



**NORDIC  
MINING**

# **INTERIM REPORT**

## **Per 30 June 2019**



### *Minerals for a sustainable future*

*Nordic Mining ASA ("Nordic Mining" or the "Company") is a resource company with focus on high-end industrial minerals and metals. The Company's project portfolio is of high international standard and holds significant economic potential. The Company's assets are in the Nordic region.*

*Nordic Mining is undertaking a large-scale project development at Engebø on the west coast of Norway where the Company has rights and permits to a substantial eclogite deposit with rutile and garnet. Nordic Mining also holds 18.5% of the shares in Keliber Oy, which is developing a lithium project in Finland to become the first European producer of battery grade lithium hydroxide.*

*In addition, Nordic Mining holds interests in other initiatives at various stages of development. This includes patented rights for a new technology for production of alumina, and exploration of seabed minerals, high-purity quartz, nickel and PGE.*

*Nordic Mining is listed on Oslo Axess with ticker symbol "NOM".*

## Group interim report for the quarter ended 30 June 2019

### Important events in the second quarter of 2019 and year to date:

#### ENGEBØ RUTILE AND GARNET PROJECT (100% ownership)

- **Additional milestones reached in the definitive feasibility study**

In August, the mining optimization work was completed and potential to increase the mineable ore volume significantly has been identified. Strategic scheduling and stockpiling of ore resources will be applied to optimize the mining operation. The updated operating plan reduces the amount of waste rock and extends the open pit period by minimum 5 years compared to the prefeasibility study.

All major test work has been completed and the process flow sheet has been optimized with respect to the dual product combination. The repeatability demonstration program confirms that the flow sheet can be replicated for full-scale production.

The Company is currently in the procurement stage of the feasibility study with requests for quotations issued to potential suppliers. The supplier feedback will assure quality in the capital cost estimates for the definitive feasibility study and enable an efficient move forward into the project execution phase.

- **Detailed regulation plan approved**

In August, Naustdal municipality approved the detailed regulation plan which leaves the regulation plan for water supply as the only outstanding approval required to commence construction. A resolution on water supply is expected in the near future.

- **Application for operating license issued for public hearing**

In February, Nordic Mining filed an application for operating license for the Engebø rutile and garnet project with the Norwegian Directorate of Mining. The public hearing process is scheduled to end in mid-September. Approval is expected within 12 months of initial filing. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources.

- **Agreement with Japanese trading house on offtake and construction financing**

In January, Nordic Mining signed a Heads of Agreement with a Japanese trading house relating to long term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. Offtake on rutile is complementary to the Heads of Agreement previously entered into with the Barton Group relating to offtake and commercial cooperation for garnet from Engebø. Nordic Mining continues constructive dialogues with both parties.

- **Engagement of financial advisor for the Engebø construction financing**

In January, Nordic Mining entered into an agreement with Northcott Capital Ltd for provision of financial advisory services for the debt financing of the Engebø project. Initial meetings with potential lenders and guarantors have commenced.

#### KELIBER LITHIUM PROJECT (18.5% ownership)

- **Progressing towards construction**

Keliber targets to start the preparatory works for construction in the Syväjärvi mining area in the second half of 2019 and announced engagement of several key management positions in August. In June, Keliber received a permit to initiate the preparatory work of the mining operations in Syväjärvi and secured the rights to use the land for the purpose assigned in the mining permit previously granted by the Finnish Safety and Chemicals Agency.

- **Increase in resource base**

Over the last years, Keliber has consistently increased the resource base for its project. The most recent resource update was completed in June and increased the estimates for Syväjärvi by about 10%. Keliber has continued its drilling program in the Rapasaari area and intends to provide an update of the resource estimates in the second half of 2019.

- **Optimizing the business case**

Keliber's definitive feasibility study ("DFS"), which was published in June 2018, confirmed a profitable business case based on production of lithium carbonate. Following an increasing market demand for lithium hydroxide for use in cathodes for lithium-ion batteries in electric vehicles, Keliber completed a test program for production of lithium hydroxide which significantly improves project economics and will form the basis for the project development. Keliber published an updated DFS based on lithium hydroxide in February 2019, outlining an increase in post-tax NPV@8% by more than 70% to EUR 384 million and IRR of 24%.

- **Gain of NOK 98m reflecting increased values in Keliber**

In February, Keliber raised EUR 10 million from existing shareholders to finance ongoing development work and other pre-construction activities. The implied value in the capital raise exceeded the book value recorded by Nordic Mining by NOK 98 million which was recognized as a gain in the consolidated financial statements for the first quarter of 2019. The gain is not subject to tax. Following the share issue in Keliber, Nordic Mining's shareholding in Keliber is approximately 18.5% with a current book value of NOK 113 million.

## CORPORATE

- **NOK 27.5m capital raise completed**

In May, Nordic Mining completed a private placement of 12 950 000 shares at a subscription price of NOK 2.125 per share, raising gross proceeds of approximately NOK 27.5 million. The proceeds will be used primarily to finance the Company's ongoing definitive feasibility study of the Engebø project and general corporate purposes. Offtake partner Barton Group and Verdipapirfondet Nordea Avkastning both increased their positions and announced holdings in excess of the notifiable threshold of 5% following the allocation.

