with the IFRS adjustments, the EUR -19.5 million change in the provision recognised to profit/loss under FAS has been reversed. A gain of EUR 1.6 million has been recognised from the change in biological assets, along with related deferred tax of EUR -0.3 million, and a change in deferred tax relating to right-of-use assets of EUR 0.1 million.

IFRS adjustments to deferred tax liabilities recognised on the balance sheet consist of tax liabilities arising from the valuation of right-of-use assets (EUR 0.5 million) and biological assets (EUR 1.1 million).

Reporting the environmental provision in accordance with IFRS principles has resulted in a total adjustment of EUR -10.9 million compared to the nominal value of the provision under FAS. This is comprised of the recognition of prior years' adjustments of EUR -27.4 million, the reversal of the change in the provision recognised to profit/loss under FAS of EUR 19.5 million, the unwinding of the discount on the IFRS provision of EUR 5.1 million, and the change in the IFRS provision of EUR -8.1 million. The environmental provision reported in accordance with IFRS principles is EUR 216.7 million.

The parent company prepared its first consolidated financial statements for the financial year 2024. The notes on the IFRS transition do not separately present the consolidations of an insignificant subsidiary in the 2024 reconciliation calculations. Changes due to presentation differences are shown in their own column. Changes due to presentation differences have no impact on the Group's financial statements.

Adjustments between FAS and IFRS in the financial statement affect those income statement and balance sheet items to which adjustments have been made, and these are presented in the cash flow statement. These adjustments have had no cash flow impact.

Parent company financial statements (FAS)

Parent company financial statements (FAS)

1 January – 31 December 2024

Parent company income statement

	Note	2024	2023
Net sales	2.1	544,491	560,930
Cost of goods sold	2.2	-477,019	-477,935
Gross profit		67,471	82,994
Other operating revenues		4,462	4,564
Sales and marketing expenses	2.3	-19,442	-5,630
Administrative expenses	2.4	-40,212	-27,897
Other operating expenses	2.5	-5,652	-30,778
Operating profit/loss		**6,628**	**23,253**
Financial income and expenses	2.6		
Interest income and other financial income		3,843	5,962
Interest and other finance expenses		-25,721	-36,271
Financial income and expenses		**-21,877**	**-30,309**
Profit/Loss before tax		**-15,250**	**-7,056**
Profit/Loss for the financial year		**-15,250**	**-7,056**

EUR thousand

Terrafame

Parent company balance sheet

Assets

Non-current assets	Note	31 Dec 2024	31 Dec 2023
Intangible assets	2.7	220	282
Tangible assets	2.8	907,684	774,284
Investments	2.9	11	1
Non-current assets		**907,915**	**774,567**
Current assets			
Inventories	2.10	318,715	313,250
Long-term receivables	2.11		
Other receivables		291	0
Short-term receivables			
Trade receivables		72,793	48,754
Other receivables		10,885	13,384
Prepayments and accrued income	2.12	50,744	77,419
Cash and cash equivalents		41,034	15,230
Current assets		**494,462**	**468,039**
Assets total		**1,402,377**	**1,242,606**

EUR thousand

Equity and liabilities

	Note	31 Dec 2024	31 Dec 2023
Equity	2.13		
Subscribed capital		2,000	2,000
Other reserves			
Invested unrestricted equity fund		972,670	972,670
Fair value reserve	2.14	30,687	59,522
Retained earnings (loss)		-315,791	-308,734
Loss (profit) of the financial year		-15,250	-7,056
Equity		**674,317**	**718,401**
Provisions	2.15	**227,608**	**247,123**
Non-current liabilities			
Loans from credit institutions	2.16	268,806	41,362
Deferred tax liabilities	2.17	7,672	14,881
Non-current liabilities		**276,478**	**56,243**
Current liabilities			
Amounts owed to group companies	2.18	65,706	58,993
Loans from credit institutions	2.19	6,363	42,324
Trade payables		110,687	93,738
Other liabilities		1,292	1,289
Accruals and deferred income	2.20	39,928	24,495
Current liabilities		**223,975**	**220,839**
Liabilities total		**500,453**	**277,082**
Equity and liabilities total		**1,402,377**	**1,242,606**

EUR thousand

Terrafame

Parent company cash flow statement

Cash flow from operating activities	**2024**	**2023**
Profit/loss before tax	-15,250	-7,056
Adjustments		
Depreciation and amortisation	77,576	61,040
Unrealised foreign exchange gains and losses	-651	-2,259
Other income and expenses, non-cash items	-19,515	15,099
Financial income and expenses	24,977	32,226
Cash flow before change in net working capital	67,137	99,050
Change in net working capital		
Change in trade and other receivables; increase (-) / decrease (+)	-22,713	3,167
Change in inventories; increase (-) / decrease (+)	-5,465	-24,343
Change in trade payables and other liabilities; increase (+) / decrease (-)	31,122	-18,282
Cash flow before financial items and income tax	70,082	59,592
Interest paid and other financial expenses	-29,232	-26,420
Interest received, operational	724	2,647
Cash flow from operating activities (A)	**41,573**	**35,819**
Cash flow from investing activities		
Investments in tangible and intangible assets	-177,264	-134,927
Purchased Subsidiary Shares	-10	-1
Cash flow from investing activities (B)	**-177,274**	**-134,927**

EUR thousand

Cash flow from financing activities	**2024**	**2023**
Paid increase in equity	0	28,000
Proceeds from long-term borrowings	200,000	27,767
Proceeds from short-term borrowings	65,000	65,000
Repayment of short-term borrowings	-98,581	-49,699
Repayment of short-term lease liabilities	-5,564	-1,174
Cash flow from financing activities (C)	**160,854**	**69,894**
Impact of exchange rate changes on the amount of foreign currency cash	**651**	**-1,056**
Change in cash and cash equivalents; increase (+) / decrease (-)	**25,154**	**-29,214**
Cash and cash equivalents at the beginning of the period	15,230	45,501
Cash and cash equivalents at the end of the period	**41,034**	**15,230**

EUR thousand

Parent company accounting principles

Terrafame Ltd is domiciled in Sotkamo, Finland. Terrafame is a group company of Finnish Minerals Group, whose parent company is Finnish Minerals Group, Helsinki, Finland. Terrafame Ltd's financial statements are available on the company's website at **www.terrafame.com**. Copies of the Finnish Minerals Group's consolidated financial statements are available at the Group's office (Keskuskatu 5 B, 8th floor, 00100 Helsinki, Finland), and they can be viewed on the Group's website at **www.mineralsgroup.fi**.

Terrafame Alueverkko Oy, a wholly-owned (100%) subsidiary of Terrafame Ltd, was established during the 2023 financial year. The subsidiary is domiciled in Sotkamo. The subsidiary was established for electricity network operations, and its actual business operations will start during the financial year 2025 once its electricity network operator's permit process has been completed.

