

MINERALS
FOR A SUSTAINABLE
FUTURE

ANNUAL REPORT 2016



**NORDIC
MINING**





A forward-looking resource
company with integrated operations
in exploration, extraction and
production of high-end minerals
and metals.

SAFETY | ENVIRONMENT | INNOVATION



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CEO'S REPORT

Dear shareholder,

After a significant period of downturn and global economic uncertainty, 2016 brought signs of hope and change. The demand outlooks for the main mineral commodities have improved with corresponding upswing in prices. Last year also marked the start of important project development work in the Engebø rutile and garnet project, having been deferred for many years due to political uncertainty. The pre-feasibility study was kicked off in September 2016 with Hatch as the lead technical advisor. The study will examine all parameters of the project and is vital for establishing the outline of a robust, long-lived and financeable project.

Despite turmoil and war many places in the world, there is a strong momentum towards a more sustainable society. The so-called "Green shift" is taking place and brings stronger awareness of the need for minerals. One clear example is the booming times for batteries and a corresponding demand for high quality feedstock, such as lithium carbonate. We are very satisfied that The Confederation of Norwegian Enterprise (NHO) this year chose to focus on the mineral industry and the potential that is represented in the total value chain from mine to consumer.

Engebø, project development

A multinational team of experts, from Naustdal in Norway to Brisbane in Australia, are cooperating in transforming the Engebø orebody into a long-term mining project. Every aspect of the project is considered in the pre-feasibility study. The most demanding activities are testing and designing of the process flow sheet, creating high value mineral concentrates out of the Engebø ore. Every orebody has its own features and the mineral extracting and processing need to be tailored accordingly to optimise the output. The core drilling and resource analysis carried out in 2016 gave the project a new and exciting direction. Garnet will play a more important role in the project which now will be a dual mineral project going forward.

The electrical revolution

When mankind discovered electrical lighting and power, it was a sensation and changed daily life forever. We are once again witnessing an electrical revolution, this time as replacement for fossil fuel-driven automotives such as cars, trains and industrial vehicles. I believe that Keliber will represent an important contribution to this revolution. After having finalised the PFS study, Keliber is set to finalise its DFS study in the third quarter of 2017, with further plans for commencing construction in 2018. In fact, Keliber will make history by being the first European producer of high grade lithium carbonate for the battery industry. Lithium demand has continued to grow and contract prices for 2017 confirmed a clear shift in the overall price level for lithium carbonate.

The introduction of electrical vehicles in mining will also make a significant improvement to the sector, providing a cleaner alternative to diesel-fueled machines with resulting savings in maintenance and ventilation costs.

Seabed minerals, strong research efforts

The MarMine project successfully carried out its exploration cruise at the Arctic Mid-Ocean Ridge (AMOR) in September 2016. The MarMine team enjoyed good weather conditions and carried out all of the planned research tasks, including sampling at 2,300 meters' water depth. Included in the cruise program was also use of an UAV for advanced subsea measurements of the seafloor. We look forward to receiving results from the project in the coming months.

Mining Matters

For the second time, Nordic Mining participated at the world's largest mining convention, PDAC 2017 in Toronto, Canada. The huge turn-out and interest proves the global importance of mining. We believe Scandinavia and Norway will benefit in tapping into the significant experience and efforts being demonstrated in Canada regarding social licensing, local community communication, education, and finance.





Canadian school children at PDAC 2017, expressing views on "Mining Matters".

I would like to thank all of you for your continued support and look forward to our common journey going forward!

Oslo, 21 April 2017

Ivar S. Fossum
CEO

OPERATIONS

ENGEBØ – rutile and garnet



Flotation test work for optimisation of rutile recovery at Core Resources, Australia.



RUTILE

Titanium 22 Ti	Oxygen 8 O
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The mineral rutile is composed of titanium and oxygen, and is a titanium dioxide (TiO₂). Rutile has among the highest refractive indices of any known mineral. Natural rutile is often found as deep reddish brown crystals. Rutile is used to produce i.a. titanium pigment and metal.

Nordic Mining holds the rights to a significant rutile and garnet deposit at Engebø on the west coast of Norway. Rutile is a titanium feedstock, high in demand and used in the production of pigments, titanium metal and welding rods. Garnet is used in various abrasive applications, i.a. waterjet cutting and sand blasting. The zoning plan and the environmental permit for the project are approved and final, without further possibility for appeal.

The Engebø Project

Through the wholly owned subsidiary Nordic Rutile, Nordic Mining will establish industrial production of rutile (TiO_2) and garnet concentrates from its deposit at Engebø in Naustdal municipality. The Engebø deposit is one of the largest unexploited rutile deposits in the world and has a very high in situ grade of rutile compared to current producers and development projects. The deposit also contains significant quantities of garnet, and Nordic Mining will develop the project as a dual mineral operation.

In 2016, Nordic Mining established an office with technical facilities close to the Naustdal municipality center and adjacent to the Engebø deposit. Project development activities, stakeholder contacts and public relations will gradually be managed from this location.

The zoning plan and the environmental permit for the project are approved and final, and the project is currently in the pre-feasibility phase of development.

Project development activities

A core drilling program was completed in April 2016. Approximately 6,400 meters were drilled, mainly in the open pit part of the deposit. Assays were sampled and sent to laboratories for chemical and mineralogical analysis to determine rutile and garnet grades and other rock characteristics. A revised resource model and resource estimations were presented in September 2016. The estimations below* show the overall in situ resources at a cut-off grade of 2% TiO_2 .

Category	Tonnage Million tonnes	TiO_2 %	Garnet %
Measured	19	3.68	43.9
Indicated	106	3.51	43.0
Measured & Indicated	125	3.53	43.2
Inferred	255	3.22	42.5

* Resource estimates completed by Competent Person Adam Wheeler, corresponding to the guidelines of the JORC Code (2012 Edition).

The international engineering and consultancy company Hatch has been appointed for technical advisory services and coordination of the pre-feasibility study (PFS). Hatch is a leading international mining and processing specialist with extensive experience across the mining industry, including titanium feedstock. The PFS is scheduled for completion in 2017.



Test work sample preparation at IHC Robbins, Australia.

The estimated resources in the measured and indicated resource classes provide the basis for the PFS. The resources in the inferred category represent a substantial potential which will be further evaluated and explored.

Mine planning for the open pit and the subsequent underground operation is ongoing. The open pit scheduling and the applied mining methods underground will be optimised for a safe and financially sound project. The PFS financial analysis will be based on updated assessments for the open pit and underground extraction costs.

Various comminution and process test work related to rutile and garnet recovery has been completed or is ongoing. Several tonnes of material from Engebø have been shipped to certified process test laboratories and other facilities for test work i.a. in Australia and South Africa.

Specific crushing and milling techniques are tested to verify mineral liberation of rutile and garnet, and to provide input regarding operating costs and investments. On the beneficiation side, the target is to optimise recoveries and to demonstrate production of high-quality commercial products. For recovery of rutile, comprehensive processing tests has been carried out by magnetic, gravimetric and electrostatic separation. Flotation tests are carried out with the target to test alternative process routes and optimise product quality. Also variability tests will be executed to test the flow sheet for variations in ore feed.

Based on updated market information and the fact that the Engebø deposit contains a substantial portion of garnet, the target for garnet sales has been increased from 100,000 tonnes to 200,000 tonnes per year. Possibilities to further increase the garnet sales will be explored. With an increased sales target, garnet recovery test work becomes increasingly important. Test work is ongoing for production of a broader specter of coarse and fine garnet qualities for different applications.

From a processing and revenue perspective the Engebø project will be developed as a dual mineral operation with prominent scaling opportunities. Commercially this provides strength and flexibility. Commercial strategies and optimisation of capacities will be balanced to secure a robust business case.

Zoning plan and environmental permit approved

The zoning plan and the environmental permit for the Engebø project are approved and final, without further possibility for appeal. In 2016, an appeal related to the discharge permit was dismissed by the King in Council. In January 2017, the EFTA Surveillance Authority (ESA) closed three complaint cases, with no rights for appeal, related to Norway’s permitting of the tailings disposal for the Engebø project.

The zoning plan includes the areas for mining operation, processing plant, harbor facilities, relocation of the county road, and a disposal site for waste rock. Further, the plan includes an area in the adjacent Førdefjord for deep sea deposition of tailings.

The discharge permit is in accordance with the Norwegian Pollution Control Act and contains various conditions with a purpose to minimise effects from blasting, noise and dust, use and emission of processing chemicals, as well as conditions regarding possible back-filling and alternative use of tailings. The discharge permit also includes conditions related to distribution of particles from the sea disposal and monitoring of the disposal area and the biodiversity including i.a. monitoring of emigrating smolt.

Environmentally friendly products

Rutile is a high-end titanium feedstock used in the production of environmentally friendly pigments for paints, plastics and paper, and in the production of titanium metal and welding rods. Rutile has several applications within health and medicine, environmental technologies and consumer products. Due to its high bio-compatibility titanium is particularly suitable and demanded for prostheses and implants in the human body. Further, titanium-based products and materials from rutile contribute to environmental advantages, e.g. weight reduction, lower fuel consumption and reduced greenhouse gas emission in modern airplanes. Titanium dioxide also has a photocatalytic effect that in various surface products removes NOx pollution from the air.



Gravimetric separation test work at IHC Robbins, Australia.

The main applications for garnet are in waterjet cutting, sand blasting and for various abrasives. Garnet has excellent abrasive and environmental properties and can replace silica-containing sand which is harmful for health.

Commercial outlook

Europe has a significant supply deficit of titanium feedstock and no garnet production. Currently, the main volumes of rutile and garnet into Europe come from Australia, Africa, Asia and North-America. For industrial customers in Europe supply from Engebø will represent a substantial logistical advantage compared to overseas alternatives.

Industrial information indicates an average price level for rutile in 2016 in the range USD 700–800 per tonne. Recent analytical reports indicate a tightening market balance following from increasing demand. In the coming years, the production from current producers is expected to go down from the current level of around 750,000 tonnes due to depletion of operating deposits. Analysts' consensus long-term price estimate for rutile is around USD 1,050 per tonne.

The global demand for high quality garnet is expected to grow from the current level of around 1.7 million tonnes. Garnet prices vary significantly depending on quality/application. Nordic Mining targets to supply a broad product spectre including the higher priced coarser qualities. As an average, Nordic Mining expects a garnet price level in the range USD 200 - 250 per tonne.

Applications for mineral tailings and wall rock

Nordic Mining is assessing potential products and applications for the inert tailings from the production process at Engebø. Further, the wall rock from the open pit operation is considered in various applications for concrete, as a soil conditioner, and as raw material for various construction purposes. The deep water port facilities at Engebø and the short distance to the European markets represent a logistical advantage also for the commercial use of the tailings and the wall rock. In the future, various by-products from tailings and wall rock may represent an additional value for the project, both financially and with regard to new industrial activity. As a consequence, the need for disposal of tailings would be reduced.



Nordic Mining's and Hatch's project team for the pre-feasibility study.

OPERATIONS

KVINNHERAD – high-purity quartz



Exploration drilling at the Kvinnherad deposit.



QUARTZ

Silicon 14 Si	Oxygen 8 O
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Quartz is a hard mineral composed of silicon and oxygen (SiO_2). Common quartz is white (milky quartz) or colourless (rock crystal). Quartz also occurs in a number of other colours.

Nordic Mining has the exclusive rights for investigation and development of a quartz deposit in Kvinnherad municipality in Norway. Extensive analysis and processing tests show that the quartz has a low content of contaminants and therefore can be regarded as a high-purity type of quartz (HPQ) suitable for advanced products and applications. In 2016, the deposit was classified by an independent qualified person as a mineral resource with substantial volumes of quartz in the inferred and indicated categories.

Resource characteristics and estimates

The Kvinnherad deposit is a vein-type hydrothermal quartz deposit, approximately 600 meters long and 10 to 45 meters wide. The center of the vein generally contains massive pure quartz, while a varying degree of mixing with the host gneiss rock is seen towards the contact. The deposit is outcropping on the surface at about 300 meters above sea level.

A drilling program was executed in fall 2015. Significant zones with substantial amounts of quartz were intersected in all drill holes. The drilling campaign showed that the vein has a continuous nature with a significant depth continuation. The extension of the deposit towards depth is unknown. Three zones in the deposit have been specified with increasing amount of quartz; transition zone, semi-massive zone and massive quartz zone. A substantial part is categorised in the massive zone (>95% quartz content).



Outcropping quartz along the deposit.

In February 2016, an independent assessment was completed based on the results from the drilling, geophysical measurements and surface mapping. The Competent Person estimated a quartz-containing mineral resource of 2.92 million tonnes in the indicated category and 1.34 million tonnes in the inferred category. The quartz content of the deposit is on average 65% when including the mixed contact zones. The intrinsic quartz holds a high-purity also in the mixed zones.

The table below shows the average quartz content in each zone and the overall estimated content of quartz resources in the deposit.

Category	Tonnage (1,000 tonnes)	Hydrothermal quartz (%)	Hydrothermal quartz content (1,000 tonnes)
Indicated			
Transition zone	1,467	40	587
Semi-massive zone	631	80	505
Massive quartz zone	849	95	807
	2,922	65	1,899
Inferred			
Transition zone	645	41	264
Semi-massive zone	199	79	157
Massive quartz zone	497	95	472
	1,341	66	893

The resource estimates are in accordance with the JORC Code. The Competent Person responsible for the assessments and the statement regarding estimation of mineral resources is Lars-Åke Claesson, a titled European Geologist in accordance with the Federation of European Geologists. The resource estimation report was compiled by B.Sc. Johan Camitz, designated by the Fennoscandian Review Board as accredited Qualified Person.

Processing tests demonstrate homogenous HPQ

Comprehensive analysis and processing tests has been carried out at Dorfner Anzaplan's laboratory in Germany. Dorfner Anzaplan is an internationally accredited consultancy company specialised in high-purity quartz processing and analysis. Dorfner Anzaplan has

documented that the Kvinherad quartz can be processed to HPQ products. The processing tests indicate that the quartz will satisfy the requirements in the main application areas for HPQ, e.g. optical glass, high temperature light bulbs, crucibles, semiconductors and microelectronics.

Scoping Study outlines a viable and profitable project

A Scoping Study of the quartz project was done in 2012. The study outlines an industrial base case with mine life assumption of 30 years, estimated investments of approximately USD 50 million, a preliminary net present value after tax of USD 60 million based on 8% discount rate, and an undiscounted payback period of 4.3 years. Consequently, the results from the study clearly indicate the potential of a viable and profitable industrial project.

International commercial potential

Nordic Mining considers the long-term outlook positive for HPQ products in advanced technical and industrial applications and intends to position the Kvinherad quartz project internationally. Dialogues continue with international companies with commercial interests in the quartz value chain. The purpose is to explore various scenarios for development of the deposit and investigate partnership models and financing options including grant schemes for further progressing of the project.



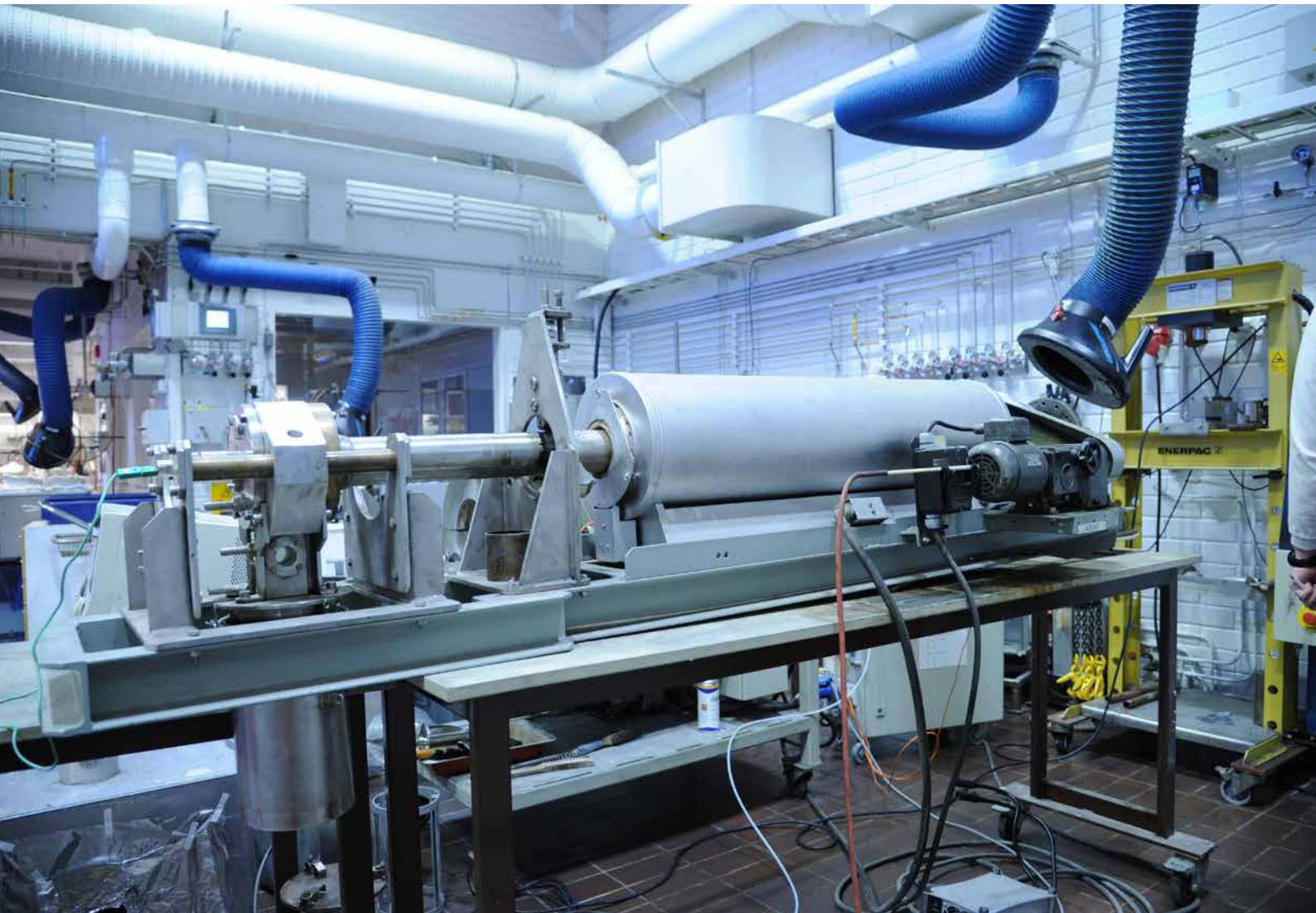
High-purity quartz in high temperature light bulbs.



