

MINERALS  
FOR A SUSTAINABLE  
FUTURE

ANNUAL REPORT 2017



**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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Front page pictures: The Sapphire Building, a residential apartment building in Berlin with self-cleaning and air cleaning facade material containing titanium dioxide. The titanium dioxide and UV radiation from sunlight convert hazardous substances like NOx and SOx to oxygen. Photos: Thomas Kolbein Bjørk Olsen

# CEO'S REPORT

Dear shareholder,

2017 brought back signs of the importance of geo politics. Several nations are showing a protective attitude regarding national mineral resources. These political shifts have been strengthened by the rapid change in the demand of certain minerals, enabling significant change to how we live and our progress towards a more sustainable society. Despite many promising initiatives and new ventures for recycling of materials and metals, there will be a global net deficit, and strong need for new supply of minerals and metals for many years to come.

In the mining sector, there is a worldwide shift in process. The shift is about really focusing on a knowledge based operation, about the sharing of knowledge in organisations, and about powerful collecting, digitalisation and analysis of operational data.

### Engebø rutile and garnet

The prefeasibility study for the Engebø rutile and garnet project that was finalised in October 2017 gave us a clear direction; the project should be further developed into the next stage of feasibility and be prepared for construction and production. Further, it outlined a mineral project with significantly lower environmental footprint than previously anticipated. Our technical advisor Hatch has embarked on the task of coordinating a definitive feasibility study, which is currently ongoing on a broad basis, together with a handful other expert institutions. Hopefully, this will give us additional insurance that Engebø represents a longterm profitable mineral project that will benefit all its stakeholders for many years.

In 2017, we strengthened our relationship with the US Barton Group. Barton is a longterm player in the worldwide garnet industry and represents generations of knowledge of garnet, garnet mining, and the various applications of garnet. Nordic Mining and Barton intend to enter into a long lasting cooperation comprising supply and purchase, marketing, sales and distribution, as well as financing.

The Engebø deposit offers excellent opportunities for creating an efficient mining operation, benefiting from its location by the ocean, utilising the existing topography as well as local infrastructure such as quay and renewable hydropower. Our vision is to make Engebø a cornerstone industrial establishment, as well as a positive source of entrepreneurial and social initiative for the local society.

### In the heart of Europe's battery business

The EV revolution is pushing forward and all the European car manufacturers are launching new models, continuously breaking the records in endurance, size and affordability. Along with these initiatives, there will be a need for increased supply of batteries of various sorts. Keliber is evolving in its strategy to become Europe's first producer of high grade lithium carbonate for the EV-value chain. Recently, Keliber decided to allow for further flexibility by locating its carbonate manufacturing plant to Kokkola. This will enable Keliber to be an even stronger player in the battery value chain.

### Seabed minerals, government steps forward

Last year, the Norwegian government drafted a new regulation for exploration and production of seabed minerals in Norwegian waters. Although this is early stage, it represents a will to look forward. I am sure it will be a lengthy process, however, at the same time a process of learning and development. We are confident that the vast potential at Norway's seafloor will represent a vital part of Norway's mineral resources for the future.

### Mining for the wealth of nations and people

As the two previous years, Nordic Mining participated at the world's largest mining convention, PDAC 2018 in Toronto, Canada. This year's record turn-out and interest proves the global importance and awareness of minerals and mining. The mining industry along with its affiliated businesses and value-chain represents a significant export industry for the countries which are blessed with mineral resources. We challenge the politicians to recognise the vast potential which is inherent in the Nordic region by





Lithium is a core mineral for the "Green Shift", increasingly used in modern batteries for i.a. electric vehicles, cellphones, laptops, mobile tools and energy storage.

the combination of resources, renewable electric power, competence and environmental recognition. There are, however, significant differences when it comes to political visions and ambitions. We say: Look to Finland!

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

Oslo, 27 April 2018

Ivar S. Fossum  
CEO

**OPERATIONS**

ENGEBØ – rutile and garnet



The Engebø rutile and garnet processing plant as illustrated in the prefeasibility study completed in October 2017.

Nordic Mining is developing the rutile and garnet project 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 prefeasibility study for the project was successfully completed in October 2017 indicating a robust and profitable dual mineral project. The definitive feasibility study is ongoing aiming to provide a solid foundation for the subsequent project financing to implement the project. In November 2017, Nordic Mining signed a Heads of Agreement with the US mineral company, Barton Group related to offtake and commercial cooperation for garnet from Engebø.