Terrafame Ltd did not prepare consolidated financial statements for the 2023 financial year under chapter 6, section 1 of the Accounting Act, because the subsidiary Terrafame Alueverkko Oy did not have any significant transactions by the end of the 2023 financial year, and the consolidation of the subsidiary would not have an impact in terms of a true and fair view of the Group's or parent company Terrafame Ltd's performance during the financial year or financial position at the end of the 2023 financial year.

For the 2024 financial year, Terrafame prepared the first consolidated financial statements in accordance with IFRS standards. However, the consolidation of the subsidiary has no material impact on the consolidated financial statements prepared for the financial year 2024. Information in accordance with the Accounting Ordinance regarding the subsidiary and the subsidiary's most recent financial statements, including equity and financial year results, is provided in **Note 2.9**.

Basis of preparation

The parent company has prepared its annual accounts in accordance with Finnish accounting legislation and Finnish Accounting Standards (FAS). The financial statement information is reported in tables and related texts in thousands of euros and in the review of the Board of Directors in millions of euros to one decimal place. The comparative figures reported in brackets are figures for the financial period 2023. All the presented figures have been rounded according to general rounding rules, so the sum of the individual figures may be different from the sum presented. Key figures have been calculated using exact values. Comparative information has been adjusted where necessary to correspond with the information of the year under review.

Translation of items denominated in foreign currencies

Transactions in foreign currencies are entered in euros at the rates prevailing at the transaction date or average rates provided by central banks. Foreign currency-denominated receivables and liabilities have been translated into euros using the rates prevailing at the balance sheet date. Foreign exchange gains and losses related to business operations are included in the corresponding items of net sales, operating expenses or financial income and expenses.

Revenue recognition

Terrafame Ltd sells battery chemicals, fertilisers and metal intermediates. Battery chemicals include nickel sulphate and cobalt sulphate, fertilisers include ammonium sulphate both in liquid form and as crystals. Metal intermediates include nickel-cobalt sulphide, zinc sulphide and copper sulphide. In the summer of 2024, Terrafame started its new uranium recovery plant. As its end product, the plant generates uranium oxide for use as a fuel in the generation of nuclear energy.

Revenue is recognised from a sale when evidence of an arrangement exists, the title has been transferred to the customer, the price is determinable, and collection of the sales price is reasonably assured. Revenue is adjusted for net of sales-related foreign exchange gains and losses and any applicable sales taxes. Most sales are priced in US dollars. The time of revenue recognition is determined on the basis of the terms of delivery used.

A large proportion of the company's production is sold under long-term contracts, but sales revenue is only recognised on individual sales when persuasive evidence exists that all of the following criteria have been met:

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

In connection with metal intermediates delivery, a preliminary invoice is drawn up based on preliminary analysis and measurement results and the market prices of the month preceding the month of delivery. Preliminary invoices are entered as sales. The final analysis and measurement results are normally obtained within a few months. Any preliminary invoices are adjusted based on the final analysis and measurement results. Furthermore, the prices of delivered metals are adjusted to correspond to the market prices of the agreed pricing period.

In connection with battery chemicals delivery, a preliminary invoice is drawn up based on preliminary analysis and measurement results and the market prices of the month preceding the month of delivery. Preliminary invoices are entered as sales at the date of embarkation. Any preliminary invoices are adjusted to correspond to the market prices when the price for the period is available.

In connection with the fertiliser delivery, an invoice is drawn and entered as sales.

With regard to preliminary invoices for which final analysis and measurement results that are required in the sales contracts have not yet been obtained, the sales prices and euro-denominated valuations are adjusted so as to correspond to the average market prices of the month of the financial statements and the exchange rates at the date of closure of the accounts. With regard to these deliveries, the company also considers the need to make write-downs due to the changes in market prices or in analysis and measurement results. Such write-downs were not made in the financial statements of 31 December 2023 and 2024. The metal hedges for metal tonnes sold have been taken into account in the valuation of sales.

Pension obligations

The Group has pension schemes in accordance with local conditions and practices. These are arranged with an external insurance company. Pension costs are entered as expenses in the year in which they accrue.

Deferred tax assets and liabilities

Deferred tax assets and liabilities are calculated on temporary differences between the book value and taxable value, using the tax rates enacted by the balance sheet date. Deferred tax assets arising from taxable losses carried forward are recognised up to the amount for which there is likely to be taxable income in the future, and against which the temporary difference can be used. Deferred tax assets or tax liabilities with respect to the fair values of derivative contracts have been recognised in the company's balance sheet. Deferred tax assets and liabilities recognised according to adaptations of Section 5:5b of the Finnish Accounting Act are presented in the notes to the income statement.

Tax on mined minerals

Tax on mined minerals must be paid by the party that has mined the mineral and is, under the Mining Act, required to have a permit for mining. The Act on Mined Minerals Tax applies to mined minerals for which the obligation to pay the tax arises on or after 1 January 2024.

Terrafame Group's obligation to pay tax on mined minerals arises under Section 3, Paragraph 1 of the Act on Mined Minerals Tax when the metal ores listed in the Annex of the Act on Mined Minerals Tax are delivered to the primary leaching. The tax on mined minerals, the tax on metal ores, is 0.6 percent of the taxable value of the metal contained in the mined mineral. The Finnish Tax Administration confirms the taxable values for the tax period based on the price data of the previous calendar year.

The Finnish Tax Administration issued an in-depth tax guideline on 24 January 2025 regarding mined mineral taxation. The in-depth tax guideline was issued after the end of the financial year 2024. According to the guideline, in addition to the tax on metal ores, a tax on other possible mined minerals should be paid based on the time the mined mineral is extracted, in accordance with Section 3, Paragraph 2 of the Act on Mined Minerals Tax. According to Section 5, Paragraph 2 of the Act on Mined Minerals Tax, the tax on other mined minerals is EUR 0.20 per tonne of ore or utility stone.

Terrafame's view is that the in-depth tax guideline does not align with the purpose of mined mineral taxation and that the interpretation is incorrect. Therefore, in accordance with the purpose of the Act on Mined Minerals Tax, Terrafame should pay the tax on metal ores according to its own calculations. Terrafame will seek an advance ruling from the tax authorities on this matter during the 2025 financial year.

As a result of the above, Terrafame Ltd has amortised approximately EUR 6.5 million in metal ores tax into its profit.

Tangible assets

Tangible assets have been recognised in the balance sheet at cost, less planned depreciation. Interest and financing costs relating to significant investment projects are capitalised in accordance with the Section 4:5.2–3 of the Finnish Accounting Act. Non-current tangible assets include, among other things, buildings, infrastructure, machinery and equipment used in mining and metal recovery operations, laboratory equipment, vehicles, roads, power lines, and structures for environmental protection. Acquisition cost includes expenditure that is directly attributable to the acquisition, construction or production of the item.

