



**NORDIC  
MINING**

# INTERIM REPORT Per 30 June 2021



## *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 14.3% 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.*

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

## Group interim report for the quarter ended 30 June 2021

### Important events in the second quarter of 2021 and year to date:

#### CORPORATE

##### **Successful capital raise of NOK 80 million**

In February 2021, Nordic Mining completed a private placement with gross proceeds of NOK 80 million. The capital raise enabled the Company to participate in Keliber's equity issue in March/April to retain an ownership of 14.3%. The remaining funds will be used towards securing financing for the Engebø project, and preparing for execution, as well as development of the Group's position within the seabed mineral resources area, and for general corporate purposes and business development.

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

##### **Updated Definitive Feasibility Study reconfirms Engebø as a world class mineral project**

In May 2021 Nordic Mining ASA completed the Updated Definitive Feasibility study ("UDFS") for the Engebø Rutile and Garnet project. The UDFS is an update of the DFS which was completed in January 2020. The UDFS confirmed Engebø as a sustainable and economically robust mineral project with reduced financing risk, improved financial resilience, and attractive financial returns.

Key UDFS economic figures and highlights:

- Pre-tax NPV@8% of USD 355 million
- Pre-tax IRR of 22.5%
- Post-tax NPV@8% of USD 260 million
- Post-tax IRR of 19.8%
  
- High-margin cash flow and short pay-back support bankability:
  - Initial capital investment of USD 218 million reduced from USD 311 million in DFS, maintaining a Run-of-Mine (ROM) of 1.5 Mtpa
  - Life of Mine EBITDA of USD 2.1 billion, corresponding to an EBITDA-margin of 68%
  - Life of Mine Operating Cash Flow of USD 1.7 billion
  - Free Cash Flow the first 10 years of full operations of USD 51 million per annum
  - Pay-back period of 4.4 years from start of production
  
- Reduced environmental footprint:
  - 99% reduction in consumption of approved chemicals in the production process (compared with the 2016 environmental permit)
  - ~ 80% reduction of CO2 emissions
  - ~ 40% reduction of the process plant facilities footprint

##### **Long-term offtake agreements signed for the full rutile production from Engebø**

In July 2021 Nordic Mining signed term sheets for offtake of rutile with a reputable Japanese trading house and Kronos (US), INC., a globally leading pigment producer and, which subject to the entering into of the final offtake agreement, will secure sales for all the annual production of rutile for the first five years of production. The term sheet with the Japanese trading house builds on the Heads of Agreement signed in January 2019 for offtake of rutile and participation in the financing for the Engebø project.

The parties will start the process of finalizing the final offtake agreement, which in respect of the Japanese trading house will be negotiated in parallel with negotiating their participation in the financing of the Engebø project.

##### **Partners for Engineering, Procurement and Construction and Project Management Consultant commissioned for Engebø construction**

Nordic Mining signed in May 2021 Letters of Intent with Sunnfjord Industripartner AS, Åsen & Øvrelid AS, Nordic Bulk AS, and Normatic AS as partners for Engineering, Procurement and Construction (together EPCs) and leading engineering companies Hatch and Sweco as Project Management Consultant (PMC). The Letters of Intent are a formalization of EPCs contributions towards the UDFS and the optimized contracting and execution strategy developed as part of the UDFS. The PMC will be integrated in the owners' team, reporting to the Engebø Project

Director, and will be responsible for process design, and overall engineering coordination and integration of the selected partners for Engineering, Procurement and Construction. The parties plan to formalize the final EPC and PMC contracts during the third quarter of 2021.

Following the commissioning of the EPCs and PMC the Company has started Pre-Construction work to advance selected Detailed Engineering activities earlier than UDFS project schedule, increasing flexibility on schedule for construction activities.

#### ***Financial advisors appointed for financing of the Engebø project***

In June 2021, Nordic Mining appointed Clarkson Platou Securities AS and SpareBank 1 Markets AS to advise on the project financing for the Engebø project. Pre-sounding with selected and strategic and financial investors to explore available equity and debt structures has started and the process to engage an Independent Technical Engineer for the financing transaction is ongoing. The formal financing process is planned to start later this year, with aim to conduct and execute financing by year-end 2021.

#### ***Implementation of environmental and social management systems***

The Company is implementing an integrated and comprehensive Environmental and Social Management System (ESMS) for the Engebø project to ensure environmental and social issues are managed in accordance with International Finance Corporation's (IFC) Performance Standards and the Equator Principles, as well as Norwegian permits and regulations.

The Company has implemented a Stakeholder Engagement Plan to strengthen and build sustainable stakeholder relations prior to, and during construction, and further into the production phase, and is in the process of finalizing a Waste Management Plan. The management plans have been reviewed by the international mining consultancy firm SRK Consulting (SRK) to ensure compliance with the IFC standards. A local resource group has been established with participation from key stakeholder groups to participate in the Company's environmental monitoring program.

#### ***Revised discharge permit granted***

In January 2021, the Environment Agency granted a revised discharge permit implying a substitution of chemicals from the original permit, commenting that the significant reduction in chemical consumption will have lower impact on the environment than the previously planned consumption.

#### ***Increasing demand for high-grade feedstock and supply uncertainty underpins fundamentals for Engebø***

Rutile demand continues to strengthen with recovery in Europe and USA in the aftermath of the Covid-pandemic. Demand for high-grade feedstock is reported to have been particularly strong in the US as result of chlorine supply challenges for pigment production, with pigment producers having to increase the usage of rutile to optimize production and capacity utilization in line with the increasing demand. The average rutile price in the first half of 2021 is reported to be around USD 1,230 per tonne (FOB), which is up around USD 30 per tonne compared to the first quarter of 2021.