- **Rights issue of NOK 35 million proposed**

On 23 August, the Company issued a notice for an extraordinary general meeting to resolve on, inter alia, a rights issue of NOK 35 million. The main purpose of the rights issue is to continue the development of the Engebø rutile and garnet project through the completion of the DFS and into the Front End Engineering and Design (FEED) phase. In addition, proceeds from the rights issue will be used for general corporate purposes.

## FINANCIAL PERFORMANCE

*Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2018.*

The Group is in the definitive feasibility phase of its main project and has, so far, no sales revenues from its operation. The high activity level on the definitive feasibility study for the Engebø project and related development activities were the main drivers for the operating loss in the second quarter of NOK -20.7 million (NOK -13.6 million). Accumulated operating loss was NOK -35.9 million (NOK -25.8 million).

In February 2019, Keliber Oy completed a share issue directed towards existing shareholders with total gross proceeds of EUR 10 million at a subscription price of EUR 49 per share which implies a post-money value of Keliber of EUR 63 million. Following the share issue, Nordic Mining was diluted from 22% to 18.5% ownership and the Group reclassified the investment in Keliber from an Associate to a Financial Asset Measured at Fair Value Through Profit and Loss under IFRS 9 ("FVTPL Method"). Fair value was estimated based on the subscription price which resulted in a recognized gain of NOK 97.9 million in the first quarter of 2019. The EUR share value applied as basis for the valuation as of 30 June 2019 was not changed and the gain of NOK 0.4 million recognized in the second quarter of 2019 relates to currency effects. The accumulated gain of NOK 98.3 million is not subject to tax. In the second quarter of 2018, Nordic Mining's share of result from the associated company was NOK -2.3 million (NOK -3.8 million for the first half of 2018) reflecting the pro-rata share of Keliber's costs related to the definitive feasibility study, the environmental permitting process and general corporate expenses.

The total net result for the Group in the second quarter was NOK -20.5 million (NOK -15.9 million). Accumulated net gain was NOK 61.4 million (loss of NOK 29.6 million).

Cash flow from the Group's operating activities in the second quarter was NOK -17.9 million (NOK -15.3 million) and accumulated NOK -32.3 million (NOK -25.3 million). Net cash used in investment activities in the second quarter was NOK -0.1 million (NOK -2.4 million) and accumulated NOK -0.2 million (NOK -3.4 million). The

Group's investments in 2019 relate to license costs for the Engebø deposit. The Group's investments in 2018 also comprised capitalized drilling expense relating to the Engebø deposit. Net cash flow from financing activities in the second quarter was NOK 25.1 million (NOK 0.0 million) and accumulated NOK 25.1 million (NOK 55.4 million) arising from share issues.

The Group's cash balance at 30 June 2019 amounted to NOK 42.5 million (NOK 48.3 million). During second quarter of 2019, Nordic Mining completed a private placement with gross proceeds of NOK 27.5 million. The Group has a remaining capital requirement to complete the Engebø project through the FEED phase to construction of approx. NOK 70 million. The Company is working on opportunities to secure near-term funding and issued a notice for an extraordinary general meeting to resolve on, inter alia, a rights issue of NOK 35 million on 23 August. The Board considers that the completion of the DFS represents a key milestone for de-risking of the Engebø project and will form a good basis for further financing. The Company will continue to work with strategies for further financing to attract new working capital for its operation, development activities and construction capex.

On a general note, there is no assurance that the Group will be successful in obtaining the required financing for its prioritized projects. In such case, the Group may adjust project progress accordingly. For further information relating to the Company's risk assessments, reference is made to the annual report for 2018 which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

Nordic Mining's total assets as of 30 June 2019 were NOK 184.4 million (NOK 101.7 million), and the Group's total equity amounted to NOK 171.6 million (NOK 95.1 million). The Group has no interest-bearing debt. This gives an equity ratio of approximately 93% (94%).

## **MAIN PROJECTS AND ACTIVITIES**

### ***Engebø rutile and garnet project (100% ownership)***

#### General project information

The Engebø deposit is one of the largest unexploited rutile deposits in the world and has among the highest grades of rutile (TiO<sub>2</sub>) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The prefeasibility study of the project which was completed in October 2017 indicated profitable and robust project financials. The definitive feasibility study is ongoing and expected completed in the fourth quarter of 2019.

The Engebø project will be developed in accordance with high international standards for environment, health and safety. Regional hydro power will supply the process plant with renewable energy. The deposit has a favorable location next to a deep-water quay and with efficient shipping and advantageous logistics to European and overseas markets. This limits the project's physical footprint and reduces adverse environmental effects.

The Engebø deposit will be developed as a dual mineral operation with production and sale of high-quality rutile and garnet. The business concept provides efficient resource utilization, risk reduction, attractive and robust economics, and valuable future expansion opportunities. The substantial inferred mineral resource highlights the potential for expansion and/or extension of project mine life.