Non-current assets bought from the bankruptcy estate of Talvivaara Sotkamo Ltd on 15 August 2015 have been amortised in accordance with the original depreciation plan by applying the normal planned depreciation periods, with the exception that a write-down was made on the acquired tangible assets: the net expenditure of acquired tangible assets as at 15 August 2015 was approximately EUR 202.6 million, on which a write-down of EUR 76 million was made, and the acquired tangible assets were entered in the company's balance sheet in the amount of EUR 126.6 million.

Spare parts with a useful life of more than one year have been recognised in non-current assets as of the 2017 financial statements. On 31 December 2024, their value totalled EUR 12.2 (15.4) million.

Where parts of an item of tangible assets have different useful lives, they are accounted for as separate items.

Utilising the ore reserves in the areas specified in the mining plan requires surface material to be moved and waste rock to be mined in the open pit. Resulting costs for moving the surface material and waste rock mining have been capitalised and will be depreciated by using units of production method as the mining of recognised ore reserves progresses according to mining plan.

Work in progress or land are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Asset type	Depreciation period
Roads and power lines	25 years
Buildings and structures	10–40 years
Leaching heap base structures	10–30 years
Machinery and equipment	4–25 years
Furniture, fixtures and fittings	5–10 years
Vehicles	5–10 years
Fixed asset spare parts	3 years
Structures for environmental protection	25 years

Carrying amounts are reassessed in connection with each financial statement. The reassessment is based on the company's estimates of ore reserves, mineral resources, production capacity and other relevant factors.

Gains and losses on disposals are determined by comparing the proceeds with the book value and are recognised within other operating income or expenses, respectively, in the income statement.

Terrafame

Implementation of the IFRS 16 Leases standard

Terrafame has applied the IFRS 16 Leases standard as permitted by section 5:5b of the Finnish Accounting Act and by the IAS Regulation (EU) in its financial accounting starting from 1 January 2019, using the simplified approach.

The standard requires that all leases be recognised on the lessee's balance sheet. As a lessee, the Group is required to recognise a right-of-use asset representing its right to use the underlying leased asset and, correspondingly, a lease liability representing its obligation to make lease payments, in its balance sheet. The right-of-use asset is depreciated in accordance with a depreciation schedule determined on the basis of the lease term or useful life of the asset. Interest on a lease liability is presented in finance expenses.

The Group applies the standard's exemption to the assets of short-term leases and leases of low value, and these are not recognised as right-of-use assets and lease liabilities on the balance sheet. As a result, the payments associated with such leases are recognised as an expense in the income statement on a straight-line basis over the lease term. From the lessor's point of view, lease agreements are still divided into two categories: finance leases and other leases. The company has not concluded any significant agreements as a lessor. These agreements are classified according to IFRS 16 as other leases.

As a result of the adoption of the standard, the Group has recognised right-of-use assets on its balance sheet under warehouse space, machinery and equipment on the basis of lease liabilities concerning vehicles and mobile mining equipment.

Other intangible assets

Other intangible assets are recognised in the balance sheet at cost, less planned amortisation. Other intangible assets mainly comprise IT applications and geological data supporting the company's business operations, which are amortised over 3–5 years.

Research and development expenditure

Research expenditure is recognised as an expense as incurred. Terrafame has not capitalised development expenditure during the financial period 2024 or earlier.

Inventories

Terrafame classifies its inventories into three groups: raw materials and consumables, work in progress, and finished products.

Raw materials and consumables are valued at the average acquisition cost of the goods in stock. A so-called write-down on slow-moving items is made on the slow-moving goods in the raw materials and consumables inventory. If an item has been in stock for more than a year, a write-down of 25 percent is made. The write-down increases 25 percentage points annually, so the value of an item that has been in storage more than four years is zero.

Work in progress and finished products (metal content for sale) are presented in the balance sheet as valued at actual production costs but up to the net realisable value of the products on the balance sheet date. Net realisable value refers to the estimated selling price in the ordinary course of business, less the production costs necessary to making work in progress and finished products ready for sale.

The acquisition cost of work in progress and finished products (production cost) includes the fixed and variable costs of production and maintenance that supports production, as well as depreciation on these functions, based on the realised production costs in the production process. As of the 2023 Financial Statements, the valuation of the metals in the ore in the primary and secondary heaps that are included in the work-in-progress inventory of the metal intermediates business follows a method in which the metals' purchase cost activated during the closed financial period has been determined for each function based on the average cost of each supply chain function during the closed and prior financial period. Previously, the valuation presented in the financial statements considered the function-specific costs of each function during the closed financial period. The aim of this change is to diminish the effect of exceptional short-term cost fluctuations on the value of the work-in-progress inventory of the metal intermediates business presented on the balance sheet. The acquisition cost excludes borrowing costs.

Work in progress in metal intermediates business includes the metals in the ore in the primary and secondary heaps, as well as the metals in the leaching process or the metal precipitation and filtration process that can be processed for sale as a finished product. Work in progress at the battery chemicals business includes nickel-cobalt sulphide, which is used as a raw material in processing and is measured in accordance with the level of completion of the main phases of the production process (pressure leaching, solvent extraction and crystallisation).

The amount of metal contained in work in progress is measured by calculating the metal tonnes added to and removed from the production process (inventory of work in progress). The recoverable quantities of nickel, zinc, copper and cobalt included in work in progress are determined based on the estimated ore concentrations based on geological studies, the estimated recovery percentages of metals in the bioleaching process and the recovery percentages of the metals recovery plant, and based on the battery chemicals plant.

Ore concentrations, the amount of metals in the production process and the metals recovery percentage are reviewed monthly.

The end product inventory of metal intermediates on 31 December 2024 was measured at acquisition cost, on a cost basis, at EUR 6.7 million, because the net realisable value was higher than the cost-based value. Since the 2017 financial statements, work in progress for metal intermediates has been measured on a cost basis whenever the cost-based value is lower than the net realisable value. The value of work in progress in metal intermediates business operations measured on a cost basis on 31 December 2024 was EUR 265.3 million, and the value of work in progress in battery chemicals production measured on a cost basis was EUR 4.4 million. For both, the net realizable value was higher than the cost-based value. The finished product inventory in battery chemicals business operations on 31 December 2024 has been measured at net realisable value, EUR 8.6 million.

The value of inventories determined in accordance with the principle of net realisation value includes discretionary factors related to, for instance, the measurement of metal volume in work in progress, metals recovery percentages, production costs, the production time necessary to complete sales, and sales prices.

