



Auditor's Report (Translation)

To the Board of Directors of Talvivaara Mining Company Plc

Report on the Audit of the Interim Financial Statements

Opinion

In our opinion

- the consolidated interim financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the interim financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the interim financial statements of Talvivaara Mining Company Plc (business identity code 1847894-2) for the period 1 January – 30 June 2017. The interim financial statements comprise:

- the consolidated balance sheet, income statement, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of changes in equity, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Interim Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of Matter

We draw attention to note 2 in the interim financial statements, which describes the basis of preparation of the interim financial statements on a non-going concern basis, as well as the uncertainties relating to the Company's ability to revise its reporting basis and to regain its status as a going concern and to section "Statement of changes in equity" which describes changes in the Company's equity during the review period and the amount of the equity as at 30 June 2017. Our opinion is not qualified in respect of this matter.



Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the interim financial statements of the review period. These matters were addressed in the context of our audit of the interim financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group and the parent company	How our audit addressed the key audit matter
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Cash flow forecasting process

Refer to the balance sheet and statement of cash flows

As at 30 June 2017, the group's cash and cash equivalents amounted to € 1,6 million. The parent company does not currently have any income generating business and is financing its operations from its cash reserves. If the necessary cash flow is not secured, the parent company may have to file for bankruptcy.

Our audit procedures focused on the cash flow forecasting process, as accurate and timely cash forecasts are vital to the group's future.

We reviewed management's cash flow forecasting process and tested the key assumptions as follows:

- * We made inquiries with management on their intention of funding and financing new businesses.
- * We analysed management's monthly cash flow forecasts and compared them with the actuals.
- * We tested mathematical accuracy of the monthly cash flow forecasts.

Responsibilities of the Board of Directors and the Managing Director for the Interim Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of interim consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of interim financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of interim financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the interim financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The interim financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so. When the interim financial statements are not prepared on a going concern basis, that fact shall be disclosed in the interim financial statements, together with the basis on which the interim financial statements have been prepared and the reason why the entity is not regarded as going concern.



Auditor's Responsibilities for the Audit of the Interim Financial Statements

Our objectives are to obtain reasonable assurance about whether the interim financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these interim financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the interim financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the basis of accounting on which the interim financial statements have been prepared.
- Evaluate the overall presentation, structure and content of the interim financial statements, including the disclosures, and whether the interim financial statements represent the underlying transactions and events so that the interim financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the interim financial information of the entities or business activities within the group to express an opinion on the interim consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors.

Our opinion on the interim financial statements does not cover the other information.

In connection with our audit of the interim financial statements, our responsibility is to read the information included in the report of the Board of Directors and, in doing so, consider whether the information included in the report of the Board of Directors is materially inconsistent with the interim financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the interim financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the information included in the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Other Matter

We also draw attention to the disclosure “Risk management and key risks” in the report of the Board of Directors, which describes the Company’s near term risk factors that relate to the continuance of the business operations and to disclosure “Events after the review period” which states that the group’s cash and cash equivalents amount approximately euro 1 million as at 14 September 2017.

Helsinki 14 September 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants


Juhna Wahlroos
Authorised Public Accountant (KHT)

Talvivaaran Kaivososakeyhtiö Oyj

Tilinpäätösmerkintä

Suoritetusta tilintarkastuksesta on tänään annettu kertomus.

Helsingissä 14. päivänä syyskuuta 2017

PricewaterhouseCoopers Oy

Tilintarkastusyhteisö



Juha Wahlroos
KHT

Talvivaara Mining Company Plc

The Auditor's Note

A report on the audit performed has been issued today.

Helsinki 14 September 2017

PricewaterhouseCoopers Oy

Authorised Public Accountants



Juha Wahlroos
Authorised Public Accountant (KHT)