Optical instruments with HPQ lenses.

OPERATIONS

KELIBER – lithium/lithium carbonate



Lithium conversion test work.



LITHIUM

Lithium 3 Li	Oxygen 8 O
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Lithium is a silver white metal that belongs to the alkali metal group. It is the lightest of all metals and so soft it can be cut with a knife. Lithium is highly reactive and never occurs freely in nature, but only appears in compounds.

Nordic Mining's associated company Keliber develops a lithium project in Finland, targeting to be the first producer of battery-grade lithium carbonate in Europe. The demand for lithium is increasing, and the European market stands for 20-25% of the global lithium consumption. The definitive feasibility study for the project is ongoing, and Keliber targets completion in Q3 2017. Subject satisfactory solutions for project financing and various permits, construction is planned to commence in 2018.

Project overview

Nordic Mining owns approximately 22% (April 2017) of the share capital and is the largest shareholder in Keliber. Other shareholders are Finnish institutions and private investors.

Keliber plans to mine lithium spodumene from pegmatite veins in open pit deposits. The deposits are located within 20 km distance from the planned processing plant at Kalavesi in Kaustinen municipality. Keliber's lithium project is currently in the definitive feasibility phase.

Lithium is an important mineral with strong demand growth driven by increased use, i.e. in batteries for electric and hybrid vehicles and for energy storage related to renewable energy production.

Resource base

The mineral resource and reserve estimates for Keliber's deposits were latest reviewed in the pre-feasibility study which was completed in March 2016. The estimates are in accordance with the JORC code.

The total estimated mineral resources are as follows:

Category	Deposit	Tonnage	
		1,000 tonnes	Li ₂ O%
Measured	Länttä	437	1.10
Indicated	Länttä	910	1.04
	Syvjäarvi	1,530	1.35
	Rapasaari	1,811	1.25
	Outovesi	283	1.40
	Leviäkangas	190	1.13
	Emmes	818	1.40
	Total Measured and Indicated		5,979
Inferred	Syvjäarvi	190	1.32
	Rapasaari	160	1.30
	Leviäkangas	210	0.90
Total Inferred		560	

The reserve estimates are as follows:

Category	Deposit	Tonnage	
		1,000 tonnes	Li ₂ O%
Proven	Länttä	470	0.95
Probable	Länttä	540	0.93
	Syvjäarvi	1,480	1.19
	Rapasaari	1,750	1.09
	Outovesi	250	1.20
Total Proven and Probable		4,490	1.10



Bulk sample mining at Syväjärvi.

The Competent Persons responsible for the estimations are Markku Meriläinen (MAusIMM) and Pekka Lovén (MAusIMM), Outotec (Finland) Ltd. No inferred mineral resources are used in the estimation of ore reserves. The ore reserves are the portion of the mineral resources that have been identified as mineable in a designed pit.

The mineral resources and ore reserves have been estimated using a 0.5% Li₂O cut-off grade. Ore loss is assumed at 5% and waste rock dilution 15% for the estimated ore reserves.

Subsequent of the PFS, Keliber has continued exploration work including core drilling at the Syväjärvi and Rapasaari deposits. The resource and the reserve estimates will be revised as a part of the upcoming definitive feasibility study.

Feasibility studies

In March 2016, Keliber completed a pre-feasibility study (PFS) for the lithium project with evaluation of two alternatives for production capacity. From a financial perspective, a production capacity of 9,000 tonnes of lithium carbonate was the most attractive alternative. In the PFS, the estimate for the net present value related to the 9,000 tonnes alternative was €97 million based on 8% discount rate.

Keliber has assigned the global engineering and consultancy company Hatch for the coordination of the definitive feasibility study (DFS) which was started in June 2016. The aim of the DFS is to provide a good base for the project financing to implement the lithium project.

As a part of the DFS, various test work has been executed related to ore sorting, beneficiation and lithium carbonate production. The test material was produced from a 250 tonnes bulk sample from the Syväjärvi deposit. Previous test work in the PFS was done with material from the Länttä deposit, and an important purpose of the

DFS test work has been to do variability tests to secure a robust and flexible process flow sheet.

In the DFS test work, technical issues related to material handling related to conversion of spodumene concentrate caused some delay for the test process. The challenges have been successfully solved, but the time line for basic engineering, financial analysis and other tasks related to completion of the DFS has been affected. Keliber's current target is to complete the DFS in Q3 2017.

Compared with the financial analysis in the PFS, various improvements have been identified, and these will be incorporated in the DFS analysis together with updated market assumptions and other project parameters.

Environmental issues

Environmental impact assessments have been completed and preparation of permit applications is ongoing related to Keliber's mineral deposits. Work is ongoing on environmental studies related to the Kalavesi production area.

Keliber has obtained a special status for its permitting process which implies that the company will interact closely with the authorities during the process. The purpose is to streamline the work and secure a time-efficient process with the involved parties. The tentative timeline for the permitting process targets completion in the second half of 2018.

Commercial outlook

Over the last year, lithium carbonate prices have increased substantially. Prices for battery grade lithium carbonate have been reported above USD 20,000 per tonne in the Chinese market. The battery grade lithium carbonate (> 99.5% Li₂CO₃) is used in the cathode part of the batteries. Lithium carbonate of ≥ 99.9% purity is used in the manufacturing of electrolyte solutions for lithium-ion batteries. Lithium-ion batteries are used in electric and hybrid vehicles and electronics like tablets, mobile phones and laptops. To an increasing extent lithium-ion batteries are also used for energy storage, mainly related to production of renewable energy, i.a. solar, wind etc.

According to market information, contract prices for lithium carbonate have generally doubled in 2017 compared to 2016. The current contract price level is around USD 13,000 – 14,000 per tonne. The prevailing spot prices in China indicate a continued tight supply/demand balance.

Keliber has signed a Letter of Intent with an international chemicals producer with focus on lithium chemicals. The parties intend to establish a technical and commercial cooperation to evaluate product and marketing strategies for lithium products based on Keliber's planned production.

OPERATIONS

REINFJORD – mineral exploration



Student exploration team in Reinfjord.

Nordic Mining's exploration work in Reinfjord on the Øksfjord Peninsula provides insight to a prospective geological province, the "Seiland Igneous Province". A new type of nickel, palladium and platinum mineralisation has been discovered in the Reinfjord intrusion.

Exploration drilling was carried out in the Reinfjord Intrusion in 2012 and in 2014. Four drill holes were drilled to intersect a conductive field located at 100 meters' depth within the intrusion. Electromagnetic and magnetic measurements were carried out in the area in 2011. Assays of the drill cores show that zones carrying elevated levels of nickel, copper and platinum type elements are present in all drill holes at approximately the same stratigraphic level as the conductor. The highest grades intersected yields of 0.38% nickel, 0.16% copper and 0.64 g/t palladium, platinum and gold.

The Reinfjord intrusion, and the Seiland Igneous Province in general, is regarded a prosperous geological area. Nordic Mining will consider partnership models related to further exploration in the area.

OPERATIONS

SEABED MINERALS



Nordic Mining through its subsidiary Nordic Ocean Resources (NORA) has taken first-mover initiatives related to seabed mineral exploration in Norway, i.a. with application for exploration rights in promising areas within the Norwegian jurisdiction. Together with other industrial companies and knowledge institutions, NORA participates in the MarMine research project to increase the knowledge of Norway's potential in marine mineral resources.

OPERATIONS

ALUMINA – technology development

NORA is a pioneer in Norway in terms of seabed minerals. The company intends to be a front-runner in building a strong competence on marine mineral resources in collaboration with other industrial companies and research institutions. Current assessments indicate a substantial potential for discovery of metallic ore deposits along the Norwegian part of the Mid-Atlantic Ridge and possible significant economic values within Norway's economic zone. Norwegian oil and gas industry has developed advanced technology for subsea operations which can be applicable for mineral exploration and extraction.

In 2015, NORA, together with NTNU and other parties, initiated MarMine, a 4-year research project on marine mineral resources. In addition to NORA, Statoil, Kongsberg Maritime, Technip, DNV GL and several other industrial companies and knowledge institutions participate. The Norwegian University of Science and Technology in Trondheim (NTNU) is the project coordinator. The project has been granted NOK 25 million in financial support from the Norwegian Research Council.

An exploration cruise was executed in August/September 2016 in selected areas of the Norwegian MAR. An expedition team of 25 researchers and a support crew of around 20 persons carried out exploration work including mineral sampling and various assessments related to seabed mineral operations. The results from analysis of the samples and preliminary process test work are expected in the coming months. Discussion of a possible expansion of the MarMine research scope is ongoing.

Nordic Mining continues to explore strategic options related to NORA and the seabed minerals initiative.

Nordic Mining has together with Institute for Energy Technology (IFE) developed and patented a new technology for production of alumina. The technology is an innovative solution for production of alumina from alumina-/calcium-rich mineral sources such as anorthosite, with the integrated use and storage of CO₂. The Norwegian registered patent is in the progress of expansion in other selected countries.

Today's alumina production is mainly based on bauxite resources which are processed through the Bayer process. With the new technology, alumina can be produced from alternative sources and in a more environmentally friendly manner.

The new technology is based on leaching of grounded alumina-rich anorthosite rock with hydrochloric acid at moderate temperature and pressure. Silica forms a residue from the leaching process and is extracted as a by-product. Aluminum is extracted through a sparging process and subsequently calcined to form alumina. Precipitated calcium carbonate (PCC) is produced in the process of regenerating acid by combining calcium in the rock with carbonate from CO₂. The technology has been tested and developed at IFE's laboratory at Kjeller. The leaching step of the technology has successfully been demonstrated in a small pilot reactor at Herøya Industry Park in Porsgrunn.

The multi-product process gives potential for almost full utilisation of the mineral resource. 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. Further, the process consumes 500,000 tonnes of CO₂ per million tonne of alumina. This corresponds to the CO₂ emission from a medium sized oil and gas platform. The CO₂ can either be stored safely or utilised as part of the production of PCC. The technology has environmental advantages both in terms of CO₂ consumption and waste production. The process is theoretically close to waste free since nearly all the components of the anorthosite are potential saleable products.

A preliminary techno-economic study by the Norwegian R&D institute Tel-Tek shows that the new technology is economically and technically feasible. Preliminary project financials have been calculated for production of approximately 1 million tonne of alumina from anorthosite. The study gives indication of a positive NPV of around NOK 2.7 billion with moderate sales of PCC and silica based on a 7.5% discount rate.

The patent for the new technology was granted by the Norwegian Patent Authority in 2015. Expansion of the patent to selected other countries is ongoing.

Nordic Mining together with IFE will investigate schemes for further development of the technology.

BOARD OF DIRECTORS' REPORT

Nordic Mining's assets comprise the following main projects and subsidiaries:

- Engebø rutile and garnet project (Nordic Rutile AS - 100%)
- Keliber lithium project in Finland (associated company Keliber Oy - 22%)
- Kvinnherad high-purity quartz project (Nordic Quartz AS - 100%)
- Subsea minerals (Nordic Ocean Resources AS - 80%)

The Company's project portfolio is of a high international standard and diversified across several attractive industrial minerals with largely uncorrelated end-user markets. Estimates of Nordic Mining's net economic interests in the Engebø rutile and garnet project and in the Keliber lithium project will be reviewed in connection with ongoing technical studies for the two projects. Previous internal estimates have, however, indicated a cumulative net present value of the Company's project portfolio of more than NOK 4.6 billion. In addition to this, the Company holds potential resource upside related to seabed minerals and the Reinfjord exploration project, and technical upside through the patented technology for extraction of alumina from alumina/calcium-rich minerals.

Compared to Nordic Mining's current market capitalisation of around NOK 330 million, the asset portfolio has a significant economic potential. The ongoing technical studies for the permitted Engebø flagship project (pre-feasibility study) and the Keliber lithium project (definitive feasibility study), combined with a sound financial situation including a debt-free balance sheet, provide a good base for exploiting the Company's value potential.

The Group's projects are described in this annual report, and the Board refers to relevant sections of the report for further information.

Important events in 2016 and year-to-date

- In 2016 and January 2017, Nordic Mining completed equity issues with total gross proceeds of around NOK 92 million for financing of project development activities. In the Board's view, the Company is well funded for ongoing activities and prioritised projects.
- The markets for minerals and metals, including rutile and garnet to be produced at Engebø, have developed positively during 2016 and into 2017. The demand for lithium carbonate to be produced by Keliber has increased, and contract prices have doubled from 2016 to 2017. The Board considers the outlook for the Company's main product markets as positive.

Engebø rutile and garnet

- In February 2016, the King in Council dismissed an appeal related to the discharge permit. Consequently, the discharge permit is final and without further possibility for appeal. The zoning plan was final directly following the Ministry's approval in 2015. Early 2017, the EFTA Surveillance Authority (ESA) closed three

complaint cases, with no rights for appeal, related to Norway's permitting of the tailings disposal for the Engebø project.

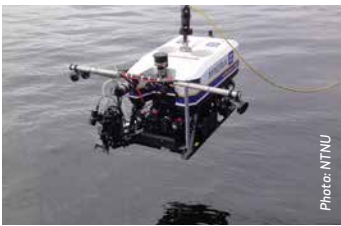
- A core drilling program was completed in April 2016. Approximately 6,400 meters were drilled, mainly in the open pit part of the deposit. A revised resource model was presented in September 2016 with estimated resources in the measured and indicated resource classes, as defined in the JORC Code, of around 125 million tonnes at an average TiO₂ grade of 3.53%. The estimated resources in the inferred category, 255 million tonnes at an average TiO₂ grade of 3.22% represent a substantial potential which will be further evaluated and explored. A 2% cut-off grade is assumed for the estimations.
- The international engineering and consultancy company Hatch has been appointed for technical advisory services and coordination of the Engebø pre-feasibility study (PFS). Hatch is a leading international mining and processing specialist with extensive experience across the mining industry, including titanium feedstock. Comprehensive activities are ongoing related to the PFS, including comminution and process test work. The PFS is scheduled for completion in 2017.
- The 2016 resource model revealed that the Engebø deposit contains approximately 43% garnet. Based on updated market information, the target for annual garnet sales has been increased from 100,000 to 200,000 tonnes. With an increased garnet sales target, garnet recovery becomes increasingly important. As a part of the PFS, various test work is ongoing for production of a broader specter of coarse and fine garnet for different applications.
- From a processing and revenue perspective the Engebø project will be developed as a dual mineral operation with prominent scaling opportunities. Commercially this provides strength and flexibility. In the assessments going forward, commercial strategies and optimisation of capacities and financial key figures will be balanced to secure a robust business case.

Keliber lithium/lithium carbonate

- In 2016 and to the date of this report, Keliber has completed equity issues with total gross proceeds of around NOK 150 million for financing of project development activities. Except for a private placement in March 2017 with the purpose to broaden the shareholder base, Nordic Mining has participated pro-rata to its shareholding in Keliber.



Ni, Cu, Pt, Pd



Seabed minerals



Rutile and garnet



High-purity quartz



Lithium/lithium carbonate

- In 2016 and into 2017, various exploration activities have increased the mineral resource estimates. Revised resource and reserve estimates will be included in the definitive feasibility study (DFS) which is scheduled for completion in Q3 2017.
- In March 2016, Keliber completed the pre-feasibility study for the lithium project. The study indicated a technically and financially viable project based on an annual lithium carbonate production of 9,000 tonnes. Subsequent of the PFS, Keliber has

- assessed various opportunities for improvement resulting in a net present value estimate of approximately NOK 1.2 billion at 8% discount rate for the project. Revised financial key figures will be presented in the DFS.
- Environmental impact assessments of the deposits have been completed and assessments related to the processing plant are ongoing. Keliber targets completion of the permitting process and start of construction in 2018.

Kvinnherad high-purity quartz

- In February 2016, an independent assessment of the Kvinnherad quartz deposit was completed based on information from the drilling program in 2015. The Competent Persons have estimated significant quartz-containing mineral resources in the inferred and indicated categories. The quartz content varies in the deposit with a substantial part in the massive zone category (>95% quartz content).
- High Purity Quartz remains an attractive industrial segment with a broad specter of applications in advanced products and technologies, i.a. optical glass, high temperature light bulbs, crucibles, semiconductors and microelectronics. Nordic Mining elaborates industrial and financial opportunities in dialogues with other parties with commercial interests in the quartz value chain.

Seabed minerals

- Through Nordic Ocean Resources (NORA), Nordic Mining is a pioneer in Norway in terms of seabed minerals and has applied for exploration rights for seabed massive sulphide deposits on the Norwegian part of the Mid-Atlantic Ridge.
- NORA, together with NTNU and 13 other industrial and knowledge-oriented parties participate in the MarMine project, a comprehensive 4 year research project on marine mineral resources. The project has been granted NOK 25 million from the Norwegian Research Council. In 2016, an exploration cruise was carried out on the Norwegian continental shelf. Mineral samples were collected on selected locations. Mineral analysis and preliminary process test work will be carried out based on the samples.

Alumina technology development

- Nordic Mining's and Institute for Energy Technology's (IFE) patented technology for extraction of alumina from alumina/calcium-rich minerals is in the process of being expanded to selected other countries.

Financial performance

For comparison, numbers in brackets relate to the comparable period in 2015.

The Group is developing mineral projects and had no sales revenues in 2016. The Group's operating loss in 2016 was NOK -23.0 million (NOK -12.7 million) in accordance with increased and planned project development activities. Accumulated costs related to the ongoing pre-feasibility study for the Engebø project amounted to NOK 6.1 million (NOK 0.0). The operating loss also includes costs related to share-based remuneration (no cash effect) of NOK 1.4 million (NOK 0.0 million) in connection with option agreements with leading employees and resource persons, and an impairment loss (no cash effect) of NOK 1.3 million (NOK 0.0 million) related to all previously capitalised drilling costs at Reinfjord.

In 2016, the Group capitalised costs in connection with drilling and various licence costs, mainly related to the Engebø project, at a total amount of NOK 12.7 million (NOK 2.7 million).