In May 2021, Iluka announced that it will suspend the production of rutile in Sierra Leone from November this year as a result of poor economic performance. This will reduce the global supply of rutile by more than 140,000 tons per year. Iluka has indicated that the operations can be suspended for up to two years, and if no progress is made, that the mine could move into closure. Furthermore, the force majeure situation at Rio Tinto's Richards Bay plant in South Africa has made the plant's future stability of high-titanium slag supply uncertain. This represents a considerable short to medium term supply uncertainty, which will continue to drive a tightening of the rutile market, with downstream users now more active in securing rutile raw materials, and with spot supply of rutile being very tight.

The garnet demand in 2020 was impacted by reduced economic activity and lower oil price. Prices of garnet to end-customers in the main markets in Europe and USA have to a large extent been reported to remain unaffected, despite demand having contracted with an estimated 20-25%. The existing main producers of garnet are in Australia, China, India, and South-Africa, with no production in Europe. In the USA, domestic production is significantly short of the demand. Various garnet buyers have indicated that long-term supply of high-quality garnet from Europe is important for supply security and efficient logistics. Nordic Mining has provided garnet samples for testing, and the results compare well with industrial reference qualities. Positive discussions continue with potential distributors for long-term offtake agreements.

## **KELIBER LITHIUM PROJECT (14.3% ownership)**

### ***Measured and Indicated Mineral Resources of Rapasaari deposit increased by more than 30%***

In May 2021, Keliber increased the Measured and Indicated Mineral Resources of the Rapasaari deposit to 8.10 million tonnes. This is an increase of 31% from the previous resource estimate. Including Inferred Mineral Resource, the increase is 17.4%. The total Measured and Indicated Mineral Resources of Keliber now total 13.69 million tonnes (previously 11.77). Including the Inferred Mineral Resources, the total Mineral Resources are 15.62 million tonnes (previously 14.19). The average Li<sub>2</sub>O grade of the Keliber's combined Mineral Resources is 1.05%.

Keliber's Mineral Resource estimates comply with the JORC 2012 code, and are reported at a cut-off grade of 0.50% Li<sub>2</sub>O.

### ***Building international partnership with leading international mining company***

In February 2021, Keliber entered into an investment agreement with the leading international mining company Sibanye-Stillwater Limited (SSW) for an initial phased equity investment of EUR 30 million for approximately 30% shareholding in Keliber. In March, the first tranche of the initial investment was closed with SSW subscribing for shares for EUR 15 million, and at the same time a share issue of up to 250,000 shares was opened to existing shareholders of Keliber. In the issue, which was conducted in March/April 2021, Nordic Mining was allocated in total 58,975 shares at an issue price of EUR 40 per share corresponding to approximately 23.6% of the share issue, to retain an ownership of 14.3%. SSW plans to play a key role as an industrial anchor investor in the project financing planned for mid-2022 and has in accordance with the investment agreement the option to secure a majority shareholding in Keliber, following the completion of the updated Feasibility Study.

### ***Project update and review***

Keliber continues to advance the lithium project including technical planning, permitting, ore potential, market assessments and financing. The company have decided to increase the production capacity for lithium hydroxide from 12,000 to 15,000 tonnes per year. Further, the concentrator plant will be moved closer to the main spodumene deposits to increase efficiency and reduce environmental footprint. Basic engineering work is ongoing related to the concentrator, tailings disposal solutions and the chemical plant.

Environmental permit applications for all main activities have been submitted. The EIA report for the concentrator and main mining areas was submitted to the authorities in November 2020. In June 2021 Keliber submitted applications for environmental and water management permits for the Rapasaari mine and the Päiväneva concentrator, following the Vaasa Administrative Court rejection of the appeals to the permits. The environmental permit application for the Kokkola chemical plant was submitted in December 2020. In June 2021 the ELY Centre for South Ostrobothnia issued a reasoned conclusion on the updated Environmental Impact Assessment (EIA) report for the Kokkola chemical plant stating that the plant does not have a significant environmental impact. Keliber expects the permit decision by end of 2021.

Keliber is expected to complete an update of the DFS early in 2022.

### ***Electrical Vehicle market and shift to e-mobility driving lithium market outlook***

In the first part of 2020, lithium prices were under pressure driven by the uncertainties caused by the Covid-pandemic. In the second half of the year, economic activity including electrical vehicle manufacturing picked up and the market balance for lithium was tightening. The ongoing and expected recovery of economies and the pace of transition towards greener and more sustainable solutions are expected to fuel the lithium market in the coming years.

In the 2020 list of Critical Raw Materials, the European Union indicated that Europe would need about 60 times more lithium, which is critical for a shift to e-mobility, for EV batteries and energy storage by 2050. The first European battery giga-factories are coming to production in 2021, and with more giga-factories in project phase, including significant battery initiatives in the Nordic countries.

Keliber's targeted position as a low-cost producer and the first producer in Europe of battery-grade lithium hydroxide is expected to be an advantage when it comes to future sales to battery manufacturers.

## **NORDIC OCEAN RESOURCES (NORA) (100% ownership)**

Nordic Mining has taken pioneering initiatives related to seabed mineral in Norway through the subsidiary Nordic Ocean Resources (NORA) giving the Company valuable knowledge for business development. NORA participated

in the MarMine project on marine mineral resources coordinated by the Norwegian University of Science and Technology (NTNU). Research assessments indicate an attractive potential for discovery of metallic ore deposits with possible significant economic values within Norway's exclusive economic zone.