Derivatives and hedge accounting

Derivatives

The derivatives used by the company were acquired for hedging purposes, and hedge accounting has been applied to them. Any unrealised change in the value of derivatives that are considered effective hedges are recognised, in accordance with Section 5:2a of the Finnish Accounting Act, at fair value in the balance sheet's fair value reserve as per the valuation report for the last day of the reporting period. The fair values of derivatives are based on valuations of external counterparties.

The realised earnings-related impacts of changes in the value of effective hedging instruments that are covered by hedge accounting are presented uniformly with the hedged item. In the event of any ineffective hedging, changes in the fair value of hedging instruments are recognised in profit or loss.

Hedge accounting

The company applies hedge accounting in accordance with Section 5:2a of the Finnish Accounting Act to all hedging instruments it holds. At the beginning of the hedging arrangement, the relationship between each hedging instrument and the hedged asset, as well as the risk management objectives, are documented by hedging instrument type. The effectiveness of the hedging relationship is assessed at the beginning of hedging and in quarterly accounts at a minimum.

Cash flow hedging

The company's hedging activities are entirely focused on cash flow hedging. The effective portion of changes in the fair values of derivatives acquired for the purpose of hedging forecasted cash flows are recognised in the fair value reserve under equity. Changes in fair value are recognised in profit or loss for the same periods in which hedged cash flows affect the result.

Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, and when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

A provision is made for mine closure costs and legal claims on the following conditions: the obligation relates to a closed or prior financial period, its materialisation is deemed certain or likely upon preparation of financial statements, the corresponding income is neither certain nor likely, the obligation is based on law or commitment to third parties, and the obligation can be identified but its precise amount or time of realisation is not known.

Rehabilitation provision for mine closure and environmental clean-up costs

In case of closure, Terrafame's balance sheet includes an environmental provision, which is updated annually. During the financial year 2024, the parent company has begun to accumulate information on the actual cost levels of the restoration work carried out, as well as research data from extensive pilot projects. Based on this accumulated information, the parent company refined its estimate of the area-based closure costs recorded in the environmental provision for the financial year. During the financial years 2021–2023, the costs were based on the collateral values specified in the environmental permits. The general costs in the guarantee requirement and the value added tax added to the unit cost are not included in the environmental provision, as these costs will not be borne by Terrafame when the company carries out its closing obligation.

A rehabilitation provision for mine closure costs is made with respect to the estimated future costs of closure and restoration, and for environmental restoration and rehabilitation to the condition required by the environmental permits granted for mining operations.

Prevention of the threat of environmental pollution entails environmental and landscaping obligations. After mining operations have ceased, any machinery and equipment, chemicals, fuels and waste involving the risk of environmental pollution must be removed from the site. This will be carried out as part of normal mining operations. In addition, open pits must be restored to the condition required by public safety.

The majority of the estimated restoration costs arises from the closure of waste rock areas and primary and secondary leaching areas, the treatment and clean-up of primary and secondary leaching solution channels, the construction, covering and landscaping of gypsum ponds, treatment of seepage waters, the fencing of open pits and the ex post supervision of the mining site.

The mine closure plan is based on the covering of areas with water- and oxygen-impermeable material and long-term aftercare. It is assumed that environmental monitoring of the mine will continue for 30 years after closure of the mine.

Restoration costs have been estimated in accordance with the cost level at the date of closure of the accounts.

The bioleaching method used by Terrafame is of such a nature that the process cannot be stopped abruptly at the end of operations. In order to ensure environmental safety, bioleaching must be continued until most of the metals have been recovered at the metals production plant. Also, the safe management of solution circulation requires a phased ending. Mining and ore crushing will be terminated after the closure decision.

The shutdown of bioleaching and metals recovery processes is expected to last approximately three to four years. During the first two years, primary phase leaching will be terminated, and primary leaching ore will be transferred to the secondary heap in accordance with permit requirements. In the first two years, the metals production plant will be operated normally on hydrogen sulphide precipitation, and the resulting metals will be sold. During this time, detailed closure plans will be drawn up, and regulatory processes required for closure will be initiated.

After the third year, bioleaching will still be operational in secondary leaching, and when the metal concentrations of the solution decrease, the metals production plant will transfer to sodium hydrogen sulphide precipitation, which will continue to produce small amounts of product for sale. This phase is estimated to last from one to two years, after which the bioleaching and the operations of the metals production plant will be discontinued, and the dilute solutions formed will be treated either at the central water treatment plant or by any other suitable purification method.

An environmental provision for the closure of the mine of EUR 227.6 million has been set to cover the closure costs for thirty years from the date the actual closure measures commence. The environmental provision covers, for example, closure of bioleaching areas, necessary soil rehabilitation measures, solution and water management, and environmental monitoring. It is estimated that the central water treatment plant will be used for around ten years, after which lighter purification methods will be adopted. The company assesses the amount of the environmental provision annually. The assumption is that a decision on the closure of mining operations would have been made at the balance sheet date.

Terrafame

Parent company's notes

2.1
Net sales

Industry distribution	2024	2023
Metal intermediates business	347,824	393,433
Battery chemicals business	196,667	167,497
Total	**544,491**	**560,930**

Geographical distribution		
Europe	304,448	403,531
Asia	115,363	109,398
America	126,179	24,342
Australia	-1,499	23,658
Total	**544,491**	**560,930**

2.2
Cost of goods sold

Raw materials and consumables	2024	2023
Purchases during the financial year	172,445	205,596
Change in stocks	-4,007	1,260
Raw materials and consumables total	168,438	206,856
External services	85,523	97,897
Total	**253,961**	**304,753**
Change in Inventory		
Change in Work in progress	-11,096	-16,782
Change in Finished goods	9,638	-8,820
Total	**-1,458**	**-25,603**
Personnel expenses		
Wages and salaries	39,913	39,748
Pensions expenses	7,121	7,581
Other personnel expenses	952	1,384
Total	**47,986**	**48,714**
Depreciation		
Depreciations	76,858	60,567
Total	**76,858**	**60,567**
Other expenses		
Other Cost of goods sold expenses	99,673	89,504
Total	**99,673**	**89,504**
Cost of goods sold total	**477,019**	**477,935**

2.3

Sales and marketing expenses

Personnel expenses	2024	2023
Wages and salaries	705	721
Pensions expenses	123	138
Other personnel expenses	14	30
Total	**842**	**889**
Depreciation		
Depreciation	135	71
Total	**135**	**71**
Other expenses		
Other Sales and Marketing expenses	18,465	4,671
Total	**18,465**	**4,671**
Sales and marketing expenses total	**19,442**	**5,630**

Due to the challenging market situation, the costs of sales and marketing in 2024 have risen due to reorganisation of deliveries and storage costs.