The Group's investment in Keliber is classified as shares in an associated company. Nordic Mining's shareholding in Keliber is

approximately 22% (April 2017). Keliber is in the definitive feasibility phase for its lithium project and has so far no sales revenue. Nordic Mining's share of the net loss from Keliber in 2016 was NOK -4.2 million (NOK -6.6 million). Keliber's loss was mainly related to costs for environmental impact assessments, process optimisation test work and other activities in connection with the ongoing DFS and the PFS which was completed in March 2016. The carrying amount for the investment in Keliber as per 31 December 2016 was NOK 15.0 million (NOK 6.2 million).

Total net loss for the Group in 2016 was NOK -27.1 million (NOK -19.2 million).

Cash flow from the Group's operating activities was negative in 2016 with NOK -16.8 million (NOK -11.9 million).

Net cash used in investment activities was NOK -26.7 million (NOK -4.5 million). The investments were mainly related to participation in equity issues in Keliber at a total amount of NOK 13.7 million and capitalised core drilling expenses and property fees in connection with the Engebø project at an amount of NOK -12.4 million.

In 2016, Nordic Mining has completed equity issues with total gross proceeds of NOK 85.6 million. For further information regarding the equity issues please see note 15 and note 23 in the consolidated financial statements.

Nordic Mining's total assets as of 31 December 2016 were NOK 104.0 million (NOK 46.9 million), and the Group's total equity amounted to NOK 97.0 million (NOK 43.2 million). This gives an equity ratio of 93% (92%).

As per 31 December 2016, the Group's cash and cash equivalents amounted to NOK 66.1 million (NOK 29.8 million).

The Board confirms that the financial statements have been prepared on the basis of a going concern assumption and in accordance with section 3-3a of the Accounting Act.

As per the date of this report, the Board considers that the Group is adequately financed for its ongoing and prioritised activities. On a continuous basis, the Board evaluates financing strategies to ensure adequate liquidity for the Group's projects and to provide for future financial strength and flexibility. The Board expects that the good progress for ongoing project development activities will be positive for the Group's financial flexibility going forward.

Risk management

The Group's operations are exposed to various forms of risk associated with regulatory, market, operational and financial factors. In the opinion of the Board, the Company has established management systems that address the need for satisfactory risk management and internal control.

Regulatory risk

Nordic Mining depends on permits and licenses from various authorities. The industrial area plan (zoning plan) and the waste

disposal permit for the Engebø rutile and garnet project are approved by the Norwegian government with no further possibilities for appeal.

Also the Kvinnherad quartz project, the Keliber lithium project and other projects will depend on governmental approvals regulating mining operations and environmental matters. Applications for permits will be prepared in accordance with development plans for the various projects. Whether and when permits will be granted, and the terms and conditions stipulated in connection with regulatory matters, are beyond the Company's control.

Financial risk

Financing, accounts and monitoring of the Group's liquidity situation is coordinated by the Company's CFO with the assistance of TMF Group AS which has been hired to provide accounting services. The Board has established rules governing the authority of the CEO, and the CEO has established rules governing the authority of the CFO.

Nordic Mining's cash holdings are placed in bank accounts in Norwegian Kroner (NOK).

Going forward, Nordic Mining will require further financing in order to develop its projects further towards production. The progress of the development of the projects can be affected by financing factors. The development of the Group's properties, licenses and exploration rights depends on the Company's ability to obtain financing through equity financing, debt financing, project financing or other means. There is no assurance that the Company will be successful in obtaining the required financing.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay financial obligations on their due date. The Group has to a large extent used equity financing in order to meet liquidity requirements related to financial obligations, to cover operational losses, and for investments.

The Group has adequate liquidity for its ongoing and prioritised activities.

Neither the approved industrial area plan (zoning plan) nor the discharge permit for the Engebø project contains financial obligations for the Group prior to the investment decision.

Market risk

Mineral prices, which can be affected by external factors such as the development of the global economy, competitors' practice etc., are beyond the Group's control. Strategies for mitigating this type of risk, e.g. hedging through use of financial instruments or physical offtake agreements, will be evaluated at a later stage when the mining assets gets closer to production.

Operational risk

Mineral extraction is a high-risk activity and on a general basis only a few of the areas investigated will subsequently be developed into producing mining operations. Long-term returns in Nordic Mining will depend on the costs and success rates of the Group's exploration and development activities.

Nordic Mining is exposed to normal business risk associated with contracts with various suppliers.

Corporate governance

Corporate governance in Nordic Mining is defined as processes and control measures established to protect the interests of the Company's shareholders and other stakeholders. Nordic Mining's corporate governance policy is founded on prevailing statutory and regulatory requirements. The Company's principles will be revised in accordance with prevailing laws and regulations.

The Company has established principles for corporate governance, ethical guidelines and a general management structure based on the principles of "The Norwegian Code of Practice for Corporate Governance". The Board has provided a detailed report on corporate governance pursuant to the Code of Practice in this annual report; please refer page 28–33 for further information.

The Company has assessed its relations with and payments to and from governmental institutions in accordance with section 3-3d of the Accounting Act. The Board refers to note 22 in the consolidated financial statements for further information.

Sustainability

Nordic Mining assumes responsibility for how the Group's operations may impact social, environmental and financial aspects of local communities and internal and external stakeholders. Corporate responsibility in Nordic Mining is established in the corporate structure through the Board of Directors and the executive management team and founded on four main pillars:

- Environmental responsibility
- Value creation in a social context
- High standards for health and safety
- Strict regulations regarding anti-corruption

The Company endeavors to maintain a high standard of corporate governance with an emphasis on integrity, ethical guidelines and respect for people and the environment.

In the current stage of development, neither the Company nor the Group has any issues regarding human rights, labour rights and social conditions, anti-corruption or environmental footprint.

Environmental responsibility

Nordic Mining and its subsidiaries strive to ensure that all activities are within the scope of the environmental responsibilities. Nordic Mining aims to be a positive, active and contributing force in ensuring sustainable local communities and environment.

Environmental protection is exercised throughout the extractive process, and the surveying, excavation and processing of minerals will be conducted in an environmental and safe way. Excess material will be disposed in accordance with regulatory guidelines and sustainable principles to minimise negative effects.

Nordic Mining will, where possible, pursue mineral processing locally.

This is cost efficient and enables shorter chains of transportation, which in turn saves the infrastructure and the environment. A large part of the minerals to be mined by Nordic Mining will be destined for European markets. When possible, the Group will pursue sea transport to enable shorter, cost efficient and environmentally friendly logistics. The moderate internal transportation at Engebø will also contribute to a low CO₂ footprint.

The environmental effect of the mining process on local communities will be limited and temporary. Nordic Mining will utilise advanced technology and methods for safe and environmentally friendly extraction of minerals, in order to minimise footprint.

At Engebø, the Group plans to utilise the extracted minerals as well as the side rock. Rutile is used in various environmentally friendly and "green tech" applications, and garnet is used in environmentally friendly abrasive applications. High-purity quartz is used in technical and industrial applications related to i.a. production of renewable energy, advanced electronics and optical lenses. The associated company Keliber will produce lithium carbonate for batteries in hybrid and electric cars, cell phones and laptops, as well as for energy storage of renewable energy production. The demand for lithium has increased significantly over the last years, and the use of rechargeable batteries in high-tech applications and vehicles results in a positive environmental benefit.

In the ongoing development work related to the Engebø project and Keliber's lithium project, environmental issues are thoroughly addressed to secure sustainable future operations. The projects will be developed and operated in accordance with the highest standards and regulations.

Value creation in a social context

The social responsibility for Nordic Mining is closely linked to the local communities where the Group operates. Minerals are often found in scattered populated areas and long term mineral production will open new opportunities for local activity and value creation.

Nordic Mining aims to create value, both directly and indirectly, in the regions where the Group operates. Directly, the shareholders will receive dividend, while local authorities will receive tax payment in form of income and real estate taxes. The Group will further add to local value creation through local job opportunities and purchase of products and services. Where practical and possible, Nordic Mining uses local suppliers and contractors to buy services and goods.

Nordic Mining relates and engages with local communities in open dialogue throughout the lifecycle of the project. Dialogue meetings are held with local authorities and stakeholders to secure an open line of communication between the Group and the community.

The Engebø project will have a substantial impact on the regional economic activity during the construction phase and employ around 170 full time employees during operation. A further 330 full time employees are indicated nationally as an indirect effect of the mineral production. From the start of project development, Nordic Mining has been active in the dialogue with industrial and commercial parties in the region with the purpose to explore regional opportunities.

High standards for health and safety

The employees in the Nordic Mining Group are the Group's most important resource. A pro-active approach in health and safety matters has high priority.

Strict regulations regarding anti-corruption

Nordic Mining's ethical guidelines entail a set of guiding principles for the employees of the Group in the day-to-day operations. The ethical guidelines are established to ensure that the staff does not engage in, or participate in corruption or bribery.

Goals and further work

Nordic Mining's work on sustainability and corporate governance is a dynamic process which will be developed in accordance with the Group's growth and progress going forward.

Organisational matters

In 2016 and at the date of this report Nordic Mining has 5 employees, 2 in the subsidiary Nordic Rutile and 3 in the Company.

The Board of Nordic Mining consists of three men and two women. Tarmo Tuominen has been Chairman of the Board since 2011. The composition of the Board will be evaluated in connection with the annual general meeting in line with normal procedures.

The Company facilitates equal opportunities for professional and personal development regardless of gender. The Company has a reasonable gender balance and strives to maintain a good working environment. The sick absence rate in 2016 was less than 0.5%, and no safety issues have been registered.

Shareholders and capital situation

In December 2016, a reverse share split was executed at a ratio of 6 to 1 (6 old shares gave 1 new share). In the following, the share information has been updated to accommodate the changes following from the reverse share split.

Nordic Mining has one class of shares, each with a nominal value of NOK 0.60. The Company's shares are listed on Oslo Axess and may be traded without restrictions. The Company has around 3,700 shareholders. As per April 2017, around 20% of the Company's shares were held by shareholders domiciled outside Norway.

In May 2016, the annual general meeting gave an authorisation to the Board to increase the share capital by issuing up to 28,333,333 new shares. The Board used a part of the authorisation in June 2016 in connection with a rights issue where 21,954,667 shares were issued at a price of NOK 3.00 per share. The gross proceeds from the issue were approximately NOK 65.9 million.

The remaining part of the authorization was used in December 2016 when the Company completed the first tranche of a private placement by issuing 6,378,666 shares to 4 institutional investors. The subscription price in the private placement was NOK 3.10 per share resulting in gross proceeds of approximately NOK 19.8 million.

In January 2017, an extraordinary general meeting approved the second tranche of the private placement, and 2,241,334 shares were issued at a price of NOK 3.10 per share. The gross proceeds from the issue were approximately NOK 6.9 million.

Nordic Mining's share capital as per the date of this report is NOK 56,895,280.80 divided into 94,825,468 shares, each with a par value of NOK 0.60.

In May 2016, the annual general meeting approved a share-based incentive program for leading employees and qualified resource persons. The Board was authorised to award options that in total gives the right to subscribe to up to 2,833,333 new shares in Nordic Mining. In June 2016, the Board awarded options for 2,696,667 options to leading employees and resource persons. For 2,096,667 options, the exercise price is NOK 4.08 per share. For the remaining 600,000 options, the exercise price is NOK 8.16 per share. The option agreements expire in May 2018.

Parent company financial result

The net loss for the parent company Nordic Mining ASA for 2016 was NOK -2.8 million (NOK -1.8 million). As per 31 December 2016, the total equity for the parent company amounted to NOK 214.2 million (NOK 135.5 million).

The Board proposes that the year's loss of NOK 2,759,116 in Nordic Mining ASA be transferred to retained losses.

Nordic Mining ASA had no distributable equity as per 31 December 2016.

Oslo, 21 April 2017

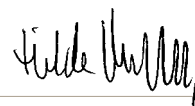
The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman



Kjell Roland
Deputy chairman



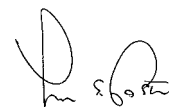
Hilde Myrberg
Board member



Mari Thjømøe
Board member



Tore Viana-Rønningen
Board member



Ivar S. Fossum
CEO

THE BOARD OF DIRECTORS



Tarmo Tuominen
Chairman

Tuominen is Deputy CEO in the Finnish mineral group Nordkalk. He is a geologist from Åbo Academy in Finland and has held various managerial positions in the Nordkalk Group, including geologist, mining engineer, general manager of subsidiaries, and business area manager. Tuominen is chairman of the Geological Survey of Finland (GTK).



Kjell Roland
Deputy chairman

Roland is CEO of Norfund, the Norwegian Investment Fund for Developing Countries, with approximately NOK 15 billion under management. Roland holds a Master of Science in Economics from the University of Oslo, Norway. Roland previously worked as a partner and CEO in ECON Management AS and ECON Analysis. As consultant, he has worked on macro-economics, energy and environmental issues for private and public clients, in Norway and internationally.



Hilde Myrberg
Board member

Myrberg is a lawyer from the University of Oslo, Norway and has a MBA from INSEAD in France. Myrberg has held various managerial positions in Norsk Hydro and Orkla. She is a board member of Norges Bank, the Central bank of Norway, including the Norwegian Sovereign Fund, and a board member of CGG SA, a French seismic company with global operations. Myrberg is also facilitating the EGN Global Executives Network for Legal Directors in Norway.



Mari Thjømøe
Board member

Thjømøe holds a Master of Science in Business Administration from the Norwegian School of Management (BI) and is a chartered financial analyst from the Norwegian School of Economics (NHH) in Bergen, Norway. She has completed the Senior Executive Programme at London Business School. Thjømøe has held positions as CFO and acting CEO in Norwegian Property and various management positions in Norsk Hydro, Statoil and KLP Insurance. Thjømøe is a board member of i.a. Tryg, E-CO Energi, SINTEF and Scatec Solar.



Tore Viana-Rønningen
Board member

Viana-Rønningen holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics (NHH) in Bergen, Norway. He has experience in corporate finance and risk management from Barclays Capital and in private equity investments related to natural resources from Barclays Natural Resource Investments. Viana-Rønningen is interim CEO of Hiddn Solutions ASA, an Oslo-listed cybersecurity company, and co-founder and partner in the management consultancy firm SLM Partners AS.

THE MANAGEMENT TEAM



Ivar S. Fossum
CEO

Fossum holds a Master of Science in Mechanical Engineering from the University of Science and Technology (NTNU) in Trondheim, Norway. He has previously held various managerial positions in the Norsk Hydro Group, within the oil and gas industry and the fertilizer industry, and in FMC Technologies. Fossum has also been general manager of Norsk Hydro East Africa Ltd in Nairobi, Kenya.



Mona Schanche
VP Exploration

Schanche holds a Master of Science in Resource Geology from the University of Science and Technology (NTNU) in Trondheim, Norway. She has broad experience from working in the mining industry with various exploration and mine development projects. Schanche has previously worked as geologist for the Norwegian company Titania AS (Kronos Group), a major producer of ilmenite feedstock for titanium pigment production.



Lars K. Grøndahl
CFO

Grøndahl holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics (NHH) in Bergen, Norway. He has previously held various managerial positions in Aker, Scancem and HeidelbergCement, within the cement and building materials industries. Grøndahl has been Deputy COO of Heidelberg Cement's operations in Africa. Further, he has been Head of Department in the Norwegian Ministry of Industry.



Thomas B. Addison
*Managing Director,
Nordic Rutile AS*

Addison holds a Master of Science in Mining Engineering from the University of Science and Technology (NTNU) in Trondheim, Norway. Addison has over 30 years of experience within mining and mineral processing and has held various positions in Elkem, SNSK, Orkla Exolon, Hanson Quarry Products and Franzefoss Minerals.

CORPORATE GOVERNANCE

Nordic Mining ASA (the “Company”) has made a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and communication between the management, the Board of Directors (the “Board”) and the shareholders. The Company’s framework for corporate governance has been implemented to decrease business risk, maximise value and utilise the Company’s resources in an efficient and sustainable manner for the benefit of shareholders, employees and society at large.

Implementation and reporting on corporate governance

The Company has complied, and will continue to comply, with the Norwegian Code of Practice for Corporate Governance (the “Corporate Governance Code”), last revised on 24 March 2015, and which is available on the Norwegian Corporate Governance Committee’s web site www.nues.no.

The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board and executive management more comprehensively than that required by legislation, and (ii) the effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other stakeholders.

The Company is subject to the reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Axess “Continuing obligations of stock exchange-listed companies” section 7. The Company has fulfilled its reporting requirements.

The parent company Nordic Mining ASA (“Nordic Mining” or “the Company”) owns 100% of the shares in the subsidiaries Nordic Rutile AS and Nordic Quartz AS, together with 80% of the shares in Nordic Ocean Resources AS. Further, Nordic Mining ASA owns approximately 22% (April 2017) of the shares in Keliber Oy which is an associated company in the Nordic Mining Group (“the Group”).

The Company’s corporate governance framework is subject to annual reviews and discussions by the Board.

Nordic Mining has prepared guidelines concerning corporate, social and ethical conduct. These are available on the Company’s website (www.nordicmining.com) under the sections ‘Investors’ and ‘Corporate Governance’.

Business

Nordic Mining’s objectives are defined in the Company’s articles of association: “The object of the Company is to carry out exploration for coal, minerals and ores, mining activity, technology development, activities that may be associated herewith, and participate in other companies anywhere in the world.”

The articles of association are reproduced in full on page 76 of the annual report and are also available on the Company’s website.

Objectives and strategies are drawn up for each individual company/project and for the Group. The key strategies related to Nordic Mining’s projects can be summarised as follows:

- Establish profitable production of rutile and garnet from the Engebø deposit
- Establish profitable production of lithium carbonate through Keliber in Finland
- Establish profitable production of high-purity quartz from the Kvinnherad deposit
- Investigate the potential for a new technology related to production of alumina from anorthosite
- Establish a sound knowledge platform related to marine mineral resources and possible subsequent exploration and development

Equity and dividends

The Group’s equity as per 31 December 2016 amounts to NOK 97.0 million, i.e. 93% of the Group’s total assets. On a continuous basis, Nordic Mining is evaluating alternatives to ensure adequate liquidity for its prioritised project activities and to provide for financial strength and flexibility in a longer perspective.

Nordic Mining aims to adhere to a dividend policy that is favourable to its shareholders. Distribution of dividends will be developed as the company start up production and moves into its cash generation phase.