#### Resource estimates

Following the completion of the prefeasibility study, an additional drilling program was carried out with the aim of increasing the knowledge of the ore body and verifying geotechnical parameters for the open pit mining methods. The drilling program resulted in an increase of the estimated mineral resources in the measured and indicated categories (JORC Code 2012) by around 5%, to approximately 98 million tonnes, based on a cut-off of 3% TiO<sub>2</sub>. The average grade of rutile and garnet in the measured and indicated categories is 3.87% and 44.4%, respectively. The tables below provide an overview of the updated resource estimates at 2% and 3% TiO<sub>2</sub> cut-off grade, respectively, as presented by Competent Person Adam Wheeler in June 2018. The ongoing definitive feasibility work is based on the updated resource model and estimates.

*Resource classification (2% cut-off grade)\*\**

Resource class	Tonnage Mt	TiO <sub>2</sub> %	Garnet%
Measured	30	3.61	43.5
Indicated	102	3.49	42.8
<b>Measured &amp; Indicated</b>	<b>132</b>	<b>3.51</b>	<b>42.9</b>
Inferred	256	3.15	40.1

*Resource classification (3% cut-off grade)\*\**

Resource class	Tonnage Mt	TiO <sub>2</sub> %	Garnet%
Measured	22	3.95	44.9
Indicated	75	3.85	44.2
<b>Measured &amp; Indicated</b>	<b>98</b>	<b>3.87</b>	<b>44.4</b>
Inferred	132	3.82	42.5

\* Resource estimates completed by Competent Person Adam Wheeler (JORC Code 2012 edition)

\*\* 2%/3% cut-off grade means that only ore with TiO<sub>2</sub> content of 2%/3% or more is included in the resource estimates

*Definitive feasibility study and development activities progressing*

The main purpose of the definitive feasibility study is to qualify the project for construction financing. This implies that the quality of the technical assessments and financial analysis will be further increased from the prefeasibility study. The definitive feasibility study targets high-quality assessments and de-risking of all-important aspects of the project.

The major test programs for the definitive feasibility study including process optimization and ore variability testing has been finalized. A repeatability demonstration program confirming that the flow sheet can be replicated has also been completed. The metallurgical test work programs demonstrate that rutile and garnet concentrates that meet strict market requirements can be produced from the different ore types. The test work supports the design parameters which has been finalized. Nordic Mining has, together with the Barton Group, performed waterjet cutting testing using garnet products from Engebø. The test results were positive and indicate performance according to expectations for premium quality garnet products for cutting speed, finish and abrasive consumption.

The mining optimization work has been completed and potential to increase the mineable ore volume significantly has been identified. Strategic scheduling and stockpiling of ore resources will be applied to optimize the mining operation. The updated operating plan reduces the amount of waste rock and extends the open pit period by minimum 5 years compared to the prefeasibility study. Based on the design parameters, requests for quotations have been issued to potential suppliers to assure quality in the capex estimates for the definitive feasibility study and enable an efficient move forward into the project execution phase.

Various infrastructure activities are ongoing, including planning activities related to sourcing of process water through a dedicated pipeline and sourcing of electrical power, as well as preparations for re-direction of the county road currently passing through the designated process area. Further, a comprehensive environmental monitoring program for various environmental aspects is under development. The framework for the program was filed to the Norwegian Environment Agency in December 2018, addressing timeline and high-level content of the monitoring program. Nordic Mining has received feedback from the Norwegian Environment Agency to continue with the details of monitoring program on the basis of the framework.

Nordic Mining intends to secure well-structured and effective work programs for all key preparatory issues and is dedicated to retaining good communication with Naustdal municipality and other authorities, landowners and other stakeholders.

### Permits and local planning

Nordic Mining holds all rights and permits necessary for its current operations related to the Engebø project. This includes extraction permits for rutile (state mineral) which, generally, also imply the right to extract garnet and possible other minerals (landowners' minerals) in connection with the rutile extraction. The zoning plan for the mining and processing areas and the environmental permit for the project are fully granted.

In February 2019, Nordic Mining filed an application for operating license for the Engebø rutile and garnet project with the Norwegian Directorate of Mining. The public hearing process has started and is scheduled to end in mid-September. Approval is expected within 12 months of initial filing. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources.

In August, Naustdal municipality approved the detailed regulation plan which includes buildings and infrastructure at the processing plant and service areas, as well as for the mining area, access and haul roads etc. This leaves the regulation plan for water supply as the only outstanding approval required to commence construction. A resolution is expected in the near future.

Detail engineering work for re-routing of the county road through the process area as well as preparations for strengthening of the regional power grid has been completed.

The Directorate for Cultural Heritage has confirmed that the archeological surveys pursuant to the approved zoning plan have been completed and have cleared the area for construction activities.

### Offtake and participation in project financing

In January 2019, Nordic Mining signed a Heads of Agreement with a Japanese trading house relating to long term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. The offtake on rutile is complementary to the Heads of Agreement previously entered into with the Barton Group relating to offtake and commercial cooperation for garnet, as well as participation in the project financing. The Barton Group is a family-owned company that has produced the world's highest-quality garnet abrasives for seven generations. Nordic Mining is in constructive dialogues with both parties to further develop the agreements.