2.4

Administrative expenses

Personnel expenses	2024	2023
Wages and salaries	4,233	3,318
Pensions expenses	757	663
Other personnel expenses	210	194
Total	**5,200**	**4,176**
Depreciation		
Depreciation	223	295
Total	**223**	**295**
Other expenses		
Other Administrative expenses	34,640	23,088
Total	**34,640**	**23,088**
Auditors' remunerations		
Audit	117	129
Certificates and reports	0	7
Tax consultancy	8	0
Other services	23	200
Total	**149**	**337**
Administrative expenses total	**40,212**	**27,897**

Administrative costs for 2024 have been particularly increased by the tax on mined minerals, which went into effect on 1 January 2024, and which has been amortised to the Group's result by EUR 6.5 million. There has also been an increase in costs in terms of consulting fees and insurance premiums.

2.5 Other operating expenses

Personnel expenses	2024	2023
Wages and salaries	1,795	1,659
Pensions expenses	315	244
Other personnel expenses	40	51
Total	**2,149**	**1,955**

Depreciation		
Depreciation	360	107
Total	**360**	**107**

Other operating expenses		
Other operating expenses	3,143	28,717
Total	**3,143**	**28,717**

Other operating expenses total	**5,652**	**30,778**

In the financial year 2024, other operating expenses include a non-recurring item of EUR 19.5 million from the reduction of the environmental provision. Correspondingly, other operating expenses for 2023 include a one-off item from the environmental provision increase of EUR 15.1 million. In addition, in connection with the reorganisation eof deliveries, freight and storage costs have increased, and the commissioning of the uranium recovery plant has, for its part, increased the level of costs.

The environmental provision will be updated in connection with the financial statements to reflect the future costs of the closure work and will be dismantled with an amount corresponding to the closures carried out during the financial year. For more detailed information on the principles of environmental provision, see page 86.

Personnel expenses total	2024	2023
Wages and salaries	48,051	45,455
Pensions expenses	8 542	8,680
Other personnel expenses	1,424	1,934
Total	**58,017**	**56,069**

Wages and fees for Members of Board of Directors	**365**	**371**

Average number of company personnel		
Salaried and senior salaried	286	274
Blue-collar	575	556
Total	**861**	**830**

In the 2024 financial year, the personnel expenditure presented as an expense in the income statement totalled EUR 56.5 million, and the personnel expenditure transferred to own investments totalled EUR 1.5 million. In the comparison period, the personnel expenditure presented as an expense in the income statement totalled EUR 55.7 million, and the personnel expenditure transferred to own investments totalled EUR 0.3 million.

Depreciation, amortisation and impairment charges total	2024	2023
Intangible assets	27	115
Other intangible assets	80	48
Intangible assets total	**106**	**163**
Tangible assets		
Buildings	6,471	6,530
Right-of-use assets, buildings	24	0
Machinery and equipment depreciation	35,357	36,630
Right-of-use assets, machinery and equipment	5,909	3,406
Other tangible assets	29,708	14,311
Tangible assets total	**77,469**	**60,877**
Total	**77,576**	**61,040**

2.6 Finance income and finance cost

Financial income	2024	2023
Other interest and financial income	3,843	5,962
Total	**3 843**	**5,962,**
Other interest and financial income include exchange rate gains	651	5,083

Financial income for the financial year includes around EUR 0.7 (0.9) million in interest income and EUR 0.7 (5.1) million in exchange rate gains. Of the comparison period unrealised exchange rate gain in financial income, EUR 3.3 million consists of the valuation of foreign currency loans at the prevailing rate on the balance sheet date.

Finance expenses	2024	2023
Associate and joint ventures	2,850	1,848
Other interest and financial income	22,871	34,068
Finance expenses total	**25,721**	**35,917**
Financial expenses to others include exchange rate losses	598	2,584
Financial expenses include interest expenses from leasing liabilities	2,213	342
Financial income and expenses total	**21,877**	**29,599**

The financial expenses for the financial year include EUR 20.9 million in interest expenses. In the comparison period the financial expenses include EUR 25.8 million interest expenses and EUR 1.1 million unrealised exchange rate losses related to the valuation of financial assets at the prevailing rate on the balance sheet date.

2.7 Intangible assets

	Intangible rights	Other capitalized long-term expenditures	Investments in progress	Total
Carrying amount at 31 Dec 2023	**53**	**229**	**0**	**282**
Acquisition cost at 1 Jan 2024	2,547	504	0	3,051
Increase	0	0	45	45
Capitalisation for the year	0	45	-45	0
Acquisition cost at 31 Dec 2024	2,547	549	0	3,096
Accumulated amortisation and impairment losses at 1 Jan 2024	2,494	275	0	2,769
Amortisation for the year	27	80	0	106
Accumulated amortisation and impairment losses at 31 Dec 2024	2,521	354	0	2,875
Carrying amount at 31 Dec 2024	**26**	**195**	**0**	**220**

2.8

Tangible assets

	Land	Buildings	Machinery and equipment	Other tangible assets	Construction in progress	Total
Carrying amount at 31 Dec 2023	**3,442**	**98,371**	**255,898**	**255,269**	**153,032**	**766,011**
Acquisition cost at 1 Jan 2024	3,442	136,031	435,652	330,429	153,032	1,058,585
Increase	361	0	7,854	0	165,111	173,326
Capitalisation for the year	0	13,238	21,401	155,097	-189,736	0
Decrease	0	0	168	0	0	168
Acquisition cost at 31 Dec 2024	3,803	149,270	464,739	485,526	128,407	1,231,744
Accumulated amortisation and impairment losses at 1 Jan 2024	0	37,660	179,754	75,160	0	292,574
Amortisation for the year	0	6,471	35,357	29,708	0	71,536
Accumulated amortisation of deductions and transfers	0	0	-3	0	0	-3
Accumulated amortisation and impairment losses tat 31 Dec 2024	0	44,131	215,108	104,868	0	364,107
Carrying amount at 31 Dec 2024	**3,803**	**105,139**	**249,631**	**380,657**	**128,407**	**867,636**

Right-of-use assets	Buildings	Machinery and equipment	Total
Carrying amount at 31 Dec 2023	**0**	**8,273**	**8,273**
Acquisition cost at 1 Jan 2024	0	22,506	22,506
Increase	4,407	33,301	37,708
Decrease	0	371	371
Acquisition cost at 31 Dec 2024	4,407	55,436	59,843
Accumulated amortisation and impairment losses at 1 Jan 2024	0	14,232	14,232
Amortisation for the year	24	5,909	5,934
Accumulated amortisation of deductions and transfers	0	-371	-371
Accumulated amortisation and impairment losses at 31 Dec 2024	24	19,771	19,795
Carrying amount at 31 Dec 2024	**4,383**	**35,665**	**40,048**

Terrafame

IFRS 16 Leases standard notes

Maturity analyses	2024	2023
No later than 1 year	6,363	1,600
Later than 1 year and no later than 5 years	28,027	3,878
Over 5 years	3,523	0
Carrying amount at 31 December	**37,913**	**5,478**