### The Engebø Project

Through the wholly owned subsidiary Nordic Rutile, Nordic Mining will establish industrial production of rutile (TiO<sub>2</sub>) 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 with a 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.

### Project development activities

The prefeasibility study of the project came in at forecasted cost level and was successfully completed in October 2017. The study outlines a robust dual-mineral operation with production of high-quality rutile and garnet, and low operating costs due to outcropping orebody, high mineral grades, low stripping ratio, geotechnical stability, limited transportation costs, and good product recoveries. The study clearly supports further project development progress towards production. Consequently, the definitive feasibility study was initiated in November 2017.

The prefeasibility study substantiates attractive project financials and perspectives:

- Pre-tax net present value (NPV) of USD 332 million (8% discount rate)
- Pre-tax internal rate of return (IRR) of 23.8%
- Pay-back period less than 5 years
- Life of mine 29 years based on JORC compliant ore reserves; 16 years of open pit mining followed by 13 years underground
- Estimated revenue-to-cash cost for rutile indicating a first quartile position in the global titanium feedstock industry

The study indicates an upside potential up to USD 465 million (pre-tax net present value at 8% discount rate) for a scalable concept with increased capacity, higher sales volumes and extension of mine life by mining of large inferred resources to the east and west of the deposit and to the depth, which will substantially



Mineral processing test work at Light Deep Earth's test center in South Africa.

increase the life of mine. The estimated initial investment of USD 207 million for a 1.5 mtpa operation is around 30% lower than previously anticipated.

In the prefeasibility test work, a rutile product of approximately 95% TiO<sub>2</sub> has been achieved at recoveries above 60%. Garnet production is split into coarse and fine product streams. Both fine and coarse garnet have been produced exceeding market specifications. A significant part of the test work has been done with industrial scale equipment which reduces upscaling risks. With the flow sheet developed in the prefeasibility study, approximately 20% of the processed ore will become salable products. Compared with previous estimates of around 7%, this implies a significantly higher utilisation of the ore than previously anticipated, and consequently a significant reduction of the tailings volume from the operation.

Generally, the outcome of the prefeasibility study has confirmed the project basics and a viable and robust business case with lower capital expenditures and reduced environmental footprint compared with previous assumptions.

The international engineering and consultancy company Hatch carried out technical advisory services and coordination of the prefeasibility study. Hatch is a leading international mining and processing specialist with extensive experience across the mining industry, including titanium feedstock. Hatch has also been engaged for coordination of the ongoing definitive feasibility study. The prefeasibility process also involved several other internationally recognised companies in various fields of expertise, i.a. related to test work, analysis and geotechnical services.

The tables below provide an overview of the resource estimates at different cut-off grades\* for the Engebø deposit. The resource estimates are the basis for the prefeasibility study assessments and based on geological information per September 2016, including the drilling program which was carried out in the first part of 2016.

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

Resource class	Tonnage Mt	TiO <sub>2</sub> %	Garnet%
Measured	19	3.68	43.9
Indicated	106	3.51	43.0
<b>Measured &amp; Indicated</b>	<b>125</b>	<b>3.53</b>	<b>43.2</b>
Inferred	255	3.22	42.5

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

Resource class	Tonnage Mt	TiO <sub>2</sub> %	Garnet%
Measured	15	3.97	44.6
Indicated	78	3.87	43.6
<b>Measured &amp; Indicated</b>	<b>93</b>	<b>3.89</b>	<b>43.7</b>
Inferred	138	3.86	43.5

\* Resource estimates completed by Qualified Person Adam Wheeler, corresponding to the guidelines of the JORC Code (2012 edition)  
 \*\* 2%/3% cut-off grade means that only ore with TiO<sub>2</sub> content of 2%/3% or more is included in the resource estimates. For more information, please see the prefeasibility report which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

A limited drilling program has been carried out according to plan at Engebø from mid-January to mid-February 2018. In total, 1,581 meters has been drilled in 10 drill holes. The aim of the drilling is to increase the knowledge of the ore body and the geotechnical conditions in the open pit. Drill core logging is completed and drill cores are being chemically assayed. The data will be basis for updating of the current block model and ore classification. The Qualified Person, Adam Wheeler is responsible for this work, and an updated resource estimate will be completed in spring 2018.