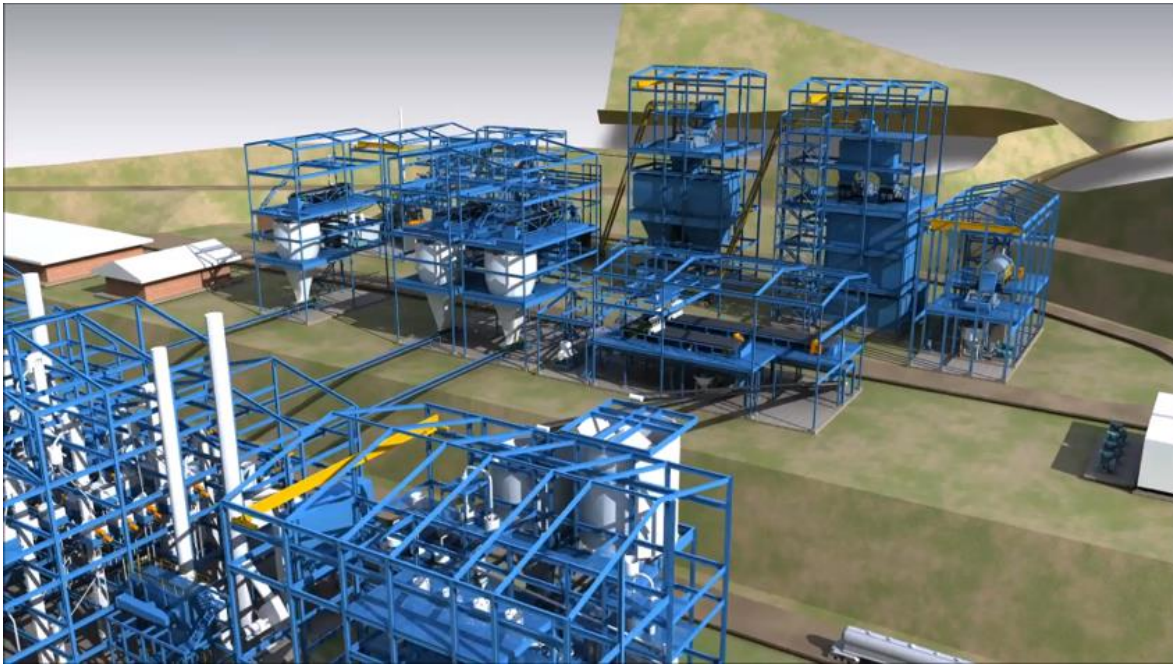
### Commercial outlook for rutile and garnet remains positive

Europe has a significant supply deficit of titanium feedstock, including rutile, and no garnet production. Supplies from Engebø represent a substantial opportunity and a logistical advantage for customers in Europe.

High capacity utilization in the pigment industry, reduced stockpiles and limited supply are key market drivers for the strong demand for high-grade feedstock. In the coming years, rutile production from current producers is expected to be further reduced due to depletion of operating deposits and limited new capacity in near-term pipeline. Further, the ongoing restructuring of the Chinese pigment industry with closures of smaller plants due to environmental regulations and increased capacity in modern technology plants will increase the demand for rutile as a high-grade titanium feedstock. For the prefeasibility study, the Australian consultancy company TZMI estimated a long-term FOB price for rutile (95% TiO<sub>2</sub>) around USD 1,070 per tonne. In February 2019, TZMI increased its long-term price estimate to USD 1,118 per tonne. Recent rutile prices have been reported in excess of USD 1,100 per tonne.

The main applications for garnet are in waterjet cutting, sand blasting and various abrasives. Prices vary depending on quality and application. There is currently no production of garnet in Europe and the global supply of high-quality garnet for high-end applications is short of the increasing demand. To a large extent, this is due to regulatory measures introduced by the Indian government, affecting a substantial part of the garnet production in India. It is uncertain when and to what extent Indian production will re-enter the market. For the prefeasibility study, TAK Industrial Mineral Consultancy indicated a basket price around USD 250 per tonne for the garnet qualities which will be produced at Engebø. Recent prices for high-quality products have been reported above this level.

Updated market assessments for rutile and garnet will be included in the definitive feasibility study.



Engebø - Module engineering

### **Keliber Oy (18.5% ownership) – lithium hydroxide project**

#### General project information

Keliber Oy is a Finnish mining company with an objective of producing battery grade lithium hydroxide for the battery industry. The company has a mining licence for the Syväjärvi and Länttä deposits, as well as several exploration permits and claims on other lithium deposits in the Central Ostrobothnia lithium province.

In June 2019, Keliber received a permit to initiate the preparatory work of the mining operations in Syväjärvi and secured the rights to use the land for the purpose assigned in the mining permit previously granted by the Finnish Safety and Chemicals Agency. Keliber targets to start the preparatory works for construction in the Syväjärvi mining area in the second half of 2019.