For information of equity issues in 2016 and to the date of this report, as well as status of authorisations from the general meeting to the Board to increase the share capital of the Company, the Board refers to the board of directors’ report.

The authorisation to issue shares in connection with the Company’s incentive program for leading employees and resource persons deviates from the recommendation of the Code of Practice in that it was granted for two years, until May 2018. In the opinion of the Board, it is in the Company’s best interests to have certain flexibility regarding duration of the incentive program.



Optimised process feed material from Engebø.

Equal treatment of shareholders and transactions with related parties

Nordic Mining has one class of shares. All shares carry equal rights in the Company, and the Articles of Association do not contain any provisions restricting the exercise of voting rights.

In the opinion of the Board, satisfactory arguments and information have been provided in connection with deviations from existing shareholders' priority rights in connection with equity issues by the Company.

The Group reports transactions with related parties on a quarterly basis. All transactions with related parties comply with the arm's length principle. The Group's transactions with related parties in 2016 are described in note 20 to the financial statements.

The Company's ethical guidelines include rules intended to avoid conflicts of interest and establish that anyone who acts on behalf of Nordic Mining shall act honestly and in line with the principles for good business ethics. Nordic Mining's guidelines provide that board members and senior employees must notify the Board in the event that they either directly or indirectly have a material interest in a contract being signed by the Company. The Board is of the opinion that it is important to exercise transparency and caution in connection with transactions involving related parties.

General meetings

The Board of Directors seeks to ensure that as many shareholders as possible are able to participate in, and exercise their rights, at general meetings. The shareholders exercise supreme authority in Nordic Mining through the general meeting. It is important for the Company that the general meeting provides an effective forum for the shareholders and the Board.

The Company's articles of association and the provisions of the Norwegian Public Limited Companies Act assign the following functions to the general meeting:

- Election of members of the nomination committee
- Election of the external auditor and determination of the auditor's remuneration
- Approval of the annual report as required by Norwegian law, as well as the financial statements and any distribution of dividend recommended by the Board
- Consideration of any other items listed on the agenda attached to the notice of the general meeting

Nordic Mining's annual general meeting in 2016 was held on 18 May 2016. The date of the Company's forthcoming annual general meeting is 23 May 2017.

Notices of general meetings will be published in stock exchange releases and on the Company's website at least 21 days before a general meeting. The Company's annual report will be published on Nordic Mining's website at least 21 days prior to the general meeting. General meeting notices are distributed in Norwegian with an English translation to foreign shareholders. Shareholders have the right to submit proposals to the general meeting and attend and

vote in the general meeting, either in person or by proxy. The deadline for notifying attendance is normally five days before the date of the general meeting.

The nomination committee's recommendation concerning the election of board members and members of the nomination committee is published together with the notice of the general meeting. In line with the Company's guidelines, the general meeting will vote on each candidate separately.

Nordic Mining has approximately 3,800 shareholders who are widely distributed geographically. By means of a separate information section in the summons for a general meeting and a separate proxy form, the Company provides its shareholders with the opportunity to vote on every item on the agenda, even if they are unable to attend the meeting in person. The Company's share registrar, DNB Verdpapirservise assists in connection with preparations for and practical matters in relation to the arrangement of the general meeting. This helps to ensure that general meetings are conducted professionally and impartially.

Representatives of the Board and executive management are always represented at the general meetings. Normally, the Company's auditor and legal advisor are also present. The general meeting is normally chaired by the chairman or the deputy chairman of the Board. In the event of disagreement about specific agenda items where the chairman of the meeting either supports one of the factions or for other reasons cannot be considered impartial, Nordic Mining has procedures to ensure that the meeting is chaired impartially. In such cases the general meeting will have an opportunity to appoint an alternative chairman to ensure impartiality in relation to the items on the agenda.

Nomination committee

The Company has established a Nomination Committee in accordance with the Articles of Association. The Nomination Committee is independent of the Board and Management of the Company, and its composition shall safeguard the shareholders' interests. Nordic Mining's nomination committee consists of three members, all elected by the general meeting. As of 31 December 2016, the nomination committee of Nordic Mining has the following members:

- Ole G. Klevan (chairman); lawyer with the law firm Schjødt
- Hans Olav Kvalvåg (member); employed in Scatec Solar ASA

Bent Erik Nordbø (previous member) passed away in February 2017.

The guidelines for the nomination committee are available on Nordic Mining's website under 'Investors' and 'Corporate Governance'.

The nomination committee's duties are to:

- Provide reasoned recommendations to the general meeting concerning the election of members of the Company's Board of Directors
- Provide a reasoned proposal to the general meeting regarding the remuneration of the board members

Corporate assembly and Board of Directors; composition and independence

Pursuant to the Public Limited Liability Companies Act, Nordic Mining is not required to have a corporate assembly.

As per 31 December 2016, the Board of Directors of Nordic Mining has five members. The Chairman of the Board and the other board members are elected by the general meeting for terms of two years following the recommendation of the nomination committee. All board members are independent of Nordic Mining's major shareholders and management.

Relevant information concerning the individual board members is available in the annual report and on the Company's website.

Information about board members' remuneration, the number of shares held in Nordic Mining etc. is provided in the notes in the consolidated financial statements, ref. note 20.

As of 31 December 2016 and the date of this report, the Board of Nordic Mining has the following members:

- Tarmo Tuominen, chairman
- Kjell Roland, deputy chairman
- Mari Thjømmøe, board member
- Hilde Myrberg, board member
- Tore Viana-Rønningen, board member

The work of the Board of Directors

The Board of Nordic Mining has the overall responsibility for managing Nordic Mining, which includes guiding the Company and the Group in its implementation of goals and strategy. In addition, the Board is responsible for monitoring and controlling Nordic Mining's operations with a view to ensuring the highest possible level of value creation for the Company and its shareholders.

At the start of each calendar year, the Board schedules board meetings for the coming year, with an outline of the main points on the agenda for each meeting. The agenda items reflect the Board's main duties for the overall governance of the Group and for the general monitoring of the Group's activities. Project status and milestones are reported to the Board by the management and is regularly discussed by the Board.

The Board has established instructions for the Board and the CEO, and the CEO has established instructions for the CFO and the managing directors of the subsidiaries. These instructions cover issues concerning the Board's duties and responsibilities, the CEO's duty to inform the Board, and procedural rules for the Board's and the management's work.

The Board is aware of its responsibilities when dealing with items in which a board member is, or has been, actively involved. The Board's consideration of material matters in which the chairman is restrained from participate in, or has been, personally involved, shall be chaired by the deputy chairman or another member of the Board.

The Company's potential need for establishing an audit committee is governed by the Norwegian Public Limited Liability Companies Act. The Board has concluded that Nordic Mining at present do not need to have an audit committee, and will continue to assess this going forward. Further, the Board has decided that at present there is no need to establish a separate compensation committee. In the Board's opinion, evaluations linked to the remuneration of senior management are undertaken most appropriately, given the Company's current phase of development, by the Board acting as a whole.

The Board will evaluate its performance and expertise annually, and make the evaluation available to the Nomination Committee.

Risk management and internal control

The Board is responsible for ensuring that the Company has good internal control and a well-functioning system for risk management. The Board's annual plan includes a review of the Company's risk areas and internal control system. In the Board's opinion, the current governance systems satisfactorily address the need for risk management and internal control.

The management of Nordic Mining is responsible for establishing and maintaining an adequate level of internal control regarding the Group's financial reporting. Internal control related to financial reporting is a process that is designed to provide reasonable certainty that financial reporting is reliable and that financial statements for external purposes are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The accounting principles applied by the Group conform to the IFRS as published by the International Accounting Standards Boards (IASB). A summary of significant accounting principles as well as discussion of risk factors are included in note 2 and note 17, respectively, in the consolidated financial statements.

The Company has hired TMF Norway AS as the Group's accountants. Routines have been established for accounting work and reporting.

Some types of risk are insured with external insurers. Nordic Mining has agreed various policies to insure both people and property, together with liability insurance for the board members.

Remuneration of the Board of Directors

The remuneration of the Board is decided by the Company's General Meeting in retrospect, and should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities. The remuneration should not be linked to the Company's performance.

The Election Committee shall give a recommendation as to the size of the remuneration to the Board. The Company has not granted share options to Board members. Any remuneration in addition to normal fees paid to the members of the Board will be specifically identified in the annual report, and is for 2016 presented in note 20 in the consolidated financial statements.

Remuneration of executive management

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board prepares an annual statement on the setting of salaries and other remuneration for the senior management. The statement is presented to and considered by the general meeting.

The key principles underlying the remuneration of senior management for 2016 have been that the total packages should reflect the responsibilities and duties undertaken by each individual in the executive management, and that the employee should contribute to the long-term value creation in the Group. In the opinion of the Board, it is crucial for Nordic Mining to offer competitive salaries and conditions in order to attract the qualities and expertise necessary to promote the strategic development of the Group.

In addition to regular salaries, share option agreements have been entered into with the members of the management team. The option agreements entitle the holders to purchase a limited number of shares at a fixed price (NOK 4.08 or NOK 8.16 per share). The share price on the allocation date for the bulk of the granted options was NOK 3.16 per share. The Company's option program was approved by the annual general meeting on 18 May 2016 and is a continuation of programs the Company has operated since its establishment in 2006. The current option program will continue until 18 May 2018.

Information concerning remuneration paid to senior management in 2016 is presented in note 20 in the consolidated financial statements.

Information and communications

Nordic Mining has adopted guidelines designed to ensure that its information policy is based on the principles of openness and the equal treatment of all shareholders and participants in the securities market. The objective is to have accounting and financial reporting systems in which investors have confidence.

The Company's management is responsible for communication with the capital markets and for the relations between the Company and the shareholders and potential new investors. Nordic Mining's annual and interim reports provide comprehensive information about the Group's operations.

The financial reports and other information are published electronically and simultaneously to all target audiences. All shareholders are treated equally in relation to access to financial information. Reports, press releases, presentations etc. are available on Nordic Mining's website.

The Company's financial calendar is published on the website and is included on page 74 in the annual report.

Take-overs

Nordic Mining's articles of association do not set any restrictions on acquisition of the shares in the Company. In the event of a take-over bid for Nordic Mining, the Board will follow the overriding principle of equal treatment of all shareholders. Further, the Board will strive to ensure that the Company's business activities are not unnecessarily

disrupted. The Board will strive to ensure that the shareholders are given sufficient information and time to assess the offer.

The Board will not seek to prevent any take-over bids unless it believes that the interests of the Company and the shareholders justify such actions. The Board will not exercise mandates or pass any resolutions with the intention of obstructing any take-over bid unless it is approved by the general meeting following the announcement of the bid.

The Board will issue a statement in accordance with statutory requirements and the recommendations in the Code of Practice, including considering to obtain a valuation from an independent expert.

Transactions that in effect have as a consequence a sale of Nordic Mining's business as a whole will be subject to approval by the general meeting.

The Company has not established separate principles for how to act in a takeover situation as described above.

Auditor

Nordic Mining's auditor is elected by the general meeting and is independent in relation to the Company.

The auditor's work is based on a plan that is presented to the Board on an annual basis. The auditor attends board meetings that discuss and approve the Group's and the Company's annual reports. At such meetings, the auditor gives a statement of any material changes to Nordic Mining's accounting principles and provides an assessment of material accounting estimates, as well as a complete account of any situation where there has been disagreement between the auditor and the management. The auditor presents to the Board a review of the Company's control routines and potential areas of improvement in relation to accounting. When required and at least once a year, the auditor meets with the Board with no members of the management present. The Board also has contact with the auditor when required outside the situations mentioned above.

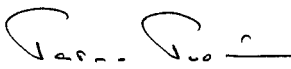
The Board appreciates a good dialogue with the auditor.

Nordic Mining has to a limited extent assigned the auditor for services other than auditing. If and when required, the Board will prepare guidelines regarding the Company's use of other services from the auditor.

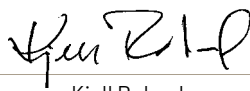
The auditor's remuneration is determined by the general meeting.

Information of the fees paid to the auditor in 2016, including breakdown between statutory auditing and other assistance/service, is presented in note 6 to the consolidated financial statements.

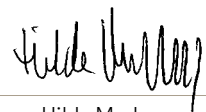
Oslo, 21 April 2017
The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman



Kjell Roland
Deputy chairman



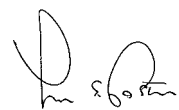
Hilde Myrberg
Board member



Mari Thjømøe
Board member



Tore Viana-Rønningen
Board member



Ivar S. Fossum
CEO

SHAREHOLDER MATTERS

Nordic Mining ASA is a resource company with focus on high-end industrial minerals and metals in Norway and internationally. Nordic Mining's shares are listed on Oslo Axess with the ticker symbol "NOM".

Nordic Mining has one class of share and each share entitles the holder to one vote. The share's face value is NOK 0.60. The shares are freely negotiable and have been listed on Oslo Axess since 2007. The shares are registered with the Norwegian Central Securities Depository (VPS) with the identification number (ISIN) NO 0010633183.

Share capital

As per the date of this report, Nordic Mining's share capital amounts to NOK 56,895,280.80 divided into 94,825,468 shares. Over the last years, the Company's share capital and the number of shares have developed as shown in the table below.

In December 2016, a reverse share split was executed at a ratio of 6 to 1 (6 old shares gave 1 new share). The share information below has been updated to reflect the changes following from the reverse share split.

The Company's annual general meeting held on 18 May 2016 authorised the Board to issue up to 2,833,333 new shares in connection with a share-based incentive program for leading employees and qualified resource persons. The authorisation is valid for two years. At the date of this report, the Board has awarded options for 2,696,667 shares to employees and associated key people. For 2,096,667 options, the exercise price is NOK 4.08 per share. For the remaining 600,000 options, the exercise price is NOK 8.16 per share. At the date of this report none of the awarded options have been exercised.

On 18 May 2016, the annual general meeting gave an authorisation to the Board to increase the share capital by issuing up to 28,333,333 new shares. The Board used a part of the authorisation in June 2016 in connection with a rights issue where 21,954,667 shares were

issued at a price of NOK 3.00 per share. Please note that the number of shares issued and the share price differ from the information in the table below due to the reverse share split in December 2016.

The remaining part of the authorisation was used in December 2016 when the Company completed the first tranche of a private placement by issuing 6,378,666 shares to 4 institutional and professional investors. The subscription price in the private placement was NOK 3.10 per share.

On 10 January 2017, an extraordinary general meeting approved the second tranche of the private placement, and 2,241,334 shares were issued at a price of NOK 3.10 per share.

As a result of the abovementioned equity issues, and at the date of this report, the Company has 94,825,468 outstanding shares.

The Company does not own any of its own (treasury) shares, and no authorisation exists to purchase its own shares.

Shareholders

The Company's largest shareholders as per 19 April 2017 are listed on the next page. The number of shareholders is around 3,700 and around 20% of the shares were held by shareholders domiciled outside Norway.

The Company's Board and management team own a total of around 2.2% of the shares in the Company.

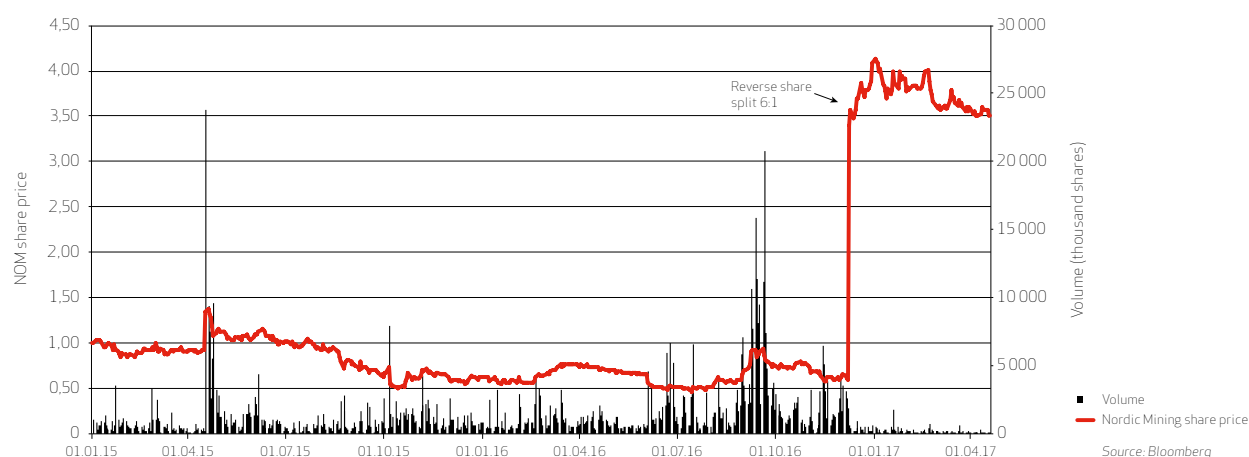
Trading of share and price development

Shares in Nordic Mining are traded on a daily basis on Oslo Axess. Share price development and key trading figures are shown on the next page.