The international mining consultancy company, SRK has been contracted for geotechnical, hydrogeological and structural logging and modelling based on drill hole data. SRK will make recommendations on slope angles and stability conditions for the open pit and underground infrastructure. The resource and pit stability assessments will form a basis for Hatch's final open pit design and mine



Drill core inspection and logging at the Engebø combined office and project coordination facilities.

schedule, assessing ore and waste rock tonnages from the open pit mining operation. Consideration of measures to optimise the mine plan is ongoing as a part of the ongoing definitive feasibility study.

**Cooperation with The Barton Group**

In November 2017, Nordic Mining signed a Heads of Agreement with The Barton Group (Barton) related to offtake and commercial cooperation for garnet from Engebø. Barton is a leading US garnet producer and distributor with a strong foothold, particularly in the North American markets. Over the years, Barton has played a leading role in developing the fast-growing application of waterjet cutting technology where garnet is the dominant mineral. Barton participated in the private placement in Nordic Mining in January 2018. Barton intends to be an industrial anchor investor in the construction financing to establish the rutile and garnet operation.



In the Heads of Agreement, Barton and Nordic Mining have agreed the basic principles of an offtake agreement for the exclusive distribution by Barton of Engebø garnet to the North American markets. The garnet will be sold and distributed under Barton's brand name for high-quality products. Further, the parties intend to establish a jointly owned company for sale and distribution of garnet from Engebø to markets outside of North America. The terms and conditions for the operation and the parties' cooperation will be further negotiated. The high quality of the Engebø garnet and cost-efficient logistics, combined with Barton's marketing and technology experience, are expected to build competitive strength.

### 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 disposal 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.

### Commercial outlook

Europe has a significant supply deficit of titanium feedstock and no production of garnet. 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.

The average rutile price (95% TiO<sub>2</sub>) in the second half of 2017 has been reported in the range USD 825–875 per tonne. Recent information indicates a tightening market balance and price increases implemented in the first part of 2018 following from higher demand and reduced stockpiles. In the coming years, the production from current producers is expected to decrease due to depletion of operating deposits. For the prefeasibility study, the Australian consultancy company TZMI estimated a long-term price for rutile around USD 1,070 per tonne.

The main applications for garnet are in waterjet cutting, sand blasting and for various abrasives. Prices vary depending on quality and application. Updated market perspectives indicate opportunities to target garnet sales at an annual level of 300,000 tonnes over a 10-year period. For the prefeasibility study, TAK Industrial Mineral Consultancy indicated a basket price around USD 250 per tonne for the garnet qualities which will be produced at Engebø.

In addition to the dialogue with Barton on garnet, Nordic Mining has discussions with potential customers and will seek to clarify offtake arrangements for rutile. The company is experiencing positive interest from potential customers of rutile both in the pigment industry and in the titanium metal industry.



Garnet is the main abrasive mineral used in waterjet cutting.

**OPERATIONS**

# KELIBER – lithium/lithium carbonate



Keliber takes an active part in the EV revolution targeting to be the first European producer of battery grade lithium carbonate.

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 global demand for lithium is continuously increasing, and the strategic interest, i.a. for European battery manufacturers and the automotive industry is high. The definitive feasibility study for Keliber's lithium project is ongoing and targeted for completion in the first half of 2018. Revised resource estimates based on drilling during the last year will be basis for the study together with updated market assumptions. Activities related to construction financing and commercial offtake arrangements for lithium carbonate are progressing.

### Project overview

Nordic Mining owns approximately 22% 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 concentrator plant at Kalavesi in Kaustinen municipality. The processing plant for lithium carbonate will be located in Kokkola Industrial Park. 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.a. 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 June 2017. The estimates are in accordance with the JORC code (2012 edition).

The total estimated mineral resources are as follows:

Category	Deposit	Tonnage	
		1,000 tonnes	Li <sub>2</sub> O%
Measured	Länttä	437	1.060
Indicated	Länttä	910	
Measured	Syvjäjärvi	810	1.24
Indicated	Syvjäjärvi	1,160	
	Rapasaari	3,456	1.15
	Outovesi	282	1.43
	Leviäkangas	190	1.14
	Emmes	820	1.40
<b>Total Measured and Indicated</b>		<b>8,065</b>	<b>1.19</b>
Inferred	Leviäkangas	300	0.90

The reserve estimates in accordance with the JORC code (2012 edition) and based on the March 2016 prefeasibility study are as follows:

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



Lithium carbonate test sample originated from spodumen pegmatite.