In 2019, the new Seabed Minerals Act came into force as result of systematic mapping of seabed minerals by the Norwegian Petroleum Directorate. Prior to opening for seabed mineral extraction, an environmental impact assessment must be carried out and in January 2021 the Ministry of Petroleum and Energy on issued a hearing for a proposal for an impact assessment program.

Nordic Mining have, in light of the positive developments on the regulation of seabed minerals, and increased focus on how the Norwegian mining industry can play an important role on seabed minerals to support the green transition, increased the efforts to commercializing the Groups understanding and positioning on seabed minerals developed through the pioneering initiatives of NORA.

## **FINANCIAL PERFORMANCE IN Q2**

*Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2020.*

The Group is in the Definitive Feasibility Study phase of the Engebø project and has, so far, no sales revenues from operations. Reported operating loss for the second quarter was NOK -12.3 million (NOK -7.7 million) and NOK -28.2 million for the first half of 2021 (NOK -24.8 million). The operating result reflects the activities to finalize the UDFS, and further development activities towards construction and production, as well as costs related to the ongoing legal dispute with Artic Mineral Resource (AMR).

In February 2021 Keliber Oy and leading international mining company Sibanye-Stillwater Limited announced that they have entered into an investment agreement for an initial phased equity investment of EUR 30 million at price of EUR 40 per share. In March 2021, the first tranche of the investment was closed, with SSW subscribing for shares for EUR 15 million, and at the same time a share issue of up to 250,000 shares was opened to existing shareholders of Keliber. In the share issue, which was closed March/April 2021, Nordic Mining was allocated in total 58,975 shares at an issue price of EUR 40 per share, to retain an ownership of 14.3% of the shares in Keliber. The Group has at quarter-end retained the value of the financial investment at EUR 40 per share, however, recognizing a translation gain of NOK 2.1 million in the quarter (NOK - 4.7 million), giving an accumulated translation loss of NOK -2.9 million for the first half of 2021. Please see note 3 for further information. Nordic Mining's carrying amount for the investment was NOK 121.3 million as of 30 June 2021 (31.12.20: NOK 100.1 million).

Reported net result in the second quarter was NOK -10.4 million (NOK -12.4 million) and NOK -31.3 million for the first half year of 2021 (NOK -29.1 million).

In the second quarter of 2021 net cash outflow from operating activities was NOK -18.8 million (NOK -11.3 million) and NOK -28.8 million for the first half year of 2021 (NOK -27.4 million), reflecting the activities to finalize the UDFS, and further development activities towards construction and production, as well as the ongoing legal dispute with AMR. Net cash flow from the Group's investment activities in the second quarter was negative NOK -7.8 million (NOK -0.1 million) and accumulated NOK -23.9 million for the first half of 2021 (NOK -0.2 million), whereof NOK -24.0 million relate to the participation in the Keliber share issue in March/April 2021.

The Group's cash and cash equivalents as of 30 June 2021 was NOK 65.4 million. The Group remains fully funded for the continuation of the Engebø project towards construction, and other Group activities, based on current plans and forecasts.

Nordic Mining's total assets as of 30 June 2021 was NOK 218.5 million (31.12.2020: NOK 173.7 million), and total equity was NOK 209.1 million (31.12.2020: NOK 164.3 million). The Group had no interest-bearing debt.

The Group will require long-term financing to develop its projects towards production. There is no assurance that the Group will be successful in obtaining the required financing, however the Company expects that the significant economic potential of the Engebø flagship project and the ownership in the Keliber lithium project, combined with a solid, debt-free balance sheet, will provide a solid foundation for financing going forward.

For further information relating to the Company's risk assessments, reference is made to the annual report for 2020 which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

## MAIN PROJECTS AND ACTIVITIES

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

#### *World-class mineral resource developed according to world-class standards*

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 scale of the mineral resource secures long-term operations.

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

#### *Updated Definitive Feasibility Study reconfirms Engebø as a world class mineral project*

In May 2021 Nordic Mining ASA completed the Updated Definitive Feasibility study ("UDFS") for the Engebø Rutile and Garnet project. The UDFS is an update of the DFS which was completed in January 2020. The updated study confirmed Engebø as a sustainable and economically robust mineral project with reduced financing risk, improved financial resilience, and attractive financial returns. The complete summary report is available at the corporate website, and main improvements and risk-reducing measures in the UDFS are:

- Reduced environmental footprint; 99% reduction in consumption of approved chemicals in the production process (compared with the 2016 environmental permit), around 80% reduction of CO<sub>2</sub> emissions and approximately 40% reduction of the process plant facilities footprint compared with the DFS
- Contract and execution strategy based on EPC partnerships and early vendor engagement
- Stick-build construction methodology and improved ore flow logistics
- Reduced initial investment needed to realize the project from USD 311 million to USD 218 million, maintaining a Run-of-Mine (ROM) of 1.5 Mtpa
- Reduced process operating cost by more than 25% following from flowsheet optimizations, including reduction in energy costs from use of electrical dryers for drying of minerals
- Improved mining design for open pit and underground focusing on practical and cost-effective operations. Mining schedule in open pit has been optimized for the initial years and the underground mining schedule targets higher grades and a simplified infrastructure
- Reduced market risk based on post-pandemic market forecasts for rutile and garnet, retaining flexibility to increase garnet production in line with increasing demand
- Robust project economics with considerable reductions in market, financing, and execution risks