Development of the Company's share capital in the period 2014 to the date of this report

Year	Transaction	Change in share capital (NOK)	Face value per share (NOK)	Sub. price per share (NOK)	No. of shares after transaction	Share capital (NOK)
2014	Share issue	2 800 000.00	0.10	0.60	308 504 805	30 850 480.50
2015	Share issue	7 700 000.00	0.10	0.45	385 504 805	38 550 480.50
2016	Share issue	13 172 800.30	0.10	0.50	517 232 808	51 723 280.80
2016	Reverse share split	-	0.60	-	86 205 468	51 723 280.80
2016	Private placement	3 827 199.60	0.60	3.10	92 584 134	55 550 480.40
2017	Private placement	1 344 800.40	0.60	3.10	94 825 468	56 895 280.80

Development of Nordic Mining's share price, 1 January 2015–19 April 2017



Key figures for the Nordic Mining share in the period 2014–2016

Year	Share price as per 31.12 (NOK)	High (NOK)	Low (NOK)	No. of shares traded	Market cap. as per 31.12 (NOK)
2014	3.52	5.34	2.58	65 million	278 million
2015	3.66	5.40	2.43	66 million	243 million
2016	4.08	5.64	2.76	81 million	378 million

The largest shareholders of Nordic Mining as per 19 April 2017

Shareholder	Number of shares	% ownership
1 Nordnet Bank AB (nominee)	8 899 734	9.4%
2 Nordea Bank Finland (nominee)	4 585 777	4.8%
3 Spencer Trading Inc.	3 136 230	3.3%
4 Nordnet Livsforsikring	2 911 969	3.1%
5 Danske Bank A/S (nominee)	1 740 283	1.8%
6 Dybvad Consulting AS	1 674 278	1.8%
7 Citibank N.A. S/A Pohjola Bank Plc (nominee)	1 499 321	1.6%
8 Alden AS	1 370 942	1.4%
9 Magil AS	1 300 000	1.4%
10 Infosave AS	1 235 609	1.3%
11 Ove Klungland Holdin NIL	1 136 780	1.2%
12 Knut Fosse AS	1 004 240	1.1%
13 VPF Nordea Avkastning C/O JP Morgan Europe	1 002 963	1.1%
14 Lithion AS	1 000 977	1.1%
15 Snati AS	975 000	1.0%
16 Olav Birger Sletten	911 000	1.0%
17 Adurna AS	780 000	0.8%
18 Ole Kristian G. Stokken	751 043	0.8%
19 Tigerstaden AS	750 000	0.8%
20 Melwin Kvale	626 345	0.7%
Top 20 shareholders	37 292 491	39.3%
Others	57 532 977	60.7%
Total	94 825 468	100.0%

CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2016	2015
Payroll and related costs	4, 20	(7 823)	(6 617)
Share-based payment	5	(1 429)	-
Depreciation and amortisation	11	(7)	-
Impairment of exploration and evaluation assets	10	(1 326)	-
Other operating expenses	6	(12 376)	(6 110)
Operating profit/(loss)		(22 961)	(12 727)
Share of result of an associate	12	(4 241)	(6 597)
Financial income	7	200	96
Financial costs	7	(89)	(4)
Profit/(loss) before tax		(27 091)	(19 232)
Income tax	8	-	-
Loss for the period		(27 091)	(19 232)
PROFIT/(LOSS) ATTRIBUTABLE TO			
Equity holders of parent		(26 907)	(19 114)
Non-controlling interest		(184)	(118)
<i>(Amounts in NOK)</i>			
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			
Basic and diluted earnings per share	9	(0.36)	(0.36)

STATEMENTS OF COMPREHENSIVE INCOME

<i>(Amounts in NOK thousands)</i>	2016	2015
Net profit/(loss) for the period	(27 091)	(19 232)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
- Currency translation differences	(623)	355
Items that will not be reclassified subsequently to profit or loss:		
- Changes in pension estimates	222	(647)
Other comprehensive income for the period	(401)	(292)
Total comprehensive income for the period	(27 492)	(19 524)
PROFIT/(LOSS) ATTRIBUTABLE TO		
Equity holders of parent	(27 308)	(19 406)
Non-controlling interest	(184)	(118)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

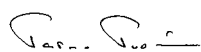
<i>(Amounts in NOK thousands)</i>	Note	31.12.16	31.12.15
ASSETS			
Non-current assets			
Exploration and evaluation assets	10	21 189	9 848
Property, plant and equipment	11	349	84
Investment in associate	12	15 044	6 182
Total non-current assets		36 582	16 114
Current assets			
Trade and other receivables	13, 17	1 285	990
Cash and cash equivalents	14	66 112	29 809
Total current assets		67 397	30 799
Total assets		103 979	46 913

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

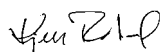
<i>(Amounts in NOK thousands)</i>	Note	31.12.16	31.12.15
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	15	55 550	38 550
Share premium		326 045	263 281
Other paid-in capital		14 354	12 924
Retained losses		(300 026)	(273 119)
Other comprehensive income		1 220	1 621
Equity attributable to ordinary shareholders		97 143	43 257
Non-controlling interest		(173)	(97)
Total equity		96 970	43 160
Non-current liabilities			
Other liabilities	21	1 124	1 898
Total non-current liabilities		1 124	1 898
Current liabilities			
Trade payables	17	2 299	798
Other current liabilities	16, 17	3 586	1 057
Total current liabilities		5 885	1 855
Total liabilities		7 009	3 753
Total shareholders' equity and liabilities		103 979	46 913

Oslo, 21 April 2017

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman



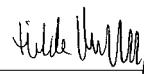
Kjell Roland



Tore Viana-
Rønningen



Mari Thjømøe



Hilde Myrberg



Ivar S. Fossum
CEO

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(Amounts in NOK thousands)</i>	Note	Attributed to equity holders of the parent					Total	Non-controlling interest	Total equity
		Share capital	Share premium	Other-paid-in capital	Other comprehensive income	Accumulated losses			
Equity 1 January 2015		30 850	239 194	12 924	1 913	(254 005)	30 876	(75)	30 801
Total comprehensive income		-	-	-	(292)	(19 114)	(19 406)	(118)	(19 524)
Non-controlling investment		-	-	-	-	-	-	96	96
Share issue	15	7 700	26 950	-	-	-	34 650	-	34 650
Transaction costs	15	-	(2 863)	-	-	-	(2 863)	-	(2 863)
Equity 31 December 2015		38 550	263 281	12 924	1 621	(273 119)	43 257	(97)	43 160
Equity 1 January 2016		38 550	263 281	12 924	1 621	(273 119)	43 257	(97)	43 160
Total comprehensive income		-	-	-	(401)	(26 907)	(27 308)	(184)	(27 492)
Non-controlling investment		-	-	-	-	-	-	108	108
Share-based compensation	5	-	-	1 430	-	-	1 430	-	1 430
Share issue	15	17 000	68 638	-	-	-	85 638	-	85 638
Transaction costs	15	-	(5 874)	-	-	-	(5 874)	-	(5 874)
Equity 31 December 2016		55 550	326 045	14 354	1 220	(300 026)	97 143	(173)	96 970

CONSOLIDATED CASH FLOW STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2016	2015
Cash flow from operating activities			
Loss before income tax		(27 091)	(19 232)
Depreciation	11	7	-
Impairment of exploration asset	10	1 326	-
Share of loss in associate	12	4 241	6 597
Share-based expenses	5	1 430	-
Changes in assets and liabilities			
Other receivables and prepayments	13	(295)	1 136
Trade payables		1 609	141
Other current liabilities	16	2 529	(332)
Difference between pension expense and payment		(552)	(166)
Net cash used in operating activities		(16 796)	(11 856)
Cash flow from investing activities			
Acquisition of licenses	10	(380)	(428)
Investment in other exploration and evaluation assets	10	(12 187)	(2 650)
Purchases of property, plant and equipment	11	(372)	(84)
Investment in associate	12	(13 725)	(1 320)
Net cash used in investing activities		(26 664)	(4 482)
Cash flow from financing activities			
Share issuance	15	85 638	34 650
Transaction costs of share issue		(5 874)	(2 863)
Net cash from financing activities		79 764	31 787
Net change in cash and cash equivalents		36 303	15 449
Cash and cash equivalents at beginning of period	14	29 809	14 360
Cash and cash equivalents at end of period	14	66 112	29 809

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL INFORMATION

Nordic Mining ASA (“the Company”) and its subsidiaries (together “the Group”) focus on exploration, extraction and production of high-end industrial minerals and metals. The address to Nordic Mining’s office is Munkedamsveien 45, N-0250 Oslo, Norway.

These financial statements have been approved for issue by the Board of Directors 21 April 2017.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The consolidated financial statements of Nordic Mining ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The consolidated financial statements have been prepared under the historical cost convention.

The annual accounts are based on the going concern assumption. Please see the Board of Directors’ report for further information.

Significant accounting judgments, estimates and assumptions

The preparation of the Group’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key areas of estimation uncertainty:

- *Capitalisation of exploration and evaluation assets (note 10):* Costs directly related with exploratory drilling are temporary capitalised as exploration and evaluation assets until the drilling is complete and the results have been evaluated in accordance with the successful efforts method. The costs include rig costs, contractors, materials used, and salaries of employees directly attributable to the exploratory drilling. Management uses judgement to determine whether or not temporary capitalised exploration and evaluation costs shall remain in the balance sheet or be expensed. This assessment will have material impact on the financial statement.

The Group has concluded two exploratory drilling projects in 2015/2016 related to the rutile and garnet deposit at Engebø and the quartz deposit in Kvinnherad. Total capitalised drilling costs at 31 December 2016 is NOK 14.9 million.

- *Impairment evaluation of exploration and evaluation assets (note 10):*

Exploration and evaluation assets are evaluated for impairment under the indicators of IFRS 6 “Exploration for and evaluation of mineral resources.” Management must determine whether there are circumstances indicating possible impairment of exploration and evaluation assets. This includes individual assessment of each license related to planned and budgeted activity, magnitude of future exploration and evaluation activity to assess whether there are sufficient commercial quantities of mineral resources over the remaining license period. In this assessment management, also take into consideration expected demand and prices of minerals.

The Group’s exploratory drilling at Engebø and in Kvinnherad provided promising discoveries of mineral deposits. Further exploration and development activities are planned for both areas.

Nordic Mining has put further exploration activities at Reinfjord on hold in order to focus resources on other projects. For the time being, no substantive activities are planned or budgeted in connection with the Reinfjord exploration project. The Group wrote-down the capitalised exploration costs of NOK 1.3 million in 2016.

- *Investment in associate (note 12):*

The Group has an investment in Keliber Oy in Finland. The business of Keliber Oy is currently in the exploration and development phase, and does not generate revenue. Uncertainty exists related to future value of this investment, and assessments have been made related to impairment of the investment. These assessments require substantial judgment. Please also see note 23 in the consolidated financial statements for further information.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

The subsidiaries include the 100% owned Nordic Rutile AS, located in Oslo, the 80% owned Nordic Ocean Resources AS, located in Oslo, and the 100% owned Nordic Quartz AS, located in Oslo. The accounting principles of the subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group. All intra-group transactions, balances, income and expenses are eliminated.

Non-controlling interest:

Non-controlling interest is presented as a separate line item in the Group's equity. The non-controlling interest's share of the net profit/loss is included in net loss in the income statement. Non-controlling interest includes part of the excess purchase price allocated to identifiable assets and liabilities at the acquisition date. The non-controlling interest's share of total comprehensive income/loss is allocated even if this results in a negative non-controlling interest.

Business combinations

The acquisition method of accounting is used to account for the acquisition of businesses and subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Directly attributable transaction costs related to the business combination are expensed as incurred.

Investment in associates

The Group uses the equity method of accounting for investment in associates. Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence normally exists when the Group controls between 20% and 50% of the voting rights.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the Group's share of the associate. Any transactions with the associate are eliminated to the extent of the interest in the associate.

Foreign currency translation**Functional and presentation currency**

NOK is the functional currency of the parent and the presentation currency of the Group. Assets and liabilities in foreign entities, including goodwill and fair value adjustments related to business combinations are translated to NOK at the exchange rate at the balance sheet date. Revenues, expenses, gains and losses are translated using the average exchange rate during the period. Translation adjustments are recognised directly to Other Comprehensive Income.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from

the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as finance income or finance expense in the income statement.

Acquisition of mining and mineral properties and exploration and development of such properties

IFRS 6 "Exploration for and evaluation of mineral resources" requires that exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets acquired.

Some exploration and evaluation assets should be classified as intangibles, such as drilling rights and capitalised exploration costs. When technical feasibility and commercial viability of extracting a mineral resource is demonstrable, the assets should be reclassified as tangible assets. Evaluation and exploration assets that are classified as intangible assets are tested for impairment prior to reclassification.

Exploration and development for mineral properties

The Group employs the successful efforts method to account for exploration and development costs. All exploration costs, with the exception of acquisition costs of licenses and direct drilling costs of exploration wells are charged to expenses as incurred. Drilling costs of exploration holes are temporarily capitalised pending the evaluation of the potential existence of mineral reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration holes are expensed. Costs of acquiring licenses are capitalised and assessed for impairment at each reporting date.

Property, plant and equipment

The Group's property, plant and equipment, currently consisting of machinery and equipment, are recorded at cost less accumulated depreciation. Acquisition costs include costs directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is presented as a net gain or net loss in the income statement.

Depreciation is calculated on a straight-line basis over the useful life of the asset (land is not depreciated):

- Machinery and equipment: 4-10 years

The asset's useful life and residual amount are reviewed on an annual basis and are revised if necessary. The carrying amount of the asset is written down to recoverable amount when the carrying amount is higher than the estimated recoverable amount (further details are provided under "Impairment of non-financial assets" below).

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not yet available for use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Government grants

Government grants are recognised in profit and loss on a systematic basis over the periods in which the Group recognises expenses of the related cost for which the grants are intended to compensate.

Government grants related to capitalised assets are presented in the balance by deducting the grant in the calculation of the carrying amount of the asset.

Leases

The Group has no agreements related to property, plant and equipment that are classified as finance leases.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and short-term deposits in the statements of financial position comprise cash at banks and other short-term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Share issuance costs that are incremental and directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Interest-bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised on the income statement over the period of the interest bearing liabilities.

De-recognition of financial liabilities

The Group de-recognises a financial liability (or a part of a financial liability) from its statements of financial position when, and only when, it is extinguished. A financial liability is extinguished when the obligation specified in the contract is discharged or cancelled, or when it expires.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share-based compensation

The Group uses share-based, equity settled warrants as part of the compensation for senior management and qualified resource persons. The fair value of the services received is recognised as an expense in the financial statements over the period the options vest. The fair values of options that are fully vested on the grant date are fully recognised in the income statement when granted. Share-based compensation to employees and other qualified persons is measured by reference to the fair value of equity instruments issued. The Group uses the Black Scholes model to measure the fair value of options and warrants.

Income taxes

Income tax expense represents the sum of the taxes currently payable and deferred tax. Taxes payable are provided based on taxable profits at the current tax rate. Deferred taxes are recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred income tax is not recognised on temporary differences arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Pensions**Defined benefit plan**

The Group has a defined benefit pension plan for its employees that meet the Norwegian statutory requirement. For the defined benefit plan, the cost of providing the benefits is determined using the unit credit method, with actual valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Past service costs are recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined contribution plan

The Group also have a defined contribution plan in accordance with Norwegian statutory requirements for some of its employees. In the defined contribution pension plan, the Group is responsible for making an agreed contribution to the employee's pension assets. The future pension will be determined by the accumulated amount of the contributions and the return on the pension savings. Once the contributions have been paid, there are no further payment obligations attached to the defined contribution pension.

Contingent liabilities

Contingent liabilities are defined as:

- possible obligations resulting from past events whose existence depends on future events
- obligations that are not recognised because it is not probable that they will lead to an outflow of resources
- obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognised on the balance sheet unless arising from assuming assets and liabilities in a business combination. Significant contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Please see note 10 in the consolidated financial statements regarding contingent liabilities related to the Engebø deposit.

Cash flow statement

The Group reports the cash flow statement using the indirect method. That involves that the result for the period are adjusted for the effects of transactions without effect on cash and changes in assets and liabilities to show net cash flow from operations. Cash flow relating to investment activities and financing activities are shown separately.

Related party transactions

All transactions, agreements and business activities with related parties are conducted according to ordinary business terms and conditions. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. The Group provides note disclosure for related party transactions and balances, ref. note 20 in the consolidated financial statements.

Earnings per share

The calculation of basic earnings per share is based on the profit/loss attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

- The net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.

- Weighted average number of shares which includes the effect of all potential dilutive shares as if converted at the beginning of the period, or from the issue date if later.

New accounting standards

Only minor amendments issued by the IASB and endorsed by the EU were applied for the first time in 2016. These new pronouncements did not have a significant impact on the accounting policies and the consolidated financial statements of the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2016 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these consolidated financial statements.

IFRS 15 "Revenue from contracts with customers"

The standard replaces IAS 18 "Revenue" and IAS 11 "Construction contracts" and related interpretations for annual periods beginning on or after 1 January 2018. IFRS 15 establishes revenue recognition guidance in one standard. The standard introduces a five-step approach for analysis of transactions with customers, focusing on transfer of control. There are two methods for recognising income; at a point in time or over time. Adoption of the standard may require significant assessments and notes disclosures.

The Group does not expect a material effect from the implementation of IFRS 15 on the consolidated financial statements. The Group's projects are still in the exploration and evaluation phase and no revenues are expected in 2017 or 2018.

IFRS 16 "Leases"

This standard will replace the present IAS 17 and IFRIC 4 for annual periods beginning on or after 1 January 2019. The new standard requires lessees to recognise right-of-use assets and liabilities for all leases, with the exception of some leases with lease periods of less than one year or where the underlying assets are of low value. Depreciation, amortisation and impairment losses as well as interest expenses must be recognised in the statement of income. The standard also somewhat changes the definition of when an agreement is or contains a lease.

The Group is in the early phase of evaluating the impact of IFRS 16. Preliminary assessment of IFRS 16 indicates significant increased recognised fixed assets and debt, with a corresponding shift of certain amounts from other operating expenses partly to depreciation and amortisation expense, partly to interest expense.

IFRS 9 "Financial Instruments"

The standard (as revised in 2014) will supersede IAS 39 upon its effective date for annual periods beginning on or after 1 January 2018. The number of categories of financial assets have been reduced to financial assets measured at amortised cost and financial assets measured at fair value. However, the standard introduces a "fair value through other comprehensive income" measurement category for certain simple debt instruments. IFRS 9 also presents a new impairment model which is based on expected credit losses,

rather than on incurred credit losses. As a credit event is not necessary for recognising an impairment loss, there may be a change in timing of recognising impairment losses as these may be recognised at an earlier stage but not necessarily a change in the amount of recognised losses. The Group has not completed its evaluation of the impact of the implementation of the standard.

NOTE 3 - SEGMENTS

The Group shows segments on the basis of products or products under development. The two reportable segments are:

- Titanium feedstock which can be produced by Nordic Rutile from the mineral deposit at Engebøfjellet. The zoning plan and the discharge permit for the project are final, without possibility for appeals.
- Quartz which can be produced from the quartz deposit in Kvinnherad. A scoping study outlines the potential for a profitable industrial quartz project.

The chief operating decision maker of the Group is the CEO on behalf of the management team of Nordic Mining ASA.

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, but excluding purchase price allocations related to business combinations. All the numbers in the table below are in NOK thousands and represent the period 1 January – 31 December.