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% Li<sub>2</sub>O cut-off grade. Ore loss is assumed at 5% and waste rock dilution 15% for the estimated ore reserves.

Subsequent of the prefeasibility study and the June 2017 resource update, Keliber has continued exploration work including core drilling. 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 prefeasibility study 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 prefeasibility study, 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 which was started in June 2016 and targeted for completion in the first half of 2018. The aim of the definitive feasibility study is to provide a good base for the project financing to implement the lithium project.

As a part of the definitive feasibility study, various test work has been executed related to ore sorting, beneficiation and lithium

carbonate production and an important purpose has been to do variability tests to secure a robust and flexible process flow sheet suitable for ore supply from various deposits.

A trade-off study of the location of the lithium carbonate plant has been concluded in favour of Kokkola Industrial Park (KIP). The KIP area has an established industrial infrastructure. Further, a variety of industrial commodities and services needed by Keliber are available in the area. Also, the water treatment and waste treatment solutions are in place. Several major chemical industry players are located in the KIP area, with possibility for co-operation with regard to access control, security and other safety services, fire and rescue duties and statutory environmental monitoring.

### Environmental issues

Keliber has a mining license for the Länttä lithium deposit and permits for mining, operation and waste disposal for Länttä and for production of lithium carbonate at Kalavesi. Preparations are ongoing for permit applications related to other deposits and for revision of the processing plant permit based on a production rate of 9,000 tonnes of lithium carbonate per year as well as location of the processing plant at Kokkola Industrial Park.

Keliber has obtained a special status for its permitting process which implies that the company interacts closely with the authorities during the process. The purpose is to streamline the work and secure a time-efficient process with the involved parties.

### Commercial outlook

The contract prices for lithium carbonate doubled in 2017 compared to 2016. In the first part of 2018, the contract prices are reported to have increased by an additional 10–20%. Going forward, a continued tight market balance is expected.

Various industrial and analyst estimates indicate a continuing strong demand growth for lithium, mainly driven by the expected sales growth for batteries. The balance between demand and supply is highly dependent on the penetration rate of electric and hybrid vehicles. In the coming years, lithium prices are forecasted to stay at a high level. The forthcoming definitive feasibility study will be based on updated market assumptions.

The battery grade lithium carbonate (>99.5% Li<sub>2</sub>CO<sub>3</sub>) 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. Lithium-ion batteries are to an increasing extent also being used for energy storage, mainly related to production of renewable energy, e.g. solar, wind etc.