Key economic figures:

- Pre-tax NPV@8% of USD 355 million
- Pre-tax IRR of 22.5%
- Post-tax NPV@8% of USD 260 million
- Post-tax IRR of 19.8%
- High-margin cash flow and short pay-back support bankability:
  - Initial capital investment of USD 218 million
  - Life of Mine EBITDA of USD 2.1 billion, corresponding to an EBITDA-margin of 68%
  - Life of Mine Operating Cash Flow of USD 1.7 billion
  - Free Cash Flow the first 10 years of full operations of USD 51 million per annum

- Pay-back period of 4.4 years from start of production
- Optimized schedule and dual mineral production provide competitive strength:
  - Outcropping and geotechnically stable orebody
  - Low stripping ratio (waste to ore ratio) of 0.6 in open pit
  - High-grade rutile and garnet
  - Short distance and gravity supported ore transportation minimize transportation
  - 1st quartile revenue-to-cash cost position for rutile
- Optimized mining plan and scheduling support an initial 39-year Life of Mine:
  - 15 years of open pit mining and high-grade processing, and stockpiling of medium/low-grade ore
  - 19 years underground production
  - 6 years production based on stockpiled ore
  - Extension of Life of Mine expected based on substantial inferred resources
- All permits granted:
  - Extraction permits for the whole deposit
  - Operational license for open pit and underground mining
  - Landowner agreements for open pit, infrastructure, and process plant areas
  - Detailed zoning plan
  - Environmental permit
- High environmental and social standards in accordance with IFC Performance Standards and relevant Equator Principles

#### Implementation of Environmental and Social Management Systems ongoing

The Company is implementing an integrated and comprehensive Environmental and Social Management System (ESMS) to ensure environmental and social issues are managed in accordance with IFC Performance Standards and the Equator Principles, as well as Norwegian permits and regulations.

The Company has developed and implemented a Stakeholder Engagement Plan to strengthen and build sustainable stakeholder relations prior to, and during construction, and further into the production phase, and is in the process of finalizing a Waste Management Plan. The plans have been reviewed by the international mining consultancy firm SRK Consulting (SRK) to ensure compliance with the IFC standards. A local resource group has been established with participation from key stakeholder groups to participate in the Company's environmental monitoring program. Furthermore, a plan for efficient energy use is being developed. The plans will be finalized before start of construction

Environmental monitoring programs, using state of the art technologies, will be put in place to ensure adherence to permits and to mitigate environmental effects. In line with the provisions of the environmental permit, the Company started in April 2021 a monitoring program for migrating smolt (juvenile salmon) in adjacent rivers of the Førde Fjord. The program will cover two migration seasons, 2021 and 2022, and secure valuable information of smolt migration prior to production at Engebø. Monitoring equipment has been installed at two representative locations in rivers surrounding the fjord.

#### Main regulatory framework is completed, technical building permits in process

In June 2020, the Directorate of Mining granted the operating license for the Engebø project. The operating license completes the main regulatory framework required for the project, including extraction permits, approved zoning plan for the mining and processing areas and the environmental permit. The operating license is granted for the life of mine of the project which includes an open pit and underground phase, however, with a possibility for revision after 10 years. The license regulates operational scope, methodology and procedures to secure safe and efficient production of the mineral resources and follows the strict regulation practice for Norwegian mining operations which implies high standards for environment, health, and safety.

The Directorate of Mining confirmed in November 2020 that the appeals received in relation to the operating license do not provide any basis to revoke or changes the decision. The matter has been forwarded to the Ministry of Trade, Industry and Fisheries (NFD) for final confirmation.

Arctic Mineral Resources AS (AMR) is one of the appellants. In March 2021, AMR summoned Nordic Mining's subsidiary, Nordic Rutile, claiming that AMR has exclusive rights to the garnet on the Vevring side of the Engebø deposit, and that Nordic Rutile has no rights to the said garnets. Normally, an appellant awaits the Ministry's decision before initiating court proceedings which attacks decisions passed by authorities. AMR's claim is contrary to the Directorate of Mining's decision and contrary to the Minerals Act and is rejected by Nordic Mining in its entirety. The court hearing will take place in Oslo District Court starting 16 August 2021, with six full days saved for the main hearing. AMR has and is expected to continue to put forward claims towards the Directorate and the Ministry related to their appeal.

The Company is awaiting the final decision from the Ministry of Trade, Industry and Fisheries, and is confident that the operating license will be retained as granted in June 2020.

In June 2020, the Company submitted, after extensive test work proving that the consumption of chemicals could be significantly reduced, an application to the Environment Agency for substitution of chemicals from the original environmental permit of 2015. In January 2021, the Agency granted the revised environmental permit, commenting that the significant reduction in chemical consumption will have lower impact on the environment than the previous planned consumption.

#### Positive commercial outlook for rutile and garnet

Europe has a significant supply deficit of titanium feedstock, including rutile, and no garnet production. Supply from Engebø represent a substantial opportunity for logistical optimization. The long-term fundamentals are strong and support a new source of supply in Europe.

Rutile demand continues to strengthen with recovery in Europe and USA in the aftermath of the Covid-pandemic. Demand for high-grade feedstock is reported to have been particularly strong in the US as result of chlorine supply challenges for pigment production, with pigment producers having to increase the usage of rutile to optimize production and capacity utilization in line with the increasing demand. The average rutile price in the first half of 2021 is reported to be around USD 1,230 per tonne (FOB), which is up around USD 30 per tonne compared to the first quarter of 2021.