2016:

<i>(Amounts in NOK thousands)</i>	Quartz	Titanium	Adjustments and eliminations	Consolidated
Segment result	(619)	(18 550)	(7 922)	(27 091)
Share of loss from associate			(4 241)	(4 241)
Financial income			165	165
Financial costs			(5)	(5)
Allocated segment assets	2 393	18 781	82 805	103 979

2015:

<i>(Amounts in NOK thousands)</i>	Quartz	Titanium	Adjustments and eliminations	Consolidated
Segment result	(453)	(9 758)	(9 021)	(19 232)
Share of loss from associate			(6 597)	(6 597)
Financial income			96	96
Financial costs			(4)	(4)
Allocated segment assets	2 156	6 366	38 391	46 913

The following table reconciles the results from the reporting segments to consolidated results before tax:

<i>(Amounts in NOK thousands)</i>	2016	2015
Profit/(loss) from segments	(19 169)	(10 211)
Not allocated consolidated costs	(3 841)	(2 516)
Not allocated share of loss in associate	(4 241)	(6 597)
Not allocated net finance	160	92
Profit/(loss) before tax	(27 091)	(19 232)

NOTE 4 – SALARIES

<i>(Amounts in NOK thousands)</i>	2016	2015
Wages and salaries	6 994	4 577
Social security costs	1 369	1 018
Pension costs defined benefit plan	432	637
Pension costs defined contribution plan	90	-
Board members, etc	1 060	1 060
Other personnel costs	93	-
Capitalised payroll costs	(2 215)	(675)
Total	7 823	6 617
Average number of full time employees	5	3

For further information about remuneration for senior managers and guidelines for remuneration, please see note 20 in the consolidated financial statements.

NOTE 5 – SHARE-BASED COMPENSATION

The general meeting approved an equity settled share-based payment scheme in May 2016 to senior management and qualified resource persons. The numbers of shares and exercise prices have been restated for the reverse share split as described in note 15.

In February 2016, 333 333 options with an exercise price of NOK 5.40 per share (restated for reverse share split, ref. note 15) were granted under the share-based incentive program approved by the shareholder meeting in 2014. These options expired in May 2016.

On 18 May 2016, the general meeting approved a share-based incentive program for leading employees and qualified resource persons. The Board was authorised to award options that in total gives the right to subscribe for up to 2 833 333 new shares in Nordic Mining. In June 2016, the Board awarded in total 2,696,667 options to leading employees and qualified resource persons. For 2,096 667 options, the exercise price is NOK 4.08 per share. For the remaining 600,000 options, the exercise price is NOK 8.16 per share. The options have no vesting requirements and may be exercised until 18 May 2018. As per the date of this report none of the options have been exercised.

	2016		2015	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding 1 January	1 791 667	6.66	1 791 667	6.66
Granted during the year	3 030 000	5.03	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(2 125 000)	6.46	-	-
Outstanding 31 December	2 696 667	4.99	1 791 667	6.66
Exercisable 31 December	2 696 667	4.99	1 791 667	6.66

The average fair value of options granted in 2016 was NOK 0.47. The average remaining contractual life is 1.4 years at 31 December 2016.

The Group used the Black Scholes model to estimate fair value the options granted. The following table show the weighted-average assumptions used in the model:

Issued in	2016
Volatility	68 %
Expected life	1.12
Risk free interest	1.12 %
Share price	3.16
Exercise price	5.03

NOTE 6 – OTHER OPERATING EXPENSES

<i>(Amounts in NOK thousands)</i>	2016	2015
Office costs	574	485
Project costs – Engebø	1 832	1 913
Pre-feasibility study - Engebø	6 084	-
Other business development	694	456
Other consulting fees	47	44
Other costs	3 144	3 212
Total	12 375	6 110

Auditors' fees:

<i>(Amounts in NOK thousands)</i>	2016	2015
Statutory audit	468	507
Other attestation services	60	42
Total	528	549

The amounts are excluding VAT.

NOTE 7 – FINANCIAL INCOME AND FINANCIAL COSTS

<i>(Amounts in NOK thousands)</i>	2016	2015
Interest income on bank deposits	149	90
Foreign exchange gains	51	-
Other interest income	-	6
Finance income	200	96
Interest cost	1	-
Other finance costs	3	1
Foreign exchange losses	85	3
Finance costs	89	4

NOTE 8 – TAXES

The Group has incurred substantial tax losses carried forward and the related tax asset is shown in the table below. At this stage, the Group cannot substantiate that there will be sufficient future taxable income to be able to realise the Group's unused tax losses, and therefore the Group has not recognised deferred tax assets at 31 December 2016. Tax losses can be carried forward indefinitely in Norway.

<i>(Amounts in NOK thousands)</i>	2016	2015
Taxes payable	-	-
Deferred tax	-	-
Income tax expense/(income)	-	-

Tax effects of temporary differences and tax loss carryforwards at 31 December 2016:

<i>(Amounts in thousands)</i>	2016	2015
Mineral properties/PP&E	(3 575)	(988)
Pensions	270	475
Tax loss carryforwards	67 770	60 901
Total net deferred tax assets	64 465	60 388
Nominal tax rate (used for measurement)	24 %	25 %

The Group recorded NOK 5.9 million in gross directly attributable transaction costs of the 2016 share issues directly against equity (in 2015: NOK 2.9 million). The costs are included in tax loss carryforwards.

The following table shows the reconciliation of expected tax using the nominal tax rate to the actual tax expense/(income):

<i>(Amounts in thousands)</i>	2016	2015
Loss before tax	(27 091)	(19 232)
Nominal tax rate	25 %	27 %
Expected income tax	(6 773)	(5 193)
Non-deductible costs	14	34
Non-taxable income	-	-
Non-deductible share compensation costs	357	-
Effect of non deductible expenses from associates	1 060	1 781
Effect of change in tax rate	2 686	4 831
Tax rate change on non-recognised tax assets	(2 686)	(4 831)
Non-recognised tax assets on current year result	5 342	3 378
Tax expense/(income)	-	-

NOTE 9 – EARNINGS PER SHARE

<i>(Amounts in NOK thousands and number of shares in thousands)</i>	2016	2015
Earnings		
Attributable to ordinary shareholders	(26 907)	(19 114)
Number of shares		
Weighted average number of ordinary shares outstanding	75 450	53 457
Earnings per share attributable to ordinary shareholders (amounts in NOK)		
Basic and diluted earnings per share	(0,36)	(0,36)

The number of shares included in earnings per share has been adjusted retrospectively for the reverse share split that was effected in December 2016. In the reverse share split 6 old shares were combined to 1 new share. For further information, please see note 15 “Share Capital”.

The effect of 2.7 million (2015: 1.8 million) potentially dilutive shares arising from options (see note 5) is not included in the calculation of diluted results per share for 2016 or 2015 since the effect is anti-dilutive.

NOTE 10 – EXPLORATION AND EVALUATION ASSETS

<i>(Amounts in NOK thousands)</i>	License cost	Capitalised drilling costs	Total
Cost at 1 January 2016	5 872	3 976	9 848
Additions	379	12 288	12 667
Cost at 31 December 2016	6 251	16 264	22 515
Provision for impairment at 1 January 2016	-	-	-
Impairment of Reinfjord area	-	(1 326)	(1 326)
Provision for impairment at 31 December 2016	-	(1 326)	(1 326)
Net book value 31 December 2016	6 251	14 938	21 189
Net book value 31 December 2015	5 872	3 976	9 848

Mining concessions

The carrying amount for the licenses relates to the Engebø area. Additionally, the Group has a conditional liability to the seller of NOK 40 million that will be paid if and when commercial operation commence at Engebø. No liability has been recognised per 31 December 2016.

In 2015, the Group carried out a drilling program in Kvinnherad for the quartz deposit. In 2016, a drilling program was executed at Engebø based on planning carried out in 2015. The capitalised drilling costs include directly attributable drilling costs for the projects.

Nordic Mining has put further exploration activities at Reinfjord on hold in order to focus resources on other projects. For the time being, no substantive activities are planned or budgeted in connection with the Reinfjord exploration project. As a consequence, an impairment loss of NOK 1.3 million related to all previously capitalised drilling costs was recognised in 2016.

The exploration licenses are subject to annual renewals at the option of the Group. An annual fee is paid when the license period is extended.

NOTE 11 – PROPERTY, PLANT AND EQUIPMENT

<i>(Amounts in NOK thousands)</i>	Machinery and equipment	Total
Cost		
1 January 2015	-	-
Additions	84	84
31 December 2015	84	84
Additions	372	372
31 December 2016	456	456
Depreciation		
1 January 2015	-	-
Depreciation for period	-	-
31 December 2015	-	-
Depreciation expensed	7	7
Depreciation capitalised	100	100
31 December 2016	107	107
Net book value:		
31 December 2016	349	349
31 December 2015	84	84

The machinery and equipment acquired in 2016 and 2015 will be depreciated over a period of 4-10 years.

NOTE 12 – INVESTMENT IN ASSOCIATES

The Group holds an investment of about 25% (31 December 2016) of the voting shares in Keliber Oy which is located in Finland. The voting shares consist of A and B shares with unequal rights (A shares carry more of the losses). Keliber is an exploration and development stage company planning to produce lithium carbonate in Finland.

The following table shows a summary of Keliber's financial information. The categories include the remaining amounts of excess fair values above the recognised amounts as allocated on initial recognition of the investment in associate in 2012.

<i>(Amounts in NOK thousands)</i>	2016	2015
Current assets	27 341	24 740
Non-current assets	65 558	45 007
Current liabilities	-3 089	-2 953
Non-current liabilities	-14 891	-15 629
Equity	74 919	51 165
Carrying amount of investment in associate:	15 044	6 182

The Group recognised its share of loss of the associate of NOK 4.2 million in 2016 and NOK 6.6 million in 2015.

The Group's investment in Keliber consists of A shares and B shares. The carrying amount of the A shares was reduced to 0 (zero) in 2015, and the Group has consequently not recognised losses attributable to A shares in 2016. The unrecognised losses in 2016 was about NOK 2.5 million.

In 2016, the Group estimated recoverable amount using fair value. As per 31 December 2016, the Group's ownership was approximately 25%. The estimated fair value has been based on the price of the share issuance in Keliber in 2016. Please also see note 23 in the consolidated financial statements for further information.

NOTE 13 – TRADE AND OTHER RECEIVABLES

<i>(Amounts in NOK thousands)</i>	2016	2015
Accounts receivable	-	10
Other receivables	77	5
Prepayments	436	454
Research tax credit	-	-
VAT receivable	772	521
Totalt	1 285	990

NOTE 14 – CASH AND CASH EQUIVALENTS

<i>(Amounts in NOK thousands)</i>	2016	2015
Bank deposits	66 112	29 809
Total cash and cash equivalents	66 112	29 809
Restricted cash in tax withholding account	437	295

NOTE 15 – SHARE CAPITAL

Number of shares outstanding	Ordinary shares
2015:	
Opening balance	51 417 468
Share issuance	12 833 333
31 December 2015	64 250 801
2016:	
Opening balance	64 250 801
Share issuance	28 333 333
31 December 2016	92 584 134

All shares have equal rights. On 5 December 2016, an extraordinary general meeting resolved a reverse share split at a ratio of 6:1; 6 old shares gave 1 new share. The reverse share split was effective on 8 December 2016. Following from the reverse share split, the par value of the Nordic Mining share is NOK 0.60. All the comparative number of shares numbers in the consolidated financial statements have been restated to reflect the reverse share split.

Share issues in 2016

In June 2016, Nordic Mining executed a rights issue of 21,954,667 shares (the number of shares and the issue price has been updated for the reverse share split described above) with preferential right for shareholders as per the end of 3 June 2016 (as registered in the VPS as of 7 June 2016). The subscription price was NOK 3.00 per share, resulting in gross proceeds of approximately NOK 65.9 million.

In December 2016, Nordic Mining executed a private placement of 6,378,666 shares (first tranche) to four selected institutional and professional investors. The subscription price was NOK 3.10 per share, resulting in gross proceeds of approximately NOK 19.8 million. As per 31 December 2016, the Company's share capital is NOK 55,550,480.40 divided into 92,584,134 shares, each with a par value of NOK 0.60.

Please see note 23 "Events after the balance sheet date" for information regarding an additional share issue in January 2017.

Share issue in 2015

In October 2015, Nordic Mining executed a rights issue of 12 833 333 shares with preferential right for shareholders. The subscription price was NOK 2.70 per share, resulting in gross proceeds of NOK 34.65 million.

Potential new shares

In 2016, the Company's annual general meeting approved an incentive program for senior management and qualified resource persons. The Board was given authority to grant options that in total give the right to issue up to 2.83 million new shares in Nordic Mining. A total of 2.70 million new options were granted in June 2016 as described in note 5, "Share-based remuneration". The authorisation from the annual general meeting was granted for two years and expires on 18 May 2018.

NOTE 16 – OTHER CURRENT LIABILITIES

<i>(Amounts in NOK thousands)</i>	2016	2015
Tax withholding and social security accrual	747	490
Employee salary and holiday pay accrual	776	518
VAT payable	215	-
Accrued expenses	1 848	49
Total	3 586	1 057

NOTE 17 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Management of financial risk**

Nordic Mining is exposed to certain types of financial risk related to the Group's financial instruments, primarily market risk related to floating interest rate risk on cash and cash equivalents, and liquidity risk.

The management of Nordic Mining manages the Group's financial risk. Risk management is primarily done by identifying and evaluating potential risk areas. Management focus is primarily on management of the liquidity risk to secure continuing operation and financing of the Group's capital intensive projects. The Group has until now not found it necessary to use derivatives or other financial instruments to manage financial risks.

Liquidity risk

The liquidity risk is the risk that the Group will not be able to pay financial obligations on their due date. The Group has to a large extent used equity financing in order to meet liquidity requirements related to financial obligations, covering of operational losses and for exploration activity and investments.

All of the Group's financial liabilities as at 31 December 2016, NOK 4.9 million, mature within 6 months from the balance sheet date (2015: all financial liabilities of NOK 1.4 million mature within 6 months at 31 December 2015).

The Group has sufficient cash to settle liabilities as at 31 December 2016 and expected cash used for operations in 2017.

Market risk

Market risk consists of the risk that real value or future cash flow related to financial instruments will vary as a consequence of market prices. Market risk includes, but is not limited to, currency risk, interest rate risk and price risk from sales. Currently the Group has no exposure to price risk from sale of goods, and no financial instruments have been entered into related to future expected exposures. To a limited extent, the Group has market risk from financial instruments such as cash and cash equivalents and trade payables.

(i) Variable interest rate risk

The Group's cash and cash equivalents are exposed to changes in the market interest rate on bank deposits. The Group's exposure on the result is approximately +/-NOK 661,000 per percentage-point change in the variable market interest rate.

(ii) Currency exchange risk

The Group's operations are primarily in NOK, and there are limited transactions in foreign currency.

Credit risk

Credit risk is the risk of financial losses if a customer or counterpart of a financial instrument is unable to meet contractual obligations.

The Group's business is assessed to have only limited credit risk as at 31 December 2016. Cash and cash equivalents represent close to 100% of the Group's financial assets at 31 December 2016. There has been no loss recognised on trade receivables in 2016 or 2015.

Only to a limited degree routines for evaluation of credit risk have been introduced, however, discretionary evaluations are done on a case-by-case basis. Management will on an ongoing basis evaluate the necessity of implementing stricter credit evaluations. Maximum exposure to credit risk is related to receivables which on the date of the accounts were NOK 0.1 million in 2016 and NOK 0 million in 2015.

Categories and fair value of financial instruments

The carrying amounts on the balance sheet of cash and cash equivalents, receivables, payables to suppliers, interest bearing bank loans and other short term financial items are close to fair value due to the short time period till maturity.

(Amounts in NOK thousands)	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	77	77	15	15
Cash and cash equivalents	66 112	66 112	29 809	29 809
Total financial assets	66 189	66 189	29 824	29 824
Financial liabilities measured at amortised cost:				
Accounts payable	2 299	2 299	798	798
Other current financial liabilities	2 624	2 624	567	567
Total financial liabilities	4 923	4 923	1 365	1 365

The management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Currency exchange rate sensitivity

There is immaterial currency exchange risk related to financial instruments as of 31 December 2016.

Capital management

The Group has used equity financing to a large degree to finance research, operations, purchase of licenses and other investments. The Group has previously also used long-term interest bearing loan and financial lease obligations. The goal of the Group's capital management is to secure liquidity for operations and for development of the Group's projects. The Group has no interest-bearing debt, and a cash balance well in excess of its liabilities. Thus, the net gearing ratio is negative. The ratio of net debt (debt less cash) divided by total capital (net debt and equity) as of 31 December 2016, is -156% (as of 31 December 2015 -152%).

(Amounts in NOK thousands)	2016	2015
Total debt	7 009	3 753
- Cash and cash equivalents	66 112	29 809
Net debt	(59 103)	(26 056)
Total equity and debt	103 979	46 913
- Cash and cash equivalents	66 112	29 809
Net equity and debt	37 867	17 104
Ratio	-156 %	-152 %

NOTE 18 – INVESTMENT IN SUBSIDIARIES

(Amounts in NOK thousands)	Location	Year incorp.	Share capital	Ownership	Equity 31.12.16	Net loss 2016
Nordic Rutile AS	Oslo, Norge	2006	15 098	100 %	(3 165)	(18 550)
Nordic Ocean Resources AS	Oslo, Norge	2011	118	80 %	(829)	(923)
Nordic Quartz AS	Oslo, Norge	2011	122	100 %	(46)	(619)

NOTE 19 – SHAREHOLDERS

Shareholders per 31 December 2016	Number of shares	% ownership
Nordnet Bank AB (Nominee)	7 934 559	8.57 %
Nordea Bank Finland Plc (Nominee)	4 268 714	4.61 %
Nordnet Livsforsikring AS	3 007 409	3.25 %
Spencer Trading Inc	2 320 768	2.51 %
JP Morgan Chase Bank, N.A., London (Nominee)	1 754 905	1.90 %
Dybvad Consulting AS	1 673 900	1.81 %
Danske Bank A/S (Nominee)	1 392 086	1.50 %
Citibank, N.A. (Nominee)	1 346 885	1.45 %
Magil AS	1 298 401	1.40 %
Infosave AS	1 235 609	1.33 %
Ove Klungland Holding AS NIL	1 148 780	1.24 %
Snati AS	1 050 000	1.13 %
Alden AS	1 014 474	1.10 %
Knut Fosse AS	1 004 240	1.08 %
Lithinon AS	1 000 977	1.08 %
Olav Birger Sletten	910 000	0.98 %
Skagen Vekst	900 000	0.97 %
Ole Kristian Gundersen Stokken	751 043	0.81 %
Reidar Jarl Hansen	653 201	0.71 %
Tigerstaden AS	628 172	0.68 %
Total 20 largest shareholders	35 294 123	38.12 %
Other shareholders	57 290 011	61.88 %
Total	92 584 134	100.00 %

NOTE 20 – RELATED PARTIES AND COMPENSATION OF MANAGEMENT**Transactions with related parties**

Transactions with related parties adhere to the "arm's length principle". In 2016, the Company has had no transactions with related parties (2015: NOK 0.5 million).