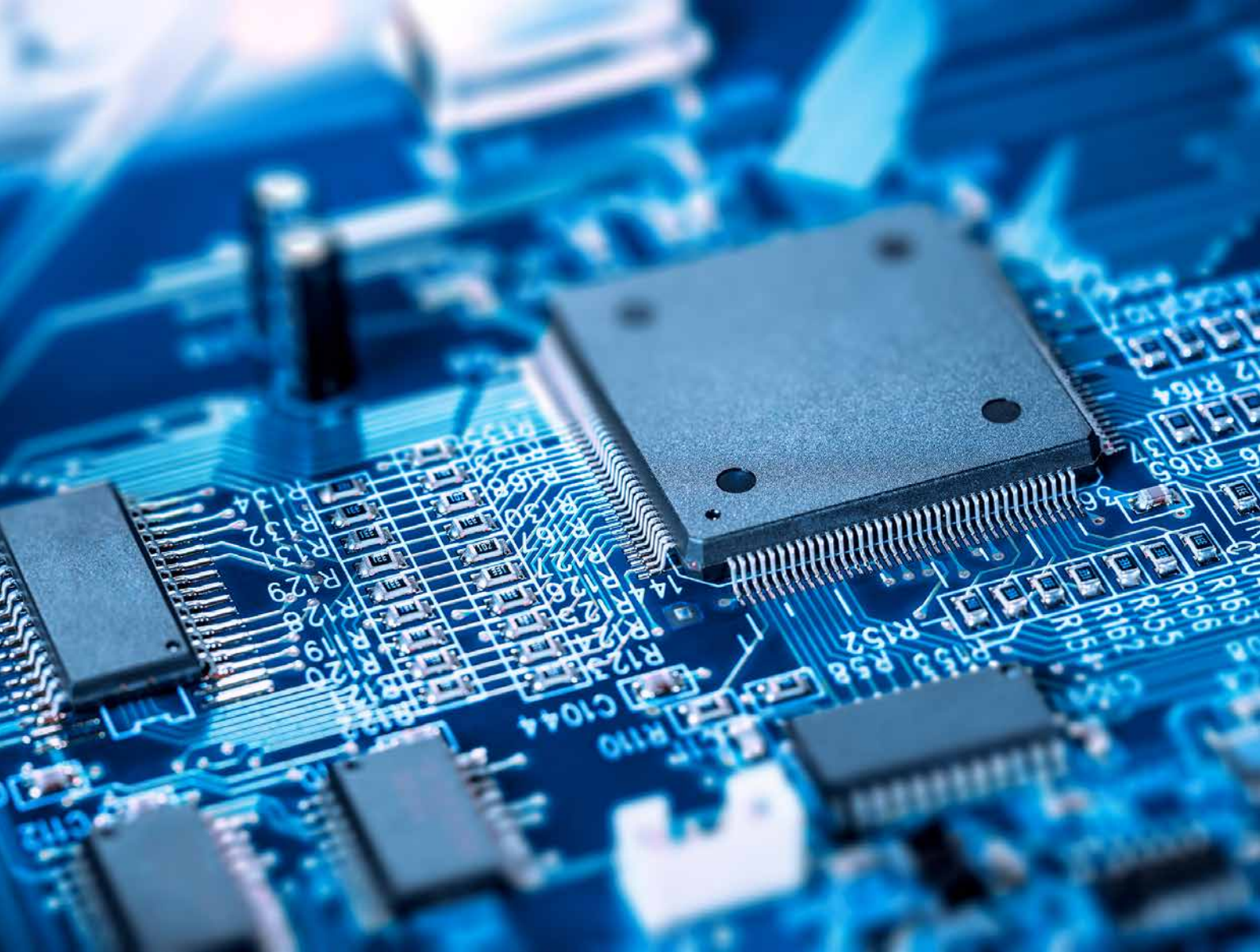
From left, Keliber's chairman Esa Tikka and CEO Pertti Lamberg with Nordic Mining's CEO Ivar S. Fossum and chairman Tarmo Tuominen at PDAC 2018 in Toronto.

Further, lithium is used in more traditional applications, i.e. in the manufacturing of glass, ceramics, lubricants and other industrial processes. The average demand growth for lithium used in traditional applications is expected to be on par with the global economic growth (as measured through GDP).

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. Generally, Keliber is progressing with commercial dialogues with the purpose to establish offtake agreements suitable for the forthcoming financing of the project.

**OPERATIONS**

# STRATEGIC ASSETS AND INITIATIVES



High-purity quartz is essential for semiconductors and advanced electronics.

The Group has exclusive rights for investigation and development of a high-quality quartz deposit in Kvinnherad in western Norway, exploration rights for nickel and PGE in a prospective geologic province in Reinfjord in the northern part of Norway. Further, the Group has patent rights jointly with the Institute for Energy Technology for a new technology for production of alumina. The Group has also taken initiatives related to seabed mineral exploration in Norway, i.a. with application for exploration rights in promising areas within the Norwegian jurisdiction.

In 2017, the activity related to the abovementioned strategic assets and initiatives has been limited due to strict prioritisation of resources. The Group investigates options for partnership models to further progress with its strategic assets and initiatives.

#### **KVINNHERAD – high-purity quartz**

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.

The deposit is classified by an independent qualified person as a mineral resource with 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 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). 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.

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 Kvinnherad 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.



**The Kvinnherad quartz is pure from nature and can be purified and processed to high-purity quartz products.**

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.

Nordic Mining considers the long-term outlook positive for HPQ products in advanced technical and industrial applications and intends to position the Kvinnherad quartz project internationally.

**REINFJORD – mineral exploration**

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.

Nordic Mining will consider partnership models related to further exploration in the area.



**ALUMINA – technology development**

Together with Institute for Energy -Technology Nordic Mining has 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 CO<sub>2</sub>. 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 CO<sub>2</sub>. 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 CO<sub>2</sub> per million tonne of alumina. This corresponds to the CO<sub>2</sub> emission from a medium sized oil and gas platform. The CO<sub>2</sub> can either be stored safely or utilised as part of the production of PCC. The technology has environmental advantages both in terms of CO<sub>2</sub> consumption and waste production. The process is theoretically close to waste free since nearly all the components of the anorthosite are potential saleable products.