In May 2021, Iluka announced that it will suspend the production of rutile in Sierra Leone from November this year as a result of poor economic performance. This will reduce the global supply of rutile by more than 140,000 tons per year. Iluka has indicated that the operations can be suspended for up to two years, and if no progress is made, that the mine could move into closure. Furthermore, the force majeure situation at Rio Tinto's Richards Bay plant in South Africa has made the plant's future stability of high-titanium slag supply uncertain. This represents a considerable short to medium term supply uncertainty, which will spark continued tightening of the rutile market, with downstream users now more active in securing rutile raw materials, and with the spot supply of rutile being very tight.

Moreover, the global supply of rutile is expected to be significantly reduced in the coming years as mineral deposits are depleted. At the same time, the demand for rutile and other high-grade titanium feedstock is expected to increase driven by value and importance for industrial processes and applications. Producers indicate a tightening rutile market and expect increasing prices going forward.

In July 2021 Nordic Mining signed term sheets for offtake of rutile with a reputable Japanese trading house and Kronos (US), INC., a globally leading pigment producer and, which subject to the entering into of the final offtake agreement, will secure sales for all the annual production of rutile for the first five years of production. The term sheet with the Japanese trading house builds on the Heads of Agreement signed in January 2019 for offtake of rutile and participation in the financing for the Engebø project. The parties will start the process of finalizing the final offtake agreement, which in respect of the Japanese trading house will be negotiated in parallel with negotiating their participation in the financing of the Engebø project.

The main applications for garnet are in waterjet cutting and sand blasting. Prices vary depending on quality and application. The garnet demand in 2020 was impacted by reduced economic activity and lower oil price. Selling prices in the main markets in Europe and USA have to a large extent been reported to remain unaffected, despite demand having contracted with an estimated 20–25%.



There is currently no production of garnet in Europe and the global supply of high-quality garnet for high-end applications has over the last years been short of the demand. The existing main producers are in Australia, China, India, and South-Africa. Regulatory measures introduced by the Indian government in 2016 continue to affect a substantial part of the Indian garnet production. It is uncertain when and to what extent Indian production will re-enter the market. In the USA, domestic production is significantly short of the demand.

Various garnet buyers have indicated that long-term supply of high-quality garnet from Europe is important for supply security and efficient logistics. This supports Engebø as a new and long-term source of supply of high-quality garnet. Nordic Mining has constructive discussions with potential garnet customers and has provided samples for testing, and the results compare well with industrial reference qualities. Positive discussions continue with potential distributors for long-term offtake agreements.

### ***Keliber Oy (14.3% ownership) – lithium hydroxide project***

#### *Target to become the first European producer of battery-grade lithium hydroxide*

Keliber has mining license for several lithium deposits as well as exploration permits and claims on other deposits in the Central Ostrobothnia region in Finland. Keliber's project development is in accordance with high international standards for environment, health, and safety.

Keliber targets to be the first producer in Europe of battery-grade lithium hydroxide. Lithium hydroxide is important in modern batteries and a vital material for the ongoing electrification of the transport sector to reduce CO<sub>2</sub> emissions.

In February 2021, Keliber entered into an investment agreement with the leading international mining company Sibanye-Stillwater Limited (SSW) comprising total equity investments of EUR 40 million. In March/April, Keliber completed equity issues of EUR 25 million; EUR 15 million from SSW and EUR 10 million from the company's existing shareholders. The remaining EUR 15 million are intended for completion later this year and early 2022.

On a quarterly basis, Keliber presents progress reports to stakeholders. The reports and news releases are available at [www.keliber.fi](http://www.keliber.fi).

#### *Steadily increasing the resource base*

Over the last years, Keliber has consistently increased the resource base for the lithium project. In May 2021, Keliber increased the Measured and Indicated Mineral Resources of the Rapasaari deposit to 8.10 million tonnes. This is an increase of 31% from the previous resource estimate. Including Inferred Mineral Resource, the increase is 17.4%. The total Measured and Indicated Mineral Resources of Keliber now total 13.69 million tonnes (previously 11.77). Including the Inferred Mineral Resources, the total Mineral Resources are 15.62 million tonnes (previously 14.19). The average Li<sub>2</sub>O grade of the Keliber's combined Mineral Resources is 1.05%.

Keliber's Mineral Resource estimates comply with the JORC 2012 code, and are reported at a cut-off grade of 0.50% Li<sub>2</sub>O.

#### *Optimizing the business case*

Keliber continues to advance the lithium project including technical planning, permitting, ore potential, market assessments and financing. The company has decided to increase the production capacity for lithium hydroxide from 12,000 to 15,000 tonnes per year. At the Kokkola chemical plant, Keliber plans to utilize spodumene concentrate from third parties in addition to concentrate from its own deposits. Further, Keliber has decided to move the concentrator plant to the Päiväneva area which is closer to the main spodumene deposits to increase efficiency and reduce environmental footprint. Basic engineering work is ongoing related to the concentrator, tailings solutions and the chemical plant.

In March 2021 Keliber selected Sweco Industry Oy as EPCM partner for the lithium project, with responsibility for the engineering, procurement, and construction management.