Items recognised in profit or loss		
Lease expenses of low-value assets (other than short-term leases)	458	86
Lease expenses of short-term leases	6,136	6,884
Depreciation of fixed assets (machinery and equipment and buildings)	5,934	3,406
Interest expenses from leasing liabilities	2,213	342
Above Leasing costs are included in Other operating expenses		

Items booked in Cash flow statement		
Payments from lease agreements total	5,564	8,058

2.9 Investments in subsidiaries

Shares of group companies	
Carrying amount 31 Dec 2023	1
Acquisition cost 1 Jan 2024	1
Invested unrestricted equity fund	10
Acquisition cost 31 Dec 2024	11
Carrying amount 31 Dec2024	11

Group companies	31 Dec 2024	31 Dec 2023
Terrafame Oy, parent company – Parent company holdings		
Terrafame Alueverkko Oy, Finland	100.0%	100.0%
Terrafame Alueverkko Oy number of shares	100 shares	100 shares
Terrafame Alueverkko Oy equity	10	-1

Terrafame Alueverkko Oy is in the startup phase, and its impact on the parent company's figures is still minimal.

2.10
Inventories

	31 Dec 2024	31 Dec 2023
Raw materials and consumables	33,973	29,966
Work in progress	269,675	258,579
Finished goods	15,067	24,705
Total	**318,715**	**313,250**

On 31 December 2024, the product inventory of metal intermediates was valued at EUR 6.7 million at cost-based determined cost, because the net realisable value was higher than the cost-based value. The finished product inventory of the battery chemicals business on was valued at a net realisable value of EUR 8.6 million, because the cost-based value was higher than the net realisable value.

On 31 December 2024, the value of the work in progress of the metal intermediates business, valued on a cost basis, was EUR 265.2 million, and the value of the unfinished production of battery chemicals, valued on a cost basis, was EUR 4.4 million. For both, the net realisable value was higher than the cost-based value. A claim reserve of EUR 0.2 million will be allocated to the battery chemicals business' finished product inventory facility in 2024.

The value of the materials and supplies includes a provision of EUR 9.8 (9.8) million to reduce the value of the inventory related to the slowly circulating inventory.

2.11
Long-term receivables

	31 Dec 2024	31 Dec 2023
Deferred tax assets	0	0
Other receivables	291	0

It is estimated that the company has around EUR 61.3 million in confirmed losses and losses to be confirmed, and around EUR 112.0 million in unused tax depreciation. The company has recognised deferred tax assets or liabilities on the balance sheet in terms of derivatives. Deferred tax assets have not been recognised on losses confirmed in income taxation or on unused tax depreciation.

2.12
Prepayments and accrued income

	31 Dec 2024	31 Dec 2023
Other prepayments and accrued income	4,053	2,879
Derivative receivables	46,691	74,541
Total	**50,744**	**77,419**

Terrafame

2.13

Equity

	31 Dec 2024	31 Dec 2023
Subscribed capital at the beginning of the period	2,000	2,000
Subscribed capital at the end of the period	**2,000**	**2,000**
Fair value reserve at the beginning of the period	59,522	-56,806
Increase	108,882	188,457
Decrease	137,717	72,129
Fair value reserve at the end of the period	**30,687**	**59,522**
Invested unrestricted equity fund at the beginning of the period	972,670	802,610
Investment in invested unrestricted equity fund	0	170,060
Invested unrestricted equity fund at the end of the period	**972,670**	**972,670**
Retained earnings (losses) at the beginning of the period	-315,791	-308,734
Retained earnings (losses) at the end of the period	**-315,791**	**-308,734**
Profit/Loss for the period	**-15,250**	**-7,056**
Retained earnings (losses)	**-331,040**	**-315,791**
Total equity	**674,317**	**718,401**

Restricted equity at the end of the period	31 Dec 2024	31 Dec 2023
Subscribed capital	2,000	2,000
Fair value reserve	30,687	59,522
At the end of the period	**32,687**	**61,522**
Distributable equity at the end of the period		
Retained earnings (losses)	-315,791	-308,734
Profit/loss for the period	-15,250	-7,056
Fair value reserve	0	0
Invested unrestricted equity fund	972,670	972,670
At the end of the period	**641,630**	**656,879**

The fair value reserve comprises the market value of the unrealised derivatives covered by hedge accounting.

2.14

Notes to hedging derivatives

	31 Dec 2024			31 Dec 2023			2024	2023
	Fair value			Fair value			Notional amount USD	Notional amount USD
Currency and interest rate derivatives	**Positive**	**Negative**	**Net**	**Positive**	**Negative**	**Net**		
Foreign exchange forwards	0	4,822	-4,822	,2,179	0	2,179	237,000	133,000
Metal derivatives							**Tonnes**	**Tonnes**
Nickel forward contracts	36,846	0	36,846	56,974	0	56,974	12,900	10,465
Zinc forward contracts	507	1,844	-1,337	480	111	369	32,185	3,300
Derivatives total	**37,353**	**6,666**	**30,687**	**59,633**	**111**	**59,522**		
Long-term derivatives	1,463	98	1,365	686	0	686		
Short-term derivatives	35,890	6,568	29,322	58,947	111	58,836		

	31 Dec 2024	31 Dec 2023
Gross assets on the balance sheet	46,691	74,541
Gross liabilities on the balance sheet	8,332	138

The fair value calculation of hedges is based on the market rates and prices on the balance sheet date in accordance with the hedging portfolio. The counterparties in derivative transactions have been approved in accordance with the company's hedging policy. Mutual receivables and liabilities are combined at the transaction level with each counterparty and accounted for at the daily level specific to each transaction.

Hedging instruments had a significant impact on the company's financial position and the predictability of its profitability for the next 12 months on 31 December 2024. The company had set up a cash flow hedge against a weakening US dollar with a hedging rate of approximately 50%.

The company had hedged at a rate of around 40% against the weakening of the price of nickel and at a rate of around 70% against the weakening of the price of zinc for the deliveries agreed for the coming year by means of derivatives. In addition, in accordance with its hedging policy, the company had hedged almost all of its completed nickel and zinc deliveries that had been reported as sales. For this reason, changes in market prices after the balance sheet date have little impact on the sales revenue recognised on nickel and zinc batches delivered during 2024.

2.15

Obligatory provisions

Rehabilitation provision	31 Dec 2024	31 Dec 2023
At the beginning of the period	247,123	232,024
Increase	0	15,099
Decrease	19,515	0
At the end of the period	227,608	247,123
Long-term total	**227,608**	**247,123**

Estimated cost of the rehabilitation provision		
Rehabilitation of bioleaching area	90,999	122,177
Other rehabilitation work	136,609	124,946
Estimated rehabilitation costs total	**227,608**	**247,123**

On 20 June 2022, the Regional State Administrative Agency for Northern Finland issued its decision on the environmental and water permit covering all Terrafame's operations – that is, the master permit. The master permit determines the scope of all operations (including new plans for the coming years), sets emission limits and defines an environmental guarantee for discontinued operations. The new permit also enables the progress of ongoing development projects, taking account of the interim decisions issued by the Vaasa Administrative Court in January 2024. More information about the interim decisions is provided under "Key events after the review period" in the Board of Directors' review.