#### Resource estimates

Over the last years, Keliber has consistently increased the resource base for its project. The most recent resource update was completed in June 2019 and increased the estimates for Syväjärvi by about 10%. The mineral resource estimates per June 2019 are shown in the table below:

(Mill. tonnes)	<b>Länttä*</b>	<b>Syväjärvi**</b>	<b>Outovesi*</b>	<b>Rapasaari*</b>	<b>Leviäkangas*</b>	<b>Emmes*</b>	<b>Total</b>
Resource category:							
Measured	0.42	1.54	-	-	-	-	1.21
Indicated	0.91	1.17	0.28	4.43	0.19	1.08	8.26
<b>Sub-Total</b>	<b>1.33</b>	<b>2.71</b>	<b>0.28</b>	<b>4.43</b>	<b>0.19</b>	<b>1.08</b>	<b>9.47</b>
Ore grade (Li <sub>2</sub> O %)	1.04	1.13	1.43	1.13	1.14	1.22	1.16
Inferred	-	0.12	-	0.17	0.30	-	0.53

\* Resource estimates prepared by Competent Persons Markku Meriläinen (MAusIMM) and Pekka Lovén (MAusIMM) (JORC Code 2012). Cut-off grade for the estimates is 0.50% Li<sub>2</sub>O.

\*\* Resource estimates prepared by Competent Person Paul Payne (MAusIMM), Payne Geological Services Pty Ltd (JORC Code 2012). Cut-off grade for the estimates is 0.40% Li<sub>2</sub>O.

Keliber has continued its drilling program in the Rapasaari area and intends to provide an update of the resource estimates in the second half of 2019.

### Optimizing business case for financing and execution

In June 2018, Keliber completed a definitive feasibility study for the lithium project based on production of lithium carbonate. The study confirmed a profitable business case and outlined the plans for project execution. However, market observations indicated that future lithium demand, especially relating to battery cathode chemicals, is expected to be focused on lithium hydroxide. As a response to this development, Keliber completed a test program relating to production of lithium hydroxide together with Outotec Finland in the fall of 2018. The program demonstrated successful production of battery-grade lithium hydroxide in laboratory and pilot scales. The subsequent optimization of process flowsheet and technical and economic assessments resulted in an updated definitive feasibility study for the project based on production of lithium hydroxide. Key figures from the updated definitive feasibility study were presented in February 2019 and show a significant improvement in project economics compared to previous assessments. The main results presented in the updated study are:

• Pre-tax net present value (NPV@8%):	EUR 510 million
• Post-tax net present value (NPV@8%):	EUR 384 million
• Pre-tax internal rate of return (IRR):	28%
• Post-tax internal rate of return (IRR):	24%
• Pre-tax pay-back period:	3.7 years
• Post-tax pay-back period:	4.1 years
• Capital cost for mines and production facilities:	EUR 313 million

Preparations for construction financing are ongoing. In February 2019, Keliber appointed Carnegie Investment Bank AB and Nordea Bank Abp as advisors for the equity financing of the lithium project. Keliber and the advisors will explore different financing options, including an initial public offering.

Keliber has also appointed Northcott Capital Ltd. as the coordinator of the debt financing of the project. Initial contact has been established with relevant banks and other potential sources of debt financing.

### Strong market fundamentals

The fastest demand growth for lithium is related to batteries for electric/hybrid vehicles and energy storage. Battery-grade lithium chemicals, mainly lithium hydroxide, are used in the cathode part of the batteries. Electrification of transportation is regarded a "global mega-trend" positively aligned with environmental priorities, globally as well as on national levels. Currently, the main developments are related to land-based transportation. In the future, also parts of the sea-based transportation and possibly also air-based transportation could be electrified.

Significant European initiatives related to battery chemicals and battery production are under development. Lithium is fundamental for most relevant battery formulas currently developed and recent contract prices for lithium remain strong.

Keliber targets to be the first producer in Europe of battery-grade lithium hydroxide and is currently in dialogue with potential customers to secure offtake agreements suitable for project financing.



*Lithium battery (Source: Keliber)*



## ***Strategic assets and initiatives***

### *Kvinnherad quartz project*

An independent preliminary evaluation ("Scoping Study") was carried out by Dorfner Anzaplan for the quartz project in 2012 which outlines the potential for a profitable industrial project. Supplementary processing tests based on drill core samples was completed in the fourth quarter of 2018. The results confirm previous test results indicating that high-purity products can be produced from the Kvinnherad deposit.

The Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. Nordic Mining continues a constructive dialogue with the landowners and is proceeding commercial dialogues to establish a broader basis for progressing the project.

### *Seabed minerals*

Nordic Mining has taken initiatives related to seabed mineral exploration in Norway and has applied for mineral exploration rights in promising areas within the Norwegian jurisdiction. Research assessments indicate an attractive potential for discovery of metallic ore deposits with possible significant economic values within Norway's exclusive economic zone.

The Norwegian Research Council has granted NOK 25 million to MarMine, an ongoing research project on marine mineral resources. Nordic Mining participates in the project which is coordinated by the Norwegian University of Science and Technology (NTNU) and has a strong industrial basis and participation. An exploration cruise including mineral sampling and assessments related to seabed mineral operations has been executed in selected areas along the Mid-Atlantic Ridge.