Compensation of board members and key management in 2016

(Amounts in NOK thousands)	Salary	Board member fees	Other compensation	Pension costs	Share-based compensation	Total
Ivar Sund Fossum, CEO	2 043	-	232	225	-	2 501
Lars K. Grøndahl, CFO	1 546	-	163	170	-	1 880
Mona Schanche, VP Exploration	1 201	-	122	132	-	1 455
Thomas B. Addison, General Manager	1 309	-	11	68	-	1 388
Bent Erik Nordbø, Nomination Committee	-	15	-	-	-	15
Hans Olav Kvalvaag, Nomination Committee	-	15	-	-	-	15
Ole G. Klevan, Chairman Nomination Committee	-	30	-	-	-	30
Tarmo Tuominen, Board chairman	-	300	-	-	-	300
Tore Viana-Rønningen, Board member	-	175	-	-	-	175
Kjell Roland, Board member	-	175	-	-	-	175
Mari Thjømøe, Board member	-	175	-	-	-	175
Hilde Myrberg, Board member	-	175	-	-	-	175
Total	6 099	1 060	529	596	-	8 284

Compensation of board members and key management in 2015

<i>(Amounts in NOK thousands)</i>	Board member	Other	Pension	Share-based	Total	
	Salary	fees	compensation	costs	compensation	
Ivar Sund Fossum, CEO	1 995	-	242	344	-	2 581
Lars K. Grøndahl, CFO	1 512	-	164	260	-	1 936
Mona Schanche, Exploration manager	1 061	-	142	183	-	1 387
Bent Erik Nordbø, Nomination Committee	-	15	-	-	-	15
Hans Olav Kvalvaag, Nomination Committee	-	15	-	-	-	15
Ole G. Klevan, Chairman Nomination Committee	-	30	-	-	-	30
Tarmo Tuominen, Board chairman	-	300	-	-	-	300
Tore Viana-Rønningen, Board member	-	175	-	-	-	175
Kjell Roland, Board member	-	175	-	-	-	175
Mari Thjømøe, Board member	-	175	-	-	-	175
Hilde Myrberg, Board member	-	175	-	-	-	175
Total	4 569	1 060	548	787	-	6 963

Management has no termination agreement and is subject to a normal statutory termination period of 3-6 months.

Guidelines for management remuneration

The main components of the guidelines for senior management salaries are as follows:

- The compensation package should reflect the responsibility and the tasks that the individual persons in senior management, and that the employee contributes towards the long-term creation of value in Nordic Mining.
- The Group will offer competitive conditions in order to attract relevant expertise for the development of the Group.
- The compensation package consists of fixed salary plus participation in an option program that has previously been approved by the annual meeting.
- Senior management participates in pension and insurance plans.
- Neither the Company's CEO nor other members of the senior management team has an agreement of a severance package in their employment contracts.

These guidelines have been used to hire senior management in Nordic Mining ASA and the Group, and to establish salary levels.

Shares owned/controlled by members of the Board and senior management and those related to them as of 31 December 2016:

Name	Position	Number of shares	% ownership
Ivar Sund Fossum	CEO	437 182	0.47 %
Lars K. Grøndahl ¹	CFO	1 298 401	1.40 %
Mona Schanche	VP Exploration	34 053	0.04 %
Thomas B. Addison	General Manager, Nordic Rutile	-	-
Tarmo Tuominen	Board chairman	90 224	0.10 %
Kjell Roland	Board member	75 027	0.08 %
Tore Viana-Rønningen ²	Board member	60 834	0.07 %
Mari Thjømøe ³	Board member	105 797	0.11 %
Hilde Myrberg	Board member	17 058	0.02 %
Total		2 118 576	2.29 %

1) The shares are owned through the company Magil AS.

2) The shares are owned through the company ETVR Invest AS

3) The shares are owned through the company ThjømøeKranen AS.

Options held by Board Members and key management at 31 December 2016:

Name	Position	Total granted and outstanding	Granted in 2016
Ivar Sund Fossum	CEO	900 000	900 000
Lars K. Grøndahl	CFO	566 667	566 667
Mona Schanche	VP Exploration	500 000	500 000
Thomas B. Addison	General Manager, Nordic Rutile	500 000	500 000
Total		2 466 667	2 466 667

No options have been granted to members of the Board.

NOTE 21 – PENSIONS

Defined benefit plan

The Group has a defined benefit plan with 3 active members. The Group's defined benefit pension plan is a final salary plan and contributions are made to a separately administered fund. The level of benefits provided depends on the member's length of service and salary at retirement age.

Pension cost:

<i>(Amounts in NOK thousands)</i>	2016	2015
Pension cost - employee benefit	509	769
Pension cost - interest expense	18	18
Total pension related costs	528	787
Remeasurement gains/(losses) recorded to OCI	222	(647)

Movement in pension obligation during the year:

<i>(Amounts in NOK thousands)</i>	2016	2015
Pension obligations January 1	10 480	9 159
Current value of pension benefits for the year	744	769
Interest costs	182	183
Curtailment/settlement	(609)	-
Payments	(246)	(246)
Remeasurement loss/(gain)	(161)	550
Other	(88)	66
Pension obligations as of 31 December	10 301	10 480

Movements in pension funds during the year:

<i>(Amounts in NOK thousands)</i>	2016	2015
Pension funds 1 January	8 582	7 742
Expected return on plan assets	141	165
Curtailment/settlement	(352)	-
Contributions	984	1 033
Payments	(246)	(246)
Other	8	(14)
Remeasurement (loss)/ gain	61	(98)
Pension funds as of 31 December	9 178	8 582

Pension liability is classified on the balance sheet as follows:

<i>(Amounts in NOK thousands)</i>	2016	2015
Pension funds	9 178	8 582
Pension obligations	(10 301)	(10 480)
Total	(1 124)	(1 898)
Other	-	-
Net pension asset	(1 124)	(1 898)

Pension asset/(liability) is shown in the balance sheet as:

Other long-term asset	-	-
Other liabilities	(1 124)	(1 898)

Assumptions:

	2016	2015
Discount interest rate	2.00 %	1.90 %
Annual projected increase in salary	2.50 %	2.50 %
Annual projected G- regulation	2.25 %	2.25 %
Annual projected regulation of pension under payment	0.00 %	0.00 %

The major categories of plan assets as a percentage of the fair value of total plan assets.

Investment plan assets by category:

	2016	2015
Equities	6.70 %	4.50 %
Alternative investments	0.00 %	3.80 %
Bonds	12.20 %	6.50 %
Money market	23.60 %	24.30 %
Hold to maturity bonds	31.70 %	32.70 %
Loans and receivables	18.10 %	18.00 %
Real estate	7.40 %	9.90 %
Other	0.30 %	0.30 %

Defined contribution plan

The Group has a defined contribution plan for two of its employees in the subsidiary Nordic Rutile AS. The Group recognised an expense of NOK 90,000 in 2016 and 0 (zero) in 2015 related to its defined contribution plan.

NOTE 22 – PAYMENTS TO AND FROM GOVERNMENTAL INSTITUTIONS

In accordance with the Accounting Act, section 3-3d, the Group has assessed its relations with and payments to and from governmental institutions. The Group's governmental relations are only with institutions in Norway. All relations and payments are in the ordinary course of business and related to i.a license payments, payment of prospectus/financial authority fees, R&D projects grants, tax refund, etc.

Estimated total payment from the Group to various Norwegian governmental institutions was around NOK 0.2 million in 2016 (2015: NOK 0.2 million). Estimated total payment to the Group from various Norwegian governmental institutions was around NOK 0 million in 2016 (2015: NOK 0 million).

NOTE 23 – EVENTS AFTER THE BALANCE SHEET DATE

Share capital

On 10 January 2017, Nordic Mining executed a private placement of 2,241,334 shares (second tranche) to the same four institutional and professional investors and at the same subscription price as in the December 2016 issue, ref. note 6 above. The share issue was resolved in an extraordinary general meeting on 10 January 2017. The gross proceeds in the issue were approximately NOK 6.9 million. As per the date of this report, the Company's share capital is NOK 56,895,280.80 divided into 94,825,468 shares, each with a par value of NOK 0.60.

Engebø project

On 18 January 2017, the EFTA Surveillance Authority informed that it has closed three complaint cases against Norway's permitting of the tailings disposal for the Engebø project. The Norwegian government approved the zoning plan for the project in 2015 and the discharge permit was final in February 2016.

In January 2017, the Norwegian Directorate of Mining extended the extraction permits for the Engebø project with 10 years from 12 November 2017. Consequently, the expiry date for the extraction permits is now 12 November 2027. The extraction permits are held by the wholly owned subsidiary, Nordic Rutile AS.

Keliber

In March 2017, Keliber successfully concluded a private placement with gross proceeds of EUR 5.0 million. The share issue was subscribed by four Finnish investors. In total, 125,000 new shares were issued at a subscription price of EUR 40 per share.

In April 2017, Keliber executed a repair issue for existing shareholders on the same terms and conditions as in the private placement. In total, 125,000 shares were issued. Nordic Mining participated in the repair issue pro rata to its shareholding.

Further in April 2017, an incentive share issue was executed for members of the board in Keliber. In total, 3,510 shares were issued at a price of EUR 36 per share (incentive price in accordance with Finnish tax regulations). Due to corporate governance restrictions, Nordic Mining's representatives in the Keliber board did not participate in the incentive issue.

As per the date of this report, Keliber has around 1,082,000 outstanding shares. Nordic Mining's shareholding in Keliber is approximately 22%.

Corporate accounts for Nordic Mining ASA



INCOME STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2016	2015
Revenues from Group companies		6 654	6 821
Other income		-	-
Payroll and related costs	4	(6 384)	(6 617)
Share-based payment	4	(1 064)	-
Other operating expenses	5	(3 586)	(3 867)
Impairment of exploration and evaluation assets	8	(1 326)	-
Operating loss		(5 706)	(3 663)
Financial income	6	2 952	1 828
Financial costs	6	(5)	(3)
Profit/(loss) before tax		(2 759)	(1 838)
Income tax	7	-	-
Net profit/(loss)		(2 759)	(1 838)
Allocation of the loss			
Allocated to retained losses		(2 759)	(1 838)
Total allocation of the loss		(2 759)	(1 838)
Earnings per share attributable to ordinary shareholders			
<i>(Amounts in NOK)</i>			
Basic and diluted earnings per share		(0.04)	(0.03)

BALANCE SHEETS

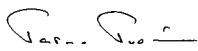
<i>(Amounts in NOK thousands)</i>	Note	2016	2015
ASSETS			
Non-current assets			
Exploration and evaluation assets	8	-	1 326
Investment in subsidiaries	13	54 053	52 406
Investment in associate	3, 13	26 149	12 423
Total non-current assets		80 203	66 156
Financial assets			
Long term receivables Group companies	9	71 278	43 263
Total financial assets		71 278	43 263
Total non-current assets		151 481	109 418
Current assets			
Other receivables and prepayments	9	480	462
Cash and cash equivalents	10	65 341	29 275
Total current assets		65 821	29 737
Total assets		217 302	139 155

BALANCE SHEETS


<i>(Amounts in NOK thousands)</i>	Note	2016	2015
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	11	55 550	38 550
Share premium	11	326 046	263 282
Other paid-in capital	11	14 354	12 924
Retained losses	11	(181 768)	(179 232)
Total equity	11	214 182	135 525
Non-current liabilities			
Pension liabilities	4	1 124	1 898
Total non-current liabilities		1 124	1 898
Current liabilities			
Trade payables		628	485
Provision and other current liabilities	12	1 368	1 247
Total current liabilities		1 996	1 732
Total liabilities		3 120	3 630
Total shareholders' equity and liabilities		217 302	139 155

Oslo, 21 April 2017

The Board of Directors of Nordic Mining ASA


Tarmo Tuominen
Chairman

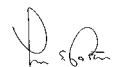

Kjell Roland


Tore Viana-
Rønningen


Mari Thjømøe



Hilde Myrberg


Ivar S. Fossum
CEO

CASH FLOW STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before income tax		(2 759)	(1 838)
Write down of exploration assets	13	1 326	-
Share-based payment	4	1 064	-
Other changes in assets and liabilities			
Receivables, operating receivables from subsidiaries, prepayments	9	(29 315)	(13 121)
Trade payables		143	(233)
Accrued expenses and other current liabilities	12	121	(57)
Other		(552)	(167)
Net cash used in operating activities		(29 972)	(15 416)
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in associate	13	(13 726)	(1 320)
Net cash used in investing activities		(13 726)	(1 320)
CASH FLOW FROM FINANCING ACTIVITIES			
Share issuance net of transaction costs	11	79 763	31 787
Net cash from financing activities		79 763	31 787
Net change in cash and cash equivalents		36 065	15 051
Cash and cash equivalents at beginning of period	10	29 275	14 224
Cash and cash equivalents at end of period	10	65 341	29 275
Non-cash transactions			
Conversion of debt to equity in subsidiaries		1 282	1 378

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Nordic Mining ASA (“the Company”) and its subsidiaries (together “the Group”) focus on exploration, extraction and production of high-end industrial minerals and metals. The address of Nordic Mining’s office is Munkedamsveien 45, N-0250 Oslo, Norway.

The Board approved publication of the accounts on 21 April 2017.

NOTE 2 – SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles that have been used in developing the Company accounts are described below. These principles have been consistently applied unless otherwise stated.

Basic principles

The Company accounts have been presented in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The related notes are an integral part of the financial statements of the Company.

The annual accounts are based on the going concern assumption. For further comments see the Board of Directors’ Report and note 17 of the consolidated financial statements.

Investment in subsidiaries and associated entities

Subsidiaries are companies controlled by the Company. Associated companies are investments in companies where the Company has significant influence, but not control. Significant influence normally exists when the Company controls between 20% and 50% of the voting rights.

Subsidiaries and associates are measured at cost in the statutory accounts. The investments are measured at acquisition cost, unless impairment has been necessary. Such assets are deemed to be impaired at fair value when a decrease in value cannot be considered to be of temporary nature, and in accordance with generally accepted accounting principles. Impairments are reversed when the basis for the impairment no longer applies.

Transactions in foreign currency

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Acquisition of mining and mineral properties and exploration and development of such properties

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets acquired.

Some exploration and evaluation assets should be classified as intangibles, such as drilling rights and capitalised exploration costs. When technical feasibility and commercial viability of extracting a mineral resource is demonstrable, the assets should be reclassified as tangible assets. Evaluation and exploration assets that are classified as intangible assets are tested for impairment prior to reclassification.

Mining and mineral properties

Mining interests represent capitalised expenditures related to the acquisition, exploration and development of mining properties and related plant and equipment. Capitalised costs are depreciated and depleted using a unit of production method over the estimated economic life of the mine to which they relate.

Exploration and development for mineral properties

The Company employs the successful efforts method to account for exploration and development costs. All exploration costs, with the exception of acquisition costs of licenses and direct drilling costs of exploration wells are charged to expenses as incurred. Drilling costs of exploration holes are temporarily capitalised pending the evaluation of the potential existence of mineral reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration holes are expensed. Costs of acquiring licenses are capitalised and assessed for impairment at each reporting date.

Receivables

The Company’s receivables are mainly receivables on Group companies. Receivables are recognised initially at cost, and subsequently measured at amortised cost using the effective interest method if the amortisation effect is material, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and other short term, easily convertible investments with maximum three months original maturity.

Share capital

Ordinary shares are classified as equity. Expenses that are directly linked to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Loans

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognised on the income statement over the period of the interest bearing liabilities.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, if the amortisation effect is material.

Government grants

Government grants are recognised in profit and loss on a systematic basis over the periods in which the Company recognises expenses the related cost for which the grant are intended to compensate.

Government grants related to capitalised assets is presented in the balance by deducting the grant in arriving at the carrying amount of the asset.

Share-based compensation

The Company uses share-based, equity settled warrants as part of the compensation for senior management and qualified recourse persons. The fair value of the services received is recognised as an expense in the financial statements over the period the options vest. The fair value of options that are fully vested on the grant date are fully recognised in the income statement when granted. Share-based compensation to employees and other qualified persons is measured by reference to the fair value of equity instruments issued. The Company uses the Black Scholes model to measure the fair value of options and warrants.

Deferred tax

Income tax expense represents the sum of the taxes currently payable and deferred tax. Taxes payable are provided based on taxable profits at the current tax rate. Deferred taxes are recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not recognised on temporary differences arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Revenue recognition

The primary revenue comes from sale of services to Group companies. Revenues are recognised in the accounting period in which the services are provided.

Pensions

The Company has a defined benefit pension plans for its employees that meet the Norwegian statutory requirement. For the defined benefit plan, the cost of providing the benefits is determined using the unit credit method, with actual valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses, the effect of asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in equity in the period in which they occur. Past service costs are recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Cash flow statement

The Company reports the cash flow statement using the indirect method. That involves that the result for the period are adjusted for the effects of transactions without effect on cash and changes in assets and liabilities to show net cash flow from operations. Cash flow relating to investment activities and financing activities are shown separately.

Related parties

All transactions, agreements and business activities with related parties are processed on standard arm's length business terms. Parties are related if they have the possibility to directly or indirectly control the business or provide significant influence over the financial and operational decision of the business. The parties are also related if they are subject to "common control". The Company provides information in notes about transactions and balances with related parties, ref. note 20 in the consolidated financial statements.

Earnings per share

The calculations of earnings per share are based on the result assigned to ordinary shareholders using a weighted average of outstanding shares through the period after deduction for weighted number of shares in the period. The calculation of diluted earnings per share is consistent with the method for calculating basic earnings per share, considering potential diluted shares in the period:

- The net profit for the period that is assigned to ordinary shareholders is increased with an after-tax amount for dividends and interest recognised in the period related to potential diluted shares.
- Weighted average number of shares issued that include the effect of all potential diluted had been converted to ordinary shares in the beginning of the period or from the issuing date is this is later.