However, the permit decision increased Terrafame's environmental guarantee from EUR 138 million to EUR 324 million, which is very high, even in international comparisons. In the third quarter of 2022, Terrafame filed an application with the Vaasa Administrative Court concerning the calculation principles of the guarantee.

Terrafame increased the environmental provision in its 2021 financial statements, and the provision remained unchanged in its 2022 financial statements. In the 2023 financial year, the provision was increased by EUR 15.1 million, mainly because of the introduction of new waste rock fields.

In the financial year 2024, the environmental provision decreased by EUR 19.5 million. This was due to the closure work carried out during the financial year and the resulting refined information on the costs of the closure work, as well as research data obtained from experts to support the view, which the company used as a basis to revise its estimate of the environmental provision's area-based closure costs.

During the financial years 2021–2023, the costs were based on the collateral values spesified in the environmental permits. The general costs in the guarantee requirement and the value added tax added to the unit cost are not included in the environmental provision, as these costs will not be borne by Terrafame when the company carries out its closing obligation.

2.16

Long-term loans from credit institutions

Leasing liabilities	31 Dec 2024	31 Dec 2023
At the beginning of the period	3,878	1,034
Increase	33,112	4,111
Decrease	5,440	1,267
At the end of the period	31,550	3,878

Long-term loans	31 Dec 2024	31 Dec 2023
At the beginning of the period	0	0
Increase	200,000	0
Decrease	0	0
Valuation	0	0
At the end of the period	200,000	0

Long-term loans II	31 Dec 2024	31 Dec 2023
At the beginning of the period	0	28,127
Increase	0	0
Decrease	0	27,013
Valuation	0	1,114
At the end of the period	0	0

Long-term loans III	31 Dec 2024	31 Dec 2023
At the beginning of the period	0	14,063
Increase	0	0
Decrease	0	12,788
Valuation	0	1,276
At the end of the period	0	0

Long-term loans IV	31 Dec 2024	31 Dec 2023
At the beginning of the period	0	49,222
Increase	0	0
Decrease	0	50,716
Valuation	0	-1,494
At the end of the period	0	0

Other Long-term loans	31 Dec 2024	31 Dec 2023
At the beginning of the period	37,484	9,717
Increase	0	27,767
Decrease	228	0
At the end of the period	37,256	37,484

Long-term loans total	31 Dec 2024	31 Dec 2023
Long-term loans total	**268,806**	**41,362**

Terrafame

Financial Review

Consolidated Financial Statements (IFRS)

Parent company financial statements (FAS)

Option and other special rights

(pcs)	31 Dec 2024	31 Dec 2023
Batch 7 Maximum number of shares to be issued	0	71,419
Batch 8 Maximum number of shares to be issued	441,918	441,918
Batch 9 Maximum number of shares to be issued	21,518	21,518
Batch 10 Maximum number of shares to be issued	21,518	21,518
Batch 11 Maximum number of shares to be issued	21,518	21,518
Batch 12 Maximum number of shares to be issued	21,518	21,518
Batch 13 Maximum number of shares to be issued	21,518	21,518
At the end of the period	**549,508**	**620,927**

Option rights can be transferred to permitted transferees. Both the direct and indirect pledging of options are prohibited. Both the direct and indirect pledging of options are prohibited. The subscribed capital agreed for the option rights is EUR 176.46, and subscription rights may be exercised in several tranches, in part or in full. The option holder does not have rights to any dividends or assets distributed from the company's reserves for invested unrestricted equity.

In 2023, the funds managed by Galena Asset Management and Mandatum Holding Ltd exercised the option rights previously granted to them. In the spring of 2024, 71,419 option rights matured unexercised. The remaining option rights of Galena Asset Management will mature on 31 December 2025.

2.17

Deferred tax liabilities

	31 Dec 2024	31 Dec 2023
Deferred tax liabilities	7,672	14,881

Deferred tax liabilities have been recorded in Terrafame Ltd's financial statements for the fair value of derivatives held for hedging purposes.

2.18

Specifications of Group liabilities

Short-term liabilities to group companies	31 Dec 2024	31 Dec 2023
Finnish Minerals Group		
Loans	65,000	58,000
Trade payables	170	790
Accrued liabilities	536	203
Total	**65,706**	**58,993**

2.19

Short-term loans from financial institutions

Installment credit	31 Dec 2024	31 Dec 2023
At the beginning of the period	0	126
Increase	0	0
Decrease	0	126
At the end of the period	0	0

Leasing liabilities		
At the beginning of the period	1,600	5,887
Increase	10,036	1,406
Decrease	5,273	5,692
At the end of the period	6,363	1,600

Short-term loans I		
At the beginning of the period	0	39,931
Increase	0	0
Decrease	0	40,000
Valuation	0	-69
At the end of the period	0	0

Short-term loans II		
At the beginning of the period	0	37,502
Increase	0	27,013
Decrease	0	62,802
Valuation	0	1,713
At the end of the period	0	0

Short-term loans III	31 Dec 2024	31 Dec 2023
At the beginning of the period	0	28,127
Increase	0	12,788
Decrease	0	38,278
Valuation	0	2,637
At the end of the period	0	0

Short-term loans IV		
At the beginning of the period	40,724	28,127
Increase	0	50,716
Decrease	43,894	33,310
Valuation	-3,170	4,809
At the end of the period	0	40,724

Short-term loans from financial institutions total	**6,363**	**42,324**

On 25 January 2024, Terrafame announced that the company had strengthened its financing. In connection with this, the funds managed by Galena Asset Management and Mandatum Holding Ltd exercised the option rights previously granted to them. The funds raised by means of the option rights have been used to repay long-term loans of EUR 142 million granted by Trafigura and Mandatum, meaning that Terrafame no longer has shareholder loans from Trafigura or Mandatum. As part of the shareholders' financing arrangement, Finnish Minerals Group increased the working capital facility granted to Terrafame from EUR 40 million to EUR 65 million and extended its maturity until June 2025.

In addition, Terrafame agreed on a new loan arrangement of EUR 250 million. The loan package is unsecured, with a maturity of four years. It includes a bullet loan of EUR 100 million and a revolving credit facility of EUR 150 million. The bullet loan is for refinancing Terrafame's existing liabilities. The revolving credit facility is for working capital needs and the company's general financing needs.