As from 1 July 2019, a new law for seabed mineral activity was implemented in Norway and provide a legal framework for exploration and extraction of seabed minerals.

### *Alumina technology development*

Nordic Mining has been engaged in development of a new and more environmentally sound technology for alumina production for several years. Bauxite, mostly found in the southern hemisphere, is the main source of aluminum globally, and is linked to large environmental challenges due to toxic waste and land use. Anorthosite, an alumina rich feldspar rock with about 30% alumina can be an alternative source with close to zero waste and emissions.

In June 2019, the Company announced that EU's Horizon 2020 program has granted the AISiCal project EUR 5.9 million in funding for continued development of the patented alumina technology owned by Nordic Mining and Institute for Energy Technology (IFE). The registered Norwegian patent relates to technology for extraction of alumina from aluminium/calcium-rich minerals is in the process of being expanded to selected countries and patents have been granted in Norway, USA, Russia, Denmark, Greenland and the EPO (European Patent Office) and is pending in Canada.

The AISiCal project is an ambitious research and innovation project established to assess and develop the patented Aranda-Mastin Technology (AM Technology) with the purpose of making the minerals and metals industry more sustainable and environmentally sound. The AISiCal project consortium comprises 16 international partners from 9 countries and is led by IFE in Norway. The AM Technology, which is owned by Nordic Mining and IFE, enables the co-production of three essential raw materials; alumina, silica and precipitated calcium carbonate (PCC), by using new resources with no bauxite residue and using carbon dioxide (CO<sub>2</sub>) during production. The AISiCal project will innovate and develop the AM Technology towards zero CO<sub>2</sub> emission from production.

Oslo, 23 August 2019  
The Board of Directors of Nordic Mining ASA

## CONSOLIDATED INCOME STATEMENT

		2019	2018	2019	2018	2018
		01.04-30.06	01.04-30.06	01.01-30.06	01.01-30.06	01.01-31.12
<i>(Amounts in NOK thousands)</i>	Note	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Payroll and related costs		(2 984)	(2 669)	(7 245)	(4 615)	(11 773)
Depreciation and amortization		(42)	(38)	(115)	(76)	(152)
Impairment of exploration and evaluation assets		-	-	-	-	(2 393)
Other operating expenses		(17 648)	(10 933)	(28 506)	(21 071)	(49 916)
<b>Operating profit/(loss)</b>		<b>(20 674)</b>	<b>(13 640)</b>	<b>(35 866)</b>	<b>(25 762)</b>	<b>(64 234)</b>
Share of loss in associate	3	-	(2 296)	(759)	(3 785)	(7 988)
Gains/losses on investments	3	408	-	98 273	-	-
Financial income		27	127	38	183	476
Financial costs		(222)	(76)	(277)	(192)	(566)
<b>Profit/(loss) before tax</b>		<b>(20 461)</b>	<b>(15 885)</b>	<b>61 409</b>	<b>(29 556)</b>	<b>(72 312)</b>
Income Tax		-	-	-	-	-
<b>Profit/(loss) for the period</b>		<b>(20 461)</b>	<b>(15 885)</b>	<b>61 409</b>	<b>(29 556)</b>	<b>(72 312)</b>
<b>Profit/(loss) attributable to</b>						
Equity holders of parent		(20 461)	(15 885)	61 409	(29 556)	(72 312)
Non-controlling interest		-	-	-	-	-
<b>Earnings per share attributable to ordinary shareholders</b>						
<i>(Amounts in NOK)</i>						
Basic and diluted earnings per share		(0,15)	(0,14)	0,46	(0,27)	(0,63)

## STATEMENTS OF COMPREHENSIVE INCOME

<i>(Amounts in NOK thousands)</i>	<b>2019</b> <b>01.04-30.06</b> <b>Unaudited</b>	2018 01.04-30.06 Unaudited	<b>2019</b> <b>01.01-30.06</b> <b>Unaudited</b>
<b>Net profit/(loss) for the period</b>	<b>(20 461)</b>	(15 885)	<b>61 409</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences	-		<b>(385)</b>
Currency translation reclassified to profit and loss	-	(359)	<b>(4 880)</b>
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in pension estimates	-	-	-
<b>Other comprehensive income directly against equity</b>	-	(359)	<b>(5 265)</b>
<b>Total comprehensive income for the period</b>	<b>(20 461)</b>	(16 244)	<b>56 144</b>
<b>Allocation of comprehensive income</b>			
Equity holders of parent	<b>(20 461)</b>	(16 244)	<b>56 144</b>
Non-controlling interest	-	-	-