Nordic Mining together with IFE are investigating schemes for further development of the technology.

**SEABED MINERALS**

Nordic Mining through its subsidiary Nordic Ocean Resources (NORA) is a pioneer in Norway in terms of seabed minerals and intends to build a strong competence on marine mineral resources in collaboration with other industrial companies and research institutions. Previous assessments indicate a substantial potential for discovery of metallic ore deposits along the Norwegian part of the Mid-Atlantic Ridge with possible significant economic values. Norwegian oil and gas industry has developed advanced technology for subsea operations which can be applicable for mineral exploration and extraction.

NORA, together with the Norwegian University of Science and Technology in Trondheim (NTNU) as the project coordinator and other parties, is developing MarMine, a 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 project has been granted NOK 25 million in financial support from the Norwegian Research Council.







The global interest for mineral industry is huge and the participation at the PDAC 2018 in Toronto was record breaking. Nordic Mining's project portfolio is diversified and focused on minerals for a sustainable future.

# BOARD OF DIRECTORS' REPORT

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

- 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 - 100%)

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 have been positively indicated in successfully completed pre-feasibility studies. The estimates will be further reviewed in the ongoing definitive feasibility studies for the two projects. In addition, the Company holds potential resource upside related to strategic assets in high-purity quartz, nickel/PGE exploration and seabed minerals, and technical upside through the patented technology for extraction of alumina from alumina/calcium-rich minerals.

Compared to Nordic Mining's current market capitalisation in excess of NOK 300 million, the asset portfolio has a significant economic potential. The ongoing technical studies for the permitted Engebø flagship project and the Keliber lithium project, 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 2017 and year-to-date

- In January 2018, Nordic Mining completed equity issues with total gross proceeds of around NOK 60 million for financing of project development activities.
- In 2017, the Board has had focus on developing the Engebø rutile and garnet project and the Keliber lithium project. The Group has confirmed and increased the resource base and reached important milestones for Engebø. The development gives a good basis for the definitive feasibility study which was initiated in November 2017.
- For Keliber, the definitive feasibility study is well under way, targeted for completion in the first half of 2018.
- The activities for the Group's strategic assets and initiatives related to high-purity quartz, seabed minerals, patented alumina technology and nickel/PGE exploration has been limited. The Group investigates options for partnership models to further progress with its strategic assets and initiatives.
- The markets for minerals and metals, including rutile and garnet to be produced at Engebø, have developed positively during 2017. The demand for lithium carbonate to be produced by

Keliber has increased, and contract prices are trending up. The Board considers the outlook for the Company's main product markets as positive.

## Engebø rutile and garnet

- The prefeasibility study for the Engebø project was successfully completed in line with estimated costs and published in October 2017. The prefeasibility study outlines a robust and flexible dual-mineral operation with production of high-quality rutile and garnet, and low operating costs due to outcropping orebody, high mineral grades, low stripping ratio, geotechnical stability, limited transportation costs, and good product recoveries. In total, the estimated revenue-to-cash cost for rutile indicates a first quartile position in the global titanium feedstock industry. The prefeasibility study substantiates attractive project financials and perspectives:
  - Pre-tax net present value (NPV) of USD 332 million (8% discount rate)
  - Pre-tax internal rate of return (IRR) of 23.8%
  - Pay-back period less than 5 years
  - Life of mine 29 years based on JORC compliant ore reserves; 16 years of open pit mining followed by 13 years underground
  - Estimated revenue-to-cash cost for rutile indicating a first quartile position in the global titanium feedstock industry
- The prefeasibility study indicates a significant upside potential for a scalable concept with increased capacity, higher sales volumes and utilisation of inferred mineral resources which will substantially increase the life of mine. The estimated initial investment of USD 207 million for a 1.5 mtpa operation is lower than previously anticipated.
- In November 2017, Nordic Mining signed a Heads of Agreement with The Barton Group (Barton) related to offtake and strategic and commercial cooperation for garnet from Engebø. Barton is a leading US garnet producer and distributor with a strong foothold, particularly in the North American markets. Barton participated in the private placement in Nordic Mining in January 2018. Barton intends to be an industrial anchor investor in the construction financing to establish the Engebø operation.
- Following from the completion of the prefeasibility study, a comprehensive work program related to the definitive feasibility study is now progressing. The work program includes i.a.