NOTE 3 – SIGNIFICANT TRANSACTIONS

In 2016, Nordic Mining participated pro rata to its 25% shareholding in share issues in Keliber. The total investment amount was approximately NOK 13.7 million.

In 2015, Nordic Mining participated pro rata to its 25% shareholding in share issues in Keliber. The total investment amount was approximately NOK 1.3 million.

NOTE 4 – SALARIES, SHARE-BASED COMPENSATION, RELATED PARTY TRANSACTIONS AND MANAGEMENT COMPENSATION, AND PENSIONS

Please see note 4, 5, 20, and 21 in the consolidated financial statements for information regarding salaries, share-based compensation, related party transactions and management compensation, pensions, etc.

NOTE 5 – OTHER OPERATIONAL COSTS

<i>(Amounts in NOK thousands)</i>	2016	2015
Office costs etc.	479	485
Other business development	419	309
Other costs	2 688	3 073
Total	3 586	3 867

Auditor fees:

<i>(Amounts in NOK thousands)</i>	2016	2015
Statutory audit	365	380
Other attestation services	60	32
Total	425	412

The amounts are excluding VAT.

NOTE 6 – FINANCIAL INCOME AND FINANCIAL COSTS

<i>(Amounts in NOK thousands)</i>	2016	2015
Interest income on bank deposits	147	90
Interest from Group companies	2 787	1 738
Foreign exchange gains	18	-
Finance income	2 952	1 828
Other finance costs	1	1
Foreign exchange losses	4	2
Finance costs	5	3

NOTE 7 – TAXES

The Company has incurred substantial losses to be carried forward, and the tax values are disclosed in the table below. At this stage, the Company cannot substantiate that there will be sufficient future income to be able to realise the Company's unused tax losses, and thus the Company has not recognised any deferred tax asset as at 31 December 2016.

There is no limit in years for tax loss carryforward in Norway.

Income taxes for the year:

<i>(Amounts in thousands)</i>	2016	2015
Taxes payable	-	-
Deferred tax	-	-
Income tax expense/(income)	-	-

Tax impact of temporary differences as of 31 December:

<i>(Amounts in thousands)</i>	2016	2015
Intangible assets	-	(332)
Pensions	270	475
Tax loss carryforwards	49 872	50 260
Net deferred tax assets	50 142	50 403
Nominal tax rate (used to measure deferred tax items)	24 %	25 %
Recognised on the balance sheet:		
Deferred tax asset	-	-
Deferred tax liability	-	-

Reconciliation of effective tax rate:

<i>(Amounts in thousands)</i>	2016	2015
Loss before tax	(2 759)	(1 838)
Nominal tax rate	25 %	27 %
Expected tax loss	(690)	(496)
Non-deductible costs	9	5
Non-taxable income	-	(3)
Non-deductible share compensation costs	266	-
Effect of rate change	2 089	4 032
Effect of range change on non-recognised deferred tax asset	(2 089)	(4 032)
Non-recognised deferred tax asset allocable to profit and loss	415	494
Tax expense/(income)	-	-

Government grants/ R&D tax credits:

The Company received NOK 0 million in R&D tax credits in 2016 (NOK 0 in 2015).

NOTE 8 – EXPLORATION AND EVALUATION ASSETS**Reinfjord exploration project**

Nordic Mining has put further exploration activities at Reinfjord on hold in order to focus resources on other projects. For the time being, no substantive activities are planned or budgeted in connection with the Reinfjord exploration project. As a consequence, an impairment loss of NOK 1.3 million related to all previously capitalised drilling costs was recognised in 2016.

NOTE 9 – OTHER RECEIVABLES AND PREPAID EXPENSES

<i>(Amounts in NOK thousands)</i>	2016	2015
Accounts receivable	-	10
Other receivables	76	6
Prepayments	404	446
Intercompany receivables	-	-
Totalt	480	462

Specification of intercompany loans/receivables:

<i>(Amounts in NOK thousands)</i>	2016	2015
Nordic Rutile AS	67 647	40 002
Nordic Quartz AS	2 850	2 899
Nordic Ocean Resources AS	781	362
Total	71 278	43 263
Classified as current liabilities	-	-
Classified long-term receivables	71 278	43 263

The interest rate on the intercompany loans is 6% per year.

NOTE 10 – CASH AND CASH EQUIVALENTS

<i>(Amounts in NOK thousands)</i>	2016	2015
Bank deposits	65 341	29 275
Total cash and cash equivalents	65 341	29 275
Included in cash and cash equivalent - Employee withholding tax	322	295

NOTE 11 – SHARE CAPITAL AND CHANGES IN EQUITY

Number of shares outstanding	Ordinary shares
2015:	
Opening balance	51 417 468
Share issuance	12 833 333
31 December 2015	64 250 801
2016:	
Opening balance	64 250 801
Share issuance	28 333 333
31 December 2016	92 584 135

Please see note 15 in the consolidated financial statements for information regarding share issues in 2015 and 2016, and note 19 for information regarding the largest shareholders in Nordic Mining ASA. Also see note 15 for information regarding reverse share split by factor of 6.

All shares have equal rights. Nominal value is NOK 0.60 per share.

Changes in equity were as follows:

<i>(Amounts in NOK thousands)</i>	Share capital	Share premium	Other-paid-in capital	Retained earnings	Total
Equity at 1 January 2015	30 850	239 195	12 924	(176 746)	106 223
Share issue	7 700	26 950	-	-	34 650
Transaction costs on share issue	-	(2 863)	-	-	(2 863)
Actuarial gain losses on pensions	-	-	-	(647)	(647)
Loss for the period	-	-	-	(1 838)	(1 838)
Equity at 31 December 2015	38 550	263 282	12 924	(179 231)	135 525
Share-based payment	-	-	1 430	-	1 430
Share issue	17 000	68 638	-	-	85 638
Transaction costs on share issue	-	(5 874)	-	-	(5 874)
Actuarial gain losses on pensions	-	-	-	222	222
Loss for the period	-	-	-	(2 759)	(2 759)
Equity at 31 December 2016	55 550	326 046	14 354	(181 768)	214 182

NOTE 12 – PROVISION AND OTHER CURRENT LIABILITIES

<i>(Amounts in NOK thousands)</i>	2016	2015
Tax withholding and social security accrual	536	490
Employee salary and holiday pay accrual	544	518
VAT payable	215	239
Accrued expenses	73	-
Total	1 368	1 247

NOTE 13 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE

<i>(Amounts in NOK thousands)</i>	Location	Year incorp.	Share capital	Ownership	Equity 31.12.16	Net loss 2016	Carrying amount 31.12.16
Nordic Rutile AS	Oslo, Norge	2006	15 098	100 %	(3 165)	(18 550)	47 549
Nordic Ocean Resources AS	Oslo, Norge	2011	118	80 %	(829)	(923)	2 539
Nordic Quartz AS	Oslo, Norge	2011	122	100 %	(46)	(619)	3 965
Total							54 053

The projects carried out in the subsidiaries are in an early phase. Testing for impairment has been done, however, no impairment has been recognised.

Investments in associate

The Company holds an investment of approximately 25% (per 31 December 2016) in Keliber Oy in Finland.

<i>(Amounts in NOK thousands)</i>	Carrying amount
Carrying amount 01.01.2015	11 103
Additional investment 2015	1 320
Carrying amount 31.12.2015	12 423
Additional investment 2016	13 726
Carrying amount 31.12.2016	26 149

Nordic Mining made an additional investment of approximately NOK 13.7 million in 2016 (NOK 1.3 million in 2015). Please also see note 23 in the consolidated financial statements for investment after the balance sheet date.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of financial risk

Nordic Mining is exposed to various types of financial risk related to the Company's financial instruments, primarily market risk related to floating interest rate on cash and cash equivalents, and liquidity risk. The Company manages financial risk primarily by identifying and evaluating potential risk areas. The Company has at this time not found it necessary to use derivatives to several financial risks.

Liquidity risk

The liquidity risk is the risk that the Company is not able to pay its financial obligations upon maturity. The Company has used equity financing to a large degree in order to meet liquidity demands related to financial obligations, cover operational losses and for investments. Nordic Mining ASA does not have significant financial obligations. For a more complete description of Nordic Mining Group's liquidity risk please see note 17 in the consolidated financial statements and the Board of Directors' report.

Market risk

Variable interest risk

The Company is exposed to cash flow risk related to receivables from subsidiaries that has a floating interest rate. Furthermore, the Company has exposure to the floating interest risk related cash or cash equivalent deposits.

Currency exchange risk

The Company has limited exposure to currency exchange risk as at 31 December 2016. Currency transactions may arise, amongst others related to its associate. The Company evaluates unpaid balances and transactions in foreign currency, but has so far not decided to secure against currency exposure.

Credit risk

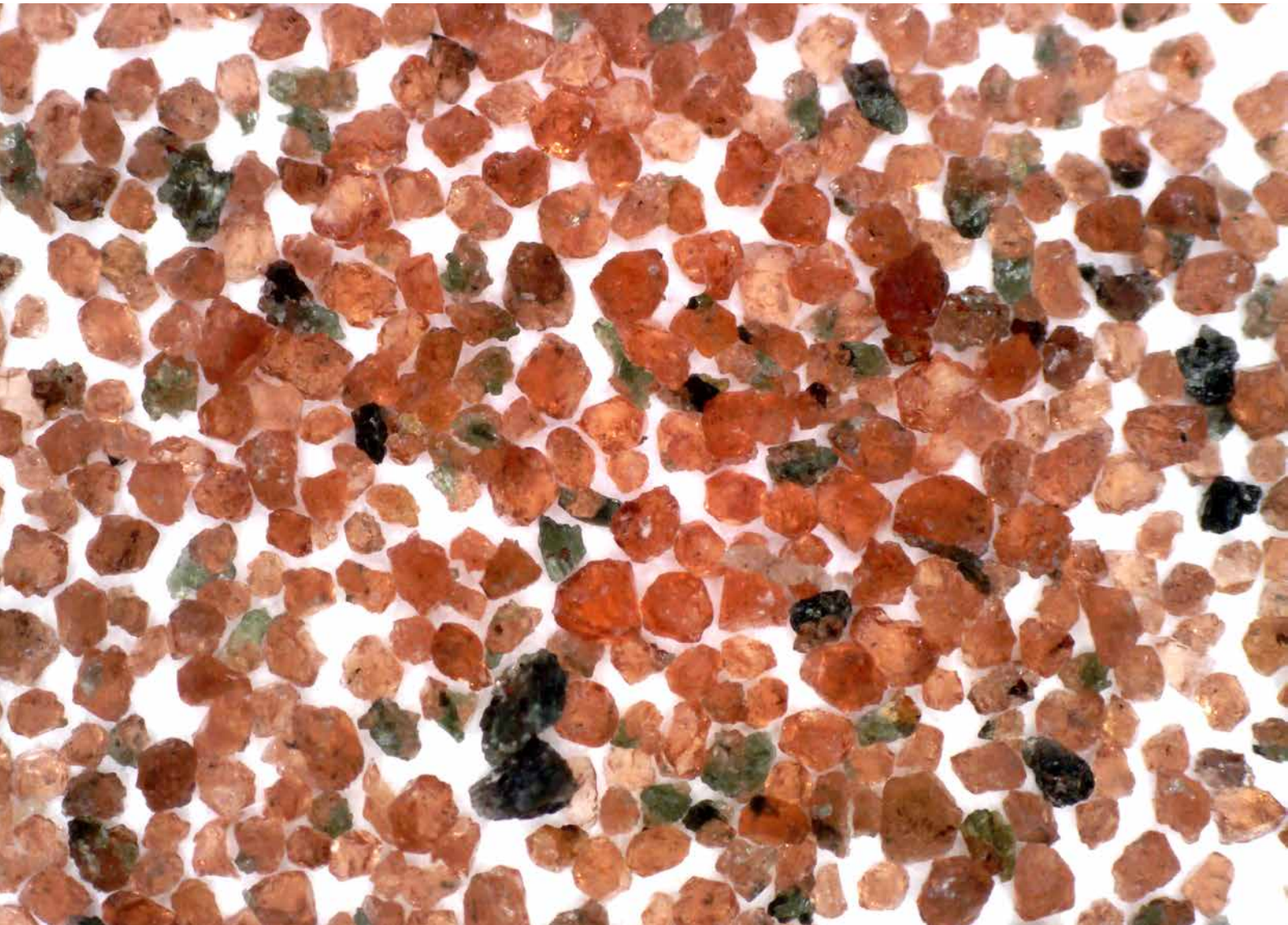
The Company does not have receivables from sales, and there are not many other payables (loans and payables are primarily from the companies within the Group; at 31 December 2016 the intercompany loans and payables amounted to NOK 71.2 million). The Company has a limited credit risk from external parties.

Sensitivity analysis

The Company's result and equity is exposed only to a limited degree to changes in interest rate (bank deposit and intercompany loans) and currency exchange rates.

NOTE 15 – EVENTS AFTER THE DATE OF THE ACCOUNTS

Please see note 23 in the consolidated financial statements.



Engerbø garnet concentrate test sample.

**Nordic Mining ASA**

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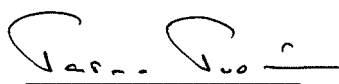
RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the consolidated financial statements for 2016 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, that the financial statements for the parent company for 2016 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Nordic Mining ASA and the Nordic Mining Group for the period.

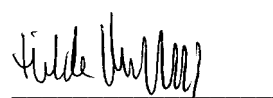
We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development, performance and financial position of Nordic Mining ASA and the Nordic Mining Group, together with a description of the principal risks and uncertainties that they face.


Oslo, 21 April 2017


The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman


Kjell Roland
Deputy chairman


Hilde Myrberg
Board member


Mari Thjømøe
Board member


Tore Viana-Rønningen
Board member


Ivar S. Fossum
CEO



Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nordic Mining ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nordic Mining ASA comprising the financial statements of the parent company and the Group.

The financial statements of the parent company comprise the balance sheet as at 31 December 2016, income statements and cash flow statements for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2016, income statements, statements of comprehensive income, statements of cash flow and statements of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement



of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Accounting for significant mining projects

The Group temporarily capitalizes evaluation and exploration costs related to its mining projects. There is a risk that these costs does not meet the criteria for temporarily capitalization in the statement of financial position, or that costs continue to be held in the statement of financial position despite no longer meeting the relevant temporarily capitalization criteria. Considering the magnitude of capitalization and involvement of management's judgment in establishing estimates and assumptions, we assess capitalization of evaluation and exploration costs as a key audit matter.

Our audit procedures included an assessment of the eligibility of the capitalization of exploration costs and evaluating the assumptions and methodologies used by the Group to test the capitalization of evaluation and exploration costs. We have also performed substantive testing of capitalized external and internal costs. This includes detailed testing of vouchers, timesheets and hourly rates for a sample of the capitalized costs to verify that the criteria's for capitalization are met. Furthermore, we have evaluated the Group's assessment of facts to determine whether or not temporary capitalized evaluation and exploration costs shall remain in the statements of financial position or be expensed.

The Group's policy and assessments on temporarily capitalization of exploration and evaluation costs is included in note 2 and 10 to the financial statement.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and CEO (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report - Nordic Mining ASA

A member firm of Ernst & Young Global Limited



As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statements on corporate governance, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Independent auditor's report - Nordic Mining ASA

A member firm of Ernst & Young Global Limited



Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

21 April 2017
ERNST & YOUNG AS

A handwritten signature in blue ink that reads 'Jon-Michael Grefsrød'. The signature is written in a cursive style with a large initial 'J'.

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

Independent auditor's report - Nordic Mining ASA

A member firm of Ernst & Young Global Limited

ARTICLES OF ASSOCIATION

for Nordic Mining ASA per 10 January 2017

1. The name of the company is Nordic Mining ASA. The company is a public limited liability company.
2. The registered office of the company is in Oslo.
3. The object of the company is to carry on exploration for coal, minerals and ores, mining activity, technology development, activities that may be associated herewith, and participation in other companies anywhere in the world.
4. The share capital of the company amounts to NOK 56,895,280.80 divided on 94,825,468 shares of a nominal value of NOK 0.60. The shares of the company shall be registered in the Norwegian Registry of Securities.
5. The board of directors of the company shall have from 3 to 8 members according to the decision of the shareholders' meeting. Two board members jointly can sign on behalf of the company.
6. The company shall have an Election Committee consisting of three members who shall be elected by the general meeting. The members of the Election Committee shall, when they are elected, be shareholders or representatives of shareholders of the company. The Election Committee shall make recommendations to the general meeting concerning the election of members and deputy members to the board of directors. The Election Committee shall also make recommendations concerning remuneration to such members. Members of the Election Committee are elected for a period of two years. The members of the board of directors which have been elected by the general meeting make recommendations for and adopt instructions for the Election Committee.
7. The shareholders' meeting shall deal with:
 - (i) Adoption of the annual accounts and annual report, including payment of dividends.
 - (ii) Other matters that pursuant to law are the business of the shareholders' meeting.
8. If a document that relates to an issue that the general meeting shall decide on is made available to the company's shareholders on the company's website, then such a document does not have to be physically sent to the shareholders of the company. However, such a document shall be sent to the shareholder free of charge if shareholders request it.
9. Shareholders that plan to attend a General meeting have to give notice to the company within 5 days of the general meeting. Shareholders who have not given such notice within 5 days of the general meeting may be denied entrance to the general meeting.
10. The Board of Directors may determine that the shareholders may cast advance votes in writing in matters to be considered by the general meetings of the Company. Such votes may also be casted through electronic means. Voting in writing requires an adequately secure method to authenticate the sender. The Board of Directors may determine further guidelines for written advance voting. The summons to the general meeting shall state whether advance voting is allowed prior to the general meeting, and, if so, the guidelines for such voting.

FINANCIAL CALENDAR 2017

May 2017	May 2017	August 2017	November 2017	February 2018
12	23	18	10	23
First quarter results 2017	Annual General Meeting	Second quarter results 2017	Third quarter results 2017	Fourth quarter results 2017

Photos:

Olav Heggøe: page 4, 26 and 27

Core Resources: page 6

Keliber: page 14 and 16

NTNU MarMine: page 18

Hatch: page 9 and 29

iStock: page 1, 12 and 13

Design and production:

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