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	<b>30.06.2019</b> <b>Unaudited</b>	<b>31.12.2018</b> <b>Audited</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Evaluation and exploration assets		<b>25 786</b>	25 607
Property, plant & equipment		<b>200</b>	245
Right-of-use assets		<b>193</b>	-
Financial assets	3	<b>113 545</b>	-
Investment in associate		-	21 296
<b>Total non-current assets</b>		<b>139 724</b>	47 148
<b>Current assets</b>			
Trade and other receivables		<b>2 172</b>	2 514
Cash and cash equivalents		<b>42 515</b>	49 902
<b>Total current assets</b>		<b>44 687</b>	52 416
<b>Total assets</b>		<b>184 411</b>	99 564
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		<b>86 275</b>	78 505
Share premium		<b>418 991</b>	401 597
Other paid-in capital		<b>15 264</b>	14 502
Retained losses		<b>(346 761)</b>	(408 170)
Other comprehensive income		<b>(2 170)</b>	3 095
<b>Total equity</b>		<b>171 599</b>	89 529
<b>Non-current liabilities</b>			
Other liabilities		<b>853</b>	834
Lease liabilities		<b>183</b>	-
<b>Total non-current liabilities</b>		<b>1 036</b>	834
<b>Current liabilities</b>			
Trade Payables		<b>6 895</b>	2 787
Other current liabilities		<b>4 881</b>	6 414
<b>Total current liabilities</b>		<b>11 776</b>	9 201
<b>Total liabilities</b>		<b>12 812</b>	10 035
<b>Total shareholders' equity and liabilities</b>		<b>184 411</b>	99 564
		-	-

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Attributed to equity holders of the parent						
(Amounts in NOK thousands)	Share capital	Share premium	Other-paid-in capital	Other comprehensive income	Accumulated losses	Total equity
<b>Equity 1 January 2018</b>	<b>56 895</b>	<b>331 223</b>	<b>14 354</b>	<b>3 544</b>	<b>(335 858)</b>	<b>70 158</b>
Loss for the period	-	-	-	-	(29 556)	(29 556)
Other comprehensive income	-	-	-	(949)	-	(949)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(949)</b>	<b>(29 556)</b>	<b>(30 505)</b>
Share issue	11 175	48 425	-	-	-	59 600
Transaction costs	-	(4 157)	-	-	-	(4 157)
<b>Equity 30 June 2018</b>	<b>68 070</b>	<b>375 491</b>	<b>14 354</b>	<b>2 595</b>	<b>(365 414)</b>	<b>95 096</b>
<b>Equity 1 January 2019</b>	<b>78 505</b>	<b>401 597</b>	<b>14 502</b>	<b>3 095</b>	<b>(408 170)</b>	<b>89 529</b>
Loss for the period	-	-	-	-	61 409	61 409
Other comprehensive income	-	-	-	(5 265)	-	(5 265)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5 265)</b>	<b>61 409</b>	<b>56 144</b>
Share issue	7 770	19 749	-	-	-	27 519
Transaction costs	-	(2 355)	-	-	-	(2 355)
Share-based compensation	-	-	762	-	-	762
<b>Equity 30 June 2019</b>	<b>86 275</b>	<b>418 991</b>	<b>15 264</b>	<b>(2 170)</b>	<b>(346 761)</b>	<b>171 599</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	<b>2019</b> <b>01.01-30.06</b> <b>Unaudited</b>	2018 01.01-30.06 <i>Unaudited</i>
<i>(Amounts in NOK thousands)</i>		
<b>Operating activities:</b>		
<b>Net cash used in operating activities</b>	<b>(32 298)</b>	(25 290)
<b>Investing activities:</b>		
Acquisition of licenses and properties	<b>(179)</b>	(1 127)
Investment in other exploration and evaluation assets	-	(2 272)
<b>Net cash used in investing activities</b>	<b>(179)</b>	(3 399)
<b>Financing activities:</b>		
Share issuance	<b>27 519</b>	59 600
Transaction costs, share issue	<b>(2 355)</b>	(4 157)
Payment of lease liabilities	<b>(74)</b>	-
<b>Net cash from financing activities</b>	<b>25 090</b>	55 443
<b>Net change in cash and cash equivalents</b>	<b>(7 387)</b>	26 754
<b>Cash and cash equivalents at beginning of period</b>	<b>49 902</b>	21 547
<b>Cash and cash equivalents at end of period</b>	<b>42 515</b>	48 301

## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 AUGUST 2019**

### **Note 1 – ACCOUNTING PRINCIPLES**

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the information required for full annual financial reporting and should be read in conjunction with the consolidated financial statements of Nordic Mining ASA and the Group for the year ended 31 December 2018.

This report was authorized for issue by the Board of Directors on 23 August 2019.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2018, except for the new principles described below.

#### ***IFRS 16:***

The Group adopted *IFRS 16 - Leases* for reporting periods beginning on and after 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS.

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. The portion of lease payments representing payments of lease liabilities shall be classified as cash flows used in financing activities in the statement of cash flows.

#### ***Implementation options:***

The Group used the modified retrospective method on implementation, which involves adjusting opening equity 1 January 2019 with the cumulative implementation effect ("the modified retrospective method"). The Group used some of the implementation expedencies of IFRS 16. Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted for prepaid lease payments.

On recognition of IFRS 16, 1 January 2019, the Group recognized right-of-use assets of NOK 264 thousand and lease liabilities of NOK 251 thousand. The difference related to prepaid lease amounts so there was no impact on opening equity upon implementation.

#### ***Financial assets:***

##### ***Initial recognition and measurement:***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

##### ***Financial assets at fair value through profit or loss:***

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss.