Ni, Cu, Pt, Pd

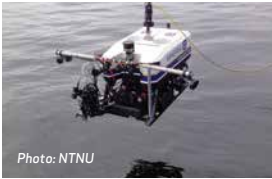


Photo: NTNU

Seabed minerals



Rutile and garnet



High-purity quartz



Photo: Tesla Motors, Inc.

Lithium/lithium carbonate



geological and geotechnical assessments, process optimisation and verification, mine design and detailed engineering and preparations related to project execution. The international engineering and consultancy company Hatch has been appointed for technical advisory services and coordination of the definitive feasibility study. Hatch was also the technical advisor and coordinator of the prefeasibility study. The main purpose of the definitive feasibility study is to qualify the project for adequate construction financing with a combination of debt and equity.

In the definitive feasibility study program, process optimisation work is carried out including variability testing for variations in ore feed, to provide input to the process design criteria and process flowsheets. A limited drilling program was finalised in February 2018. This will provide additional data for updating of the resource model and estimates, and the geotechnical parameters for mine planning. The open pit mine plan and schedules will be optimised and defined.

- The zoning plan for the mining and processing areas and the environmental permit for the project are fully granted without further possibility for appeal. The Engebø project will be developed in accordance with high international standards for environment, health and safety. 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.
- The average rutile price (95% TiO<sub>2</sub>) in the second half of 2017 has been reported in the range USD 825 – 875 per tonne. Price increases have been implemented in the first part of 2018 following from higher demand and reduced stockpiles. In the coming years, the production from current producers is expected to decrease substantially due to depletion of operating deposits. The Australian consultancy company TZMI estimates a long-term price for rutile around USD 1,070 per tonne, and this has been applied for the financial calculations in the prefeasibility study.
- There is no production of garnet in Europe and a new source of supply at Engebø will be beneficiary in a market perspective. The demand for garnet internationally is currently higher than the supply, indicating an upward price trend for high-quality products. Based on demonstrated test work production, three garnet qualities have been assumed in the prefeasibility study with a weighted average price of USD 250 per tonne.
- In the prefeasibility study, operation production costs (opex) of sold product (total rutil and garnet) has been estimated to USD 87 per tonne. Compared with the product prices indicated above this provides a sound cash margin for the project.
- The favourable production costs at Engebø and the location next to a deep-water port with short distances to substantial markets represent competitive and logistical advantages.

### Keliber lithium/lithium carbonate

- Keliber executed a private placement and a repair issue with total gross proceeds of EUR 10.0 million in the first half of 2017. In addition, incentive share issues for board members and management were completed in 2017 with total proceeds of EUR 0.3 million. Nordic Mining participated pro-rata to its shareholding in the April repair issue. Following from the equity issues in 2017, Nordic Mining's shareholding in Keliber is approximately 22%.
- In 2017, a comprehensive work program has been carried out related to the definitive feasibility study for Keliber's lithium project. The study is scheduled for completion in the first half of 2018 and is aiming to provide a solid foundation for project financing to implement the project. In the study period including the first part of 2018, additional drilling has been carried out with the purpose to further increase the resource base for the definitive feasibility study. A trade-off study of the location of the lithium carbonate plant has concluded in favour of Kokkola Industrial Park.
- The lithium market is developing on a positive note and product prices have increased, indicatively with 10-20%, into the first part of 2018. Contract prices for lithium carbonate doubled in 2017 compared to 2016. Going forward, a continued tight market balance is expected. The fastest demand growth for lithium is related to batteries for electric/hybrid vehicles and energy storage.

- Keliber has dialogues with potential customers for lithium carbonate with the purpose to secure offtake agreements. In addition to the definitive feasibility study, bankable offtake arrangements are required for the establishment of the construction financing package to implement the project.

### Financial performance

For comparison, numbers in brackets relate to the comparable period in 2016.

The Group is developing mineral projects and had no sales revenue in 2017. The Group's operating loss in 2017 was NOK -36.2 million (NOK -23.0 million) in accordance with increased and planned project development activities, mainly related to the Engebø prefeasibility study. In 2017, the Group capitalised costs, mainly related to planning of a drilling program at the Engebø deposit, at a total amount of NOK 0.4 million (NOK 12.7 million).