On 27 February 2025, Terrafame announced it had negotiated a financing arrangement to fund the company's investment programme over the next few years. As part of the financing solution, Terrafame and its main owners – Finnish Minerals Group and the Galena funds – have agreed on a EUR 100 million financing arrangement consisting of a EUR 50 million shareholder loan and a EUR 50 million equity financing commitment. In addition, Terrafame has agreed on a EUR 50 million advance payment arrangement with Trafigura.

In the same context, Terrafame has agreed on a one-year extension to the maturity of an existing EUR 250 million bank loan agreement as well as on extending a EUR 65 million revolving credit facility previously received from Finnish Minerals Group for the same period. The new maturity of the bank loan and the revolving credit facility ends in December 2028.

The arrangement has no significant impact on the shareholder base of the company. With the revised financing arrangement, the company's management estimates that the company's financing will be sufficient to carry out the necessary investments and thus ensure the continuity of operations.

2.20
Current liabilities/Accruals and deferred income

	31 Dec 2024	31 Dec 2023
Interests	3,710	7,778
Accrued expenses and deferred income – wages and salaries with social security expenses	9,754	8,871
Other expenditure balances	11,680	7,474
Mining mineral tax	6,451	0
Other accrued liabilities	0	233
Derivative liabilities	8,332	138
Total	**39,928**	**24,495**

Terrafame Group's obligation to pay tax on mined minerals arises under Section 3, Paragraph 1 of the Act on Mined Minerals Tax when the metal ores listed in the Annex of the Act on Mined Minerals Tax are delivered to the primary leaching. The tax on mined minerals, the tax on metal ores, is 0.6 percent of the taxable value of the metal contained in the mined mineral. As a result of the above, Terrafame Ltd has amortised approximately EUR 6.5 million in metal ores tax into its profit.

2.21

Notes to the commitments

Contingent and off-balance sheet liabilities

Amounts payable on rental and leasing agreements	31 Dec 2024	31 Dec 2023
No later than 1 year	4,015	1,500
Later than 1 year and no later than 5 years	8,165	474
Total	**12,179**	**1,975**
Other liabilities		
Other service agreement liabilities		
No later than 1 year	7,583	7,695
Later than 1 year and no later than 5 years	6,185	0
Total	**13,768**	**7,695**

Business and real estate mortgages and the pledging of the mining concession certificate served as collateral for the company's long-term financing agreements. During the 2023 financial year, the company's business and real estate mortgages were released (see Note 2.19: Short-term loans from financial institutions).

Securities complying with environmental and mining permits

Beneficiary	Type of security	31 Dec 2024 Amount of security total	31 Dec 2023 Amount of security total
Kainuu Centre of Economic Development, Transport and the Environment; no. 196	Credit insurance	384,825	362,325
Security in accordance with permit decision no. 52/2013/1	Bank guarantee	1,500	1,500
Security in accordance with permit decision no. 43/2014/2	Bank guarantee	6	6
Security in accordance with permit decision no. 43/2015/1	Bank guarantee	100	100
Security in accordance with permit decision no. 3/2017/1	Bank guarantee	50	50
Security in accordance with permit decision no. 76/2017/1	Bank guarantee	100	100
Security in accordance with permit decision no. 5/2021	Bank guarantee	200	200
Security in accordance with permit decision no. 87/2022	Bank guarantee	17	17
Security in accordance with permit decision no. 87/2022	Bank guarantee	10	10
Decision of the Finnish Safety and Chemicals Agency Tukes, 30 Jun 2014, KaivNro: 2819	Bank guarantee	100	100
Decision of the Finnish Safety and Chemicals Agency Tukes, 30 Jun 2014, KaivNro: 2819	Bank guarantee	35	35
Decision of the Finnish Safety and Chemicals Agency Tukes, 30 Jun 2014, KaivNro: 2819	Bank guarantee	50	50
Total		**386,993**	**364,493**
Other securities	Bank guarantee	**482**	**1,895**
Real estate investments' VAT refund liability		**13,266**	**12,181**

2.22

Related party transactions

Terrafame's key related parties include the following entities: Suomen Malmijalostus Oy – Finnish Minerals Group, the State of Finland, Galena Private Equity Resources Investment 2 L.P., Galena Private Equity Resources Investment 3 L.P., Galena Private Equity Resources Investment 4 L.P., Galena Private Equity Resources Fund L.P. and Galena Private Equity Resources Co-investment 2 L.P., as well as Trafigura Group. In addition, Terrafame's related parties include the members of the Board, the CEO and the members of the Leadership Team, persons responsible for Terrafame Ltd's commercial agreements, and the immediate family members of the persons referred to here, as well as entities over which they or their immediate family members have control. Terrafame's related parties also include entities in which the State of Finland exercises control or considerable influence. Terrafame has applied an exemption pursuant to which it only reports significant transactions with Government-related companies.

In the 2023 financial year, the funds managed by Galena Asset Management exercised the option rights previously granted to them. The funds raised by means of the option rights have been used to repay long-term loans of EUR 121.4 million from Trafigura, meaning that Terrafame no longer has shareholder loans from Trafigura. As part of the shareholders' financing arrangement, Finnish Minerals Group increased the working capital facility granted to Terrafame, of which EUR 65.0 million had been drawn by the end of the financial year.

The commercial agreements between Terrafame and Trafigura NatGas Limited generated EUR 174.0 million in sales during the financial period. The company has acquired legal and other administrative services worth EUR 0.6 million, management services for product development projects worth approximately EUR 0.2 million, and financing-related services worth approximately EUR 2.3 million from Finnish Minerals Group.

All business transactions between Terrafame Ltd and its related parties were made on market terms.

Business transactions with reated parties

Goods and services sold	31 Dec 2024	31 Dec 2023
Associate and joint ventures	0	0
Other related party ventures	174,040	252,714
Ventures total	**174,040**	**252,714**
Goods and services purchased		
Associate and joint ventures	807	790
Other related party ventures	59,899	64,956
Ventures total	**60,706**	**65,746**
Credits		
Associate and joint ventures	65,000	58,000
Other related party ventures	0	0
Ventures total	**65,000**	**58,000**

Board of Directors' proposal for measures to be taken owing to the loss for the financial period

Terrafame Ltd's result for the financial period shows a loss of 15,249,534.78 EUR. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed, and that the result be retained in shareholders' equity.

Signature of the annual report and financial statements

In Sotkamo, 27 February 2025

Lauri Ratia
Chair of the Board

Matti Hietanen

Jesus Fernandez

Riitta Mynttinen

Peter Schuhmacher

Julian Sanchez

Jyrki Vainionpää

Seppo Voutilainen
CEO

Auditor's confirmation

A report on the audit has been issued today.

In Helsinki by electronic signature date,

KPMG Oy Ab
Authorised Public Accountants

Toni Aaltonen
APA

Terrafame

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25 March 2025