## Note 2 – SEGMENTS

The Group presents segments on the basis of the mineral projects. The two reportable segments are:

- *Titanium and garnet* which can be produced from the mineral deposit at Engebø. The zoning plan and the discharge permit for the project are approved and final, without possibility for appeals. The prefeasibility study for the project was completed in October 2017 and the definitive feasibility study is ongoing.
- The *Other* segment consists of the Group's activities in the subsidiaries Nordic Quartz and Nordic Ocean Resources. Following the expiration of the Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit April 2019, the Company decided to merge the quartz segment to other activities. Nordic Mining continues a constructive dialogue with the landowners and is proceeding commercial dialogues to establish a broader basis for progressing the project.

The reconciling column "*Adjustments and eliminations*" includes the Group's administration costs and other unallocated corporate business development costs as well as elimination entries related to preparing consolidated financial statements.

The Group uses the segments' profit/(loss) before tax from continuing operations as the basis for the segment results including some allocations of corporate expenses. All the numbers in the table below are in NOK thousands and represent the period 1 January – 30 June.

(Amounts in NOK thousands)	Titanium & Garnet		Other		Adjustments and eliminations		Consolidated	
	2019	2018	2019	2018	2019 (*)	2018	2019	2018
Revenues	-	-	-	-	-	-	-	-
Segment result	<b>(30 096)</b>	(22 159)	<b>(570)</b>	(604)	<b>92 076</b>	(6 793)	<b>61 409</b>	(29 556)

Investment in exploration and evaluation assets	<b>179</b>	3 399	-	-	-	-	<b>179</b>	3 399
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(\*) Adjustments and other eliminations in 2019 include gain of NOK 98.3 million resulting from the change in classification of the investment in Keliber from an investment in associate to a financial asset at fair value through profit or loss (ref. Note 3).

## Note 3 – FINANCIAL ASSETS

### Keliber Oy

On 15 February 2019, Keliber Oy completed a share issue directed towards existing shareholders with total gross proceeds of EUR 10 million at a subscription price of EUR 49 per share which implies a post-money value of Keliber of EUR 63 million.

Following the share issue in Keliber, Nordic Mining was diluted from 22% to 18.5% ownership. As a consequence, the Group assessed that it no longer imposes significant influence and reclassified the investment in Keliber from an Associate to a Financial Asset Measured at Fair Value Through Profit and Loss under IFRS 9 ("FVPL Method"). The assessment was based on the reduced ownership combined with a change in Board composition. At the annual general meeting in April, a new Board was elected, where Nordic Mining's representation was reduced from two to one Director. The new Board comprise six Directors.

On 15 February, the Group derecognized the investment in associate and recognized the financial asset at estimated fair value. A gain was recognized on the difference between the carrying amount of the investment in associate on derecognition and the fair value of the financial asset on the same date. Currency translation adjustments on 15 February related to Keliber was reclassified from other comprehensive income to the income statement and included in the recognized gain.

Fair value was estimated based on the subscription price of EUR 49 in the share issue described above which resulted in a recognized gain of NOK 97.9 million in the first quarter of 2019. The EUR share value applied as a basis for the valuation has been unchanged as of 30 June 2019 and the gain of NOK 0.4 million recognized in the second quarter of 2019 relates to currency effects.



**Note 4 – SHARE-BASED COMPENSATION**

The Group recognized a share-based expense of NOK 762 thousand in the first half of 2019 (H1-2018: 0) in relation to the Group's option program. There were no awards of options in 2019.

**Note 5 – SHARE CAPITAL**

On 29 May 2019, Nordic Mining completed a private placement of 12 950 000 shares with gross proceeds of NOK 27.5 million. Following registration of the share capital increase, the Company has a share capital of NOK 86,275,063.20 divided into 143,791,772 shares, each with a nominal value of NOK 0.60.

## **Responsibility statement from the Board of Directors and the CEO**

Today, the Board of Directors and the CEO have resolved the report and the interim condensed consolidated financial statements for Nordic Mining ASA per 30 June 2019 and for the first half year of 2019, including interim condensed consolidated figures for comparison per 30 June 2018 and for the first half year 2018.

The half year report is submitted in accordance with IAS 34 "Interim Financial Reporting" as adopted by EU, and in accordance with further requirements in the Norwegian Securities Trading Act.

The Board of Directors and the CEO confirm, to the best of our knowledge, that the interim financial statements for the first half year of 2019 have been prepared in accordance with prevailing accounting standards, and that the information given in the financial statements gives a true and fair view of the Company's consolidated assets, liabilities, financial position and results as per 30 June 2019 and 30 June 2018, respectively. To the best of our knowledge, the Board of Directors' report for the first half year of 2019 gives a true and fair overview of the main activities in the period. Further, the most important risks and uncertainties, as well as related parties' significant transactions, are described in a best possible manner.

Oslo, 23 August 2019  
The Board of Directors of Nordic Mining ASA

Kjell Roland  
Chair

Kjell Sletsjøe

Eva Kaijser

Benedicte Nordang

Antony Beckmand

Ivar S. Fossum  
CEO