Environmental permit applications for all main activities have been submitted. The EIA report for the concentrator and main mining areas was submitted to the authorities in November 2020. In June 2021 Keliber submitted applications for environmental and water management permits for the Rapasaari mine and the Päiväneva concentrator, following the Vaasa Administrative Court rejection of the appeals to the permits. The

environmental permit application for the Kokkola chemical plant was submitted in December 2020. In June 2021 the ELY Centre for South Ostrobothnia issued a reasoned conclusion on the updated Environmental Impact Assessment (EIA) report for the Kokkola chemical plant stating that the plant does not have a significant environmental impact. Keliber expects the permit decision by end of 2021.

Keliber is progressing activities related to an update of the DFS, with the updated study expected to be completed in early-2022.

### Transition towards greener solutions drives lithium market outlook

In the first part of 2020, lithium prices were under pressure driven by the uncertainties caused by the Covid-pandemic. In the second half of the year, economic activity including electrical vehicle manufacturing has picked up and the market balance for lithium has tightened. The ongoing and expected recovery of economies and the pace of transition towards greener and more sustainable solutions are expected to fuel the lithium market in the coming years. Various forecasts indicate that supply may become short of the fast-growing demand from 2024/25.

In the 2020 list of Critical Raw Materials, the European Union indicated that Europe would need about 60 times more lithium, which is critical for a shift to e-mobility, for EV batteries and energy storage by 2050. The first European battery giga-factories are coming to production in 2021, and with more giga-factories in project phase, including significant battery initiatives in the Nordic countries. In September 2020, both Lithium and Titanium were added to EU's list over critical minerals.

Keliber's targeted position as a low-cost producer and the first producer in Europe of battery-grade lithium hydroxide, combined with high standards and strict regulatory requirements related to environmental, health and safety matters, is expected to be an advantage when it comes to future sales and positioning in the battery value chain.

## **Strategic assets and initiatives**

### Alumina technology development

Nordic Mining has since 2009 been engaged in development of a new technology for alumina production as a sustainable alternative to the current production. The technology has successfully been developed together with Institute for Energy Technology (IFE) and has been patented in several countries including Norway, Russia, USA, Canada and with the European Patent Office. In June 2019, the Company announced that the EU's Horizon 2020 program has granted EUR 5.9 million for the AlSiCal project to further develop the patented technology. AlSiCal is an ambitious research and innovation project to further research, develop and de-risk the technology. The technology, named the Aranda-Mastin technology (AM technology), is a low waste and low carbon footprint alternative, to the current alumina production which is mainly based on bauxite resources refined through the Bayer process. Bauxite mining and processing is known to have substantial environmental impact due to production of toxic waste, substantial carbon emissions and extensive land use. The new technology is an innovative alternative based on alumina/calcium-rich rocks such as anorthosite. Anorthosite is an alumina-rich feldspar rock with approximately 30% alumina. With the new technology, anorthosite can be close to fully utilized to produce alumina together with silica and calcium carbonate by-products. The technology includes a carbon consumption process-step allowing for a low carbon footprint.

The production process is based on leaching with hydrochloric acid at moderate temperature and pressure. Aluminum is extracted through a sparging process and subsequently calcined to form alumina. Precipitated calcium carbonate (PCC) is produced as a by-product by integrating CO<sub>2</sub> utilization in the process. Silica forms a residue in the leaching process and is also extracted as a by-product. PCC is a commodity used as filler in paper, plastics and paint, and silica is used as filler in tires and plastics, and in the production of cement. The process can potentially consume close to 500,000 tonnes of CO<sub>2</sub> per million tonne of alumina which corresponds to the emission from a medium sized oil and gas platform. The CO<sub>2</sub> can either be stored safely or utilized as part of the production of PCC. The process aims at being waste free since nearly all the components of the anorthosite are expected to be saleable products.

With the granting of the AlSiCal project an ambitious 4-year work plan is in place to further develop the patented technology. The AlSiCal Project consortium comprise of 16 international partners from 9 countries. The aim of the project is to further research and de-risk the technology and assess the technical and economic feasibility. The project has a goal of developing the technology towards a zero-carbon emission production process by

including integrated CO<sub>2</sub> capture. Nordic Mining is actively participating in the project, leading one of the work packages focused on raw material sources and leaching optimization.

### Seabed minerals

Nordic Mining has taken pioneering initiatives related to seabed mineral exploration and knowledge building in Norway through the fully owned subsidiary Nordic Ocean Resources (NORA). Research assessments indicate an attractive potential for discovery of metallic ore deposits with possible significant economic values within Norway's exclusive economic zone.

Nordic Mining participated in the MarMine project on marine mineral resources which was concluded in 2020. The project was coordinated by the Norwegian University of Science and Technology (NTNU). The Norwegian Research Council granted NOK 25 million to the project which had a strong industrial basis and participation, with an exploration cruise including mineral sampling and assessments related to seabed mineral operations having been executed in selected areas along the Mid-Atlantic Ridge.

In 2019, the new Seabed Minerals Act came into force as result of systematic mapping of seabed minerals by the Norwegian Petroleum Directorate. Prior to opening for seabed mineral extraction, an environmental impact assessment must be carried out and in January 2021 the Ministry of Petroleum and Energy on sent out a proposal for an impact assessment program.

Nordic Mining have, in light of the positive developments on the regulation of seabed minerals, and increased focus on how the Norwegian mining industry can play an important role on seabed minerals to support the green transition, increased the efforts to commercializing the Groups understanding and positioning on seabed minerals developed through the pioneering initiatives of NORA.