The Group's investment in Keliber is classified as shares in an associated company. Nordic Mining's shareholding in Keliber is approximately 22%. Keliber is in the definitive feasibility phase for its lithium project and had no sales revenue in 2017. The Group's accumulated result related to Keliber in 2017 was NOK 0.5 million (NOK -4.2 million). In addition to the pro-rata share of Keliber's result at an amount of NOK -11.7 million, the accumulated result also includes reversal of previous impairment at an amount of NOK 5.1 million, and a profit of NOK 7.1 million following from a deemed disposal related to Nordic Mining's reduced shareholding in Keliber. The reversal of impairment and the profit resulting from the deemed disposal follow from the positive development work in Keliber, e.g. the completed prefeasibility study in 2016 indicating an economic viable lithium project, and the value appraisal following from an equity issue to new investors in Keliber in 2017. The carrying amount for the investment in Keliber as per 31 December 2017 was NOK 29.3 million (NOK 15.0 million).

Total net loss for the Group in 2017 was NOK -35.6 million (NOK -27.1 million).

Cash flow from the Group's operating activities was negative in 2017 with NOK -39.0 million (NOK 16.8 million).

Net cash used in investment activities was NOK -12.0 million (NOK 26.7 million). The investments were mainly related to participation in an equity issue in Keliber at an amount of NOK 11.5 million and capitalised drilling-related expenses at Engebø at an amount of NOK 0.4 million.

Net cash flow from financing activities in 2017 was NOK 6.4 million (NOK 79.8 million). For further information regarding the equity issue please see note 15 and note 23 in the consolidated financial statements.

Nordic Mining's total assets as of 31 December 2017 were NOK 77.1 million (NOK 104.0 million), and the Group's total equity amounted to NOK 70.2 million (NOK 97.0 million). This gives an equity ratio of 91% (93%).

As per 31 December 2017, the Group's cash and cash equivalents amounted to NOK 21.5 million (NOK 66.1 million).

Based on current forecasts and working plans, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2017. In January 2018, Nordic Mining raised new equity with gross proceeds of NOK 59.6 million (net proceeds of about NOK 55.4 million after deducting transaction costs) ensuring sufficient capital until the fourth quarter of 2018. Going forward, the Group will need to either reduce the activity level, raise more equity, issue debt instruments or divest assets depending on the development on ongoing projects. The Board emphasises that there are elements of risk related to the long-term financing and consequently to the long-term ability to continue as a going concern. The Board expects that the good progress for ongoing project development activities will be positive for the Group's financial flexibility going forward. For further comments, the Board also refers to the financial risk section below.

### **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 zoning plan and the environmental permit for the Engebø rutile and garnet project are approved by the Norwegian government with no further possibilities for appeal.

Also the Group's other projects and the associated company Keliber 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 related to regulatory matters, are beyond the Group'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 (Sumit Up AS as from 2018) 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 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.

#### **Liquidity risk**

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

#### **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 Group has complied and will continue to comply with the Norwegian governance code. The Board has provided a detailed report on corporate governance pursuant to the Code of Practice in this annual report; please refer to page 26–31 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 CO<sub>2</sub> 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 to minimise footprint.

At Engebø, the Group will work consistently towards improved utilization of the mineral resources, both with regard to the extracted mineral products, side rock and possible use of the mineral tailings. Rutile is used as the most environmentally friendly feedstock for pigment, and various "green tech" applications, while 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 110 full time employees during operation. The mineral production will support a substantial number of other employees regionally and nationally as an indirect effect of the mineral operation. 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 and will form an important part of the activity for the development work going forward.

### **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 2017 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 two 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. Previous board member Tore Viana-Rønningen resigned from the Board in September 2017.

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 2017 was less than 0.5%, and no safety issues have been registered.

The Board has approved plans for strengthening of the organisation within project management, technical disciplines and finance. Recruiting is well underway, and the appointment of a new CFO was announced in March, ref. note 23 in the consolidated financial statements.

### Shareholders and capital situation

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 3,800 shareholders. As per April 2018, around 24% of the Company's shares were held by shareholders domiciled outside Norway.

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 2,630,000 options to leading employees and resource persons. For 2,030,000 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.

In January 2017, an extraordinary general