Oslo, 12 August 2021  
The Board of Directors of Nordic Mining ASA

## CONSOLIDATED INCOME STATEMENT

	<b>2021</b>	2020	<b>2021</b>	2020	2020
	<b>01.04-30.06</b>	01.04-30.06	<b>01.01-30.06</b>	01.01-30.06	01.01-31.12
<i>(Amounts in NOK thousands)</i>	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited	Audited
Other income	-	-	<b>188</b>	-	-
Payroll and related costs	<b>(4 504)</b>	(2 630)	<b>(8 712)</b>	(6 307)	(14 413)
Depreciation and amortization	<b>(33)</b>	(59)	<b>(71)</b>	(118)	(241)
Other operating expenses	<b>(7 775)</b>	(5 029)	<b>(19 604)</b>	(18 331)	(27 874)
<b>Operating profit/(loss)</b>	<b>(12 312)</b>	(7 718)	<b>(28 199)</b>	(24 756)	(42 528)
Gains/losses on investments	<b>2 053</b>	(4 718)	<b>(2 890)</b>	(4 700)	9 336
Financial income	<b>(4)</b>	91	<b>59</b>	462	500
Financial costs	<b>(169)</b>	(34)	<b>(289)</b>	(147)	(240)
<b>Profit/(loss) before tax</b>	<b>(10 432)</b>	(12 379)	<b>(31 319)</b>	(29 141)	(32 932)
Income tax	-	-	-	-	-
<b>Profit/(loss) for the period</b>	<b>(10 432)</b>	(12 379)	<b>(31 319)</b>	(29 141)	(32 932)
<b>Earnings per share</b>					
<i>(Amounts in NOK)</i>					
Basic and diluted earnings per share	<b>(0.05)</b>	(0.06)	<b>(0.14)</b>	(0.15)	(0.17)

## STATEMENTS OF COMPREHENSIVE INCOME

	<b>2021</b>	2020	<b>2021</b>	2020	2020
	<b>01.04-30.06</b>	01.04-30.06	<b>01.01-30.06</b>	01.01-30.06	01.01-31.12
<i>(Amounts in NOK thousands)</i>	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited	Audited
<b>Net profit/(loss) for the period</b>	<b>(10 432)</b>	(12 379)	<b>(31 319)</b>	(29 141)	(32 932)
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Changes in pension estimates	-	-	-	-	(808)
<b>Other comprehensive income directly against equity</b>	-	-	-	-	(808)
<b>Total comprehensive income/(loss) for the period</b>	<b>(10 432)</b>	(12 379)	<b>(31 319)</b>	(29 141)	(33 740)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	<b>30.06.2021</b>	<i>31.12.2020</i>
	<b>Unaudited</b>	<i>Audited</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Evaluation and exploration assets	<b>28 574</b>	28 349
Property, plant and equipment	<b>200</b>	374
Right-of-use assets	<b>306</b>	377
Financial investments	<b>121 254</b>	100 114
<b>Total non-current assets</b>	<b>150 334</b>	129 214
<b>Current assets</b>		
Trade and other receivables	<b>2 812</b>	2 215
Cash and cash equivalents	<b>65 363</b>	42 223
<b>Total current assets</b>	<b>68 175</b>	44 438
<b>Total assets</b>	<b>218 509</b>	173 652
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
<b>Shareholders' equity</b>		
Share capital	<b>137 695</b>	118 495
Share premium	<b>529 491</b>	472 824
Other paid-in capital	<b>16 038</b>	15 804
Retained losses	<b>(471 030)</b>	(439 711)
Other comprehensive income	<b>(3 124)</b>	(3 124)
<b>Total equity</b>	<b>209 070</b>	164 288
<b>Non-current liabilities</b>		
Lease liabilities	<b>189</b>	218
Pension liabilities	<b>1 463</b>	1 368
<b>Total non-current liabilities</b>	<b>1 652</b>	1 586
<b>Current liabilities</b>		
Trade payables	<b>2 685</b>	1 668
Other current liabilities	<b>5 102</b>	6 110
<b>Total current liabilities</b>	<b>7 787</b>	7 778
<b>Total liabilities</b>	<b>9 439</b>	9 364
<b>Total shareholders' equity and liabilities</b>	<b>218 509</b>	173 652

## 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 2020</b>	<b>101 275</b>	<b>436 074</b>	<b>15 578</b>	<b>(2 316)</b>	<b>(406 779)</b>	<b>143 832</b>
Profit for the period	-	-	-	-	(29 141)	(29 141)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(29 141)</b>	<b>(29 141)</b>
Share issue	17 220	40 180	-	-	-	57 400
Transaction costs	-	(3 297)	-	-	-	(3 297)
Share-based compensation	-	-	124	-	-	124
<b>Equity 30 June 2020</b>	<b>118 495</b>	<b>472 957</b>	<b>15 702</b>	<b>(2 316)</b>	<b>(435 920)</b>	<b>168 918</b>
<b>Equity 1 January 2021</b>	<b>118 495</b>	<b>472 824</b>	<b>15 804</b>	<b>(3 124)</b>	<b>(439 711)</b>	<b>164 288</b>
Loss for the period	-	-	-	-	(31 319)	(31 319)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31 319)</b>	<b>(31 319)</b>
Share issue	19 200	60 800	-	-	-	80 000
Transaction costs	-	(4 133)	-	-	-	(4 133)
Share-based compensation	-	-	234	-	-	234
<b>Equity 30 June 2021</b>	<b>137 695</b>	<b>529 491</b>	<b>16 038</b>	<b>(3 124)</b>	<b>(471 030)</b>	<b>209 070</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2021	2020
	01.01-30.06	01.01-30.06
	Unaudited	Unaudited
<i>(Amounts in NOK thousands)</i>		
<b>Operating activities:</b>		
<b>Net cash used in operating activities</b>	<b>(28 754)</b>	<b>(27 373)</b>
<b>Investing activities:</b>		
Acquisition of licenses and properties	(225)	(217)
Financial investments	(24 030)	-
Sale of property, plant and equipment	363	-
<b>Net cash used in investing activities</b>	<b>(23 893)</b>	<b>(217)</b>
<b>Financing activities:</b>		
Share issuance	80 000	57 400
Transaction costs, share issue	(4 133)	(3 297)
Payment of lease liabilities	(80)	(74)
<b>Net cash from financing activities</b>	<b>75 787</b>	<b>54 029</b>
<b>Net change in cash and cash equivalents</b>	<b>23 140</b>	<b>26 439</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>42 223</b>	<b>30 619</b>
<b>Cash and cash equivalents at end of period</b>	<b>65 363</b>	<b>57 058</b>



## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 June 2021**

### **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 2020.

This report was authorized for issue by the Board of Directors on 12 August 2021.

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 2020. New standards, amendments, and interpretations to existing standards effective from 1 January 2021 did not have any significant impact on the financial statements.

In the first quarter of 2021, the Group sold a vehicle to its Senior Advisor, Lars K. Grøndahl, for NOK 363,000, which represented the estimated market value.

### **Note 2 – SEGMENTS**

The Group presents segments based on the Group's mineral projects. The only reportable segment of the Group is the Titanium and Garnet segment. These are the minerals 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, and the operating license for the project was granted in June 2020. The Definitive Feasibility Study was presented in January 2020 and an Updated Feasibility Study was presented in May 2021.

For further information relating to the Company's risk assessments, reference is made to the annual report for 2020 which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

### **Note 3 - FINANCIAL INVESTMENTS**

#### **Keliber Oy**

The Group's only financial investment is the holding of shares in the Finnish mining company Keliber Oy. The investment is measured at Fair Value Through Profit and Loss under IFRS 9 ("FVPL Method"). The valuation has been based on level 2 inputs in the fair value hierarchy.

#### 2021:

On 23 February 2021 Keliber Oy and leading international mining company Sibanye-Stillwater Limited announced that they had entered into an investment agreement for an initial phased equity investment of EUR 30 million for approximately 30% shareholding in Keliber. In addition, existing shareholders were offered to subscribe for shares for up to EUR 10 million on the same terms as the investment from Sibanye-Stillwater, securing Keliber bridge financing of in total EUR 40 million.

In March 2021 the first tranche of the initial investment was closed with SSW subscribing for shares for EUR 15 million, and at the same time a share issue of up to 250,000 shares was opened to existing shareholders of Keliber. In the share issue, which was closed March / April 2021, Nordic Mining was allocated in total 58,975 shares at an issue price of EUR 40 per share, to retain an ownership of 14.3% of the shares in Keliber. At quarter end the investment is valued at EUR 40 per share, in line with the pricing in the share issues as described above. The Group recognized a translation gain of NOK 2.1 million on the investment in second quarter of 2021 (NOK – 4.7 million), giving an accumulated translation loss of NOK -2.9 million for the first half of 2021.

#### 2020:

On 20 March 2020, Keliber completed a share issue directed towards existing shareholders with total gross proceeds of EUR 5.8 million at a subscription price of EUR 33 per share which implies a post-money value of Keliber of EUR 48.4 million. Following the share issue in Keliber, Nordic Mining was diluted from 18.5% to 16.3% ownership.

As per 31 December 2020, the Group has assessed the market value of Keliber at EUR 40 per share. The assessment considered available information related to the positive developments in Keliber, the lithium project, and in particular the lithium market, which has started to recover after significant increase in demand from global battery producers, and Keliber's ongoing discussions with investors for a contemplated EUR 30 million financing.

**Note 4 – SHARE CAPITAL**

In February 2021, Nordic Mining completed a private placement with gross proceeds of NOK 80 million pursuant the authorization to the Board to increase the share capital granted by the general meeting on 14 May 2020. Following registration of the new share capital Nordic Mining's share capital has increased by NOK 19,200,000 to NOK 137,695,063.20 divided into 229,491,772 shares, each with a par value of NOK 0.60.

**Note 5 – EVENTS AFTER BALANCE SHEET DATE**

In July 2021 Nordic Mining signed term sheets for offtake of rutile with a reputable Japanese trading house and Kronos (US), INC., a globally leading pigment producer and, which subject to the entering into of the final offtake agreement, will secure sales for all the annual production of rutile for the first five years of production. The term sheet with the Japanese trading house builds on the Heads of Agreement signed in January 2019 for offtake of rutile and participation in the financing for the Engebø project.

The parties will start the process of finalizing the final offtake agreement, which in respect of the Japanese trading house will be negotiated in parallel with negotiating their participation in the financing of the Engebø project.

## **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 2021 and for the first half year of 2021, including interim condensed consolidated figures for comparison per 30 June 2021 and for the first half year 2020.

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 2021 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 2021 and 30 June 2020, respectively. To the best of our knowledge, the Board of Directors' report for the first half year of 2021 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, 12 August 2021  
The Board of Directors of Nordic Mining ASA

Kjell Roland  
Chair

Kjell Sletsjøe

Eva Kaijser

Benedicte Nordang

Antony Beckmand

Ivar S. Fossum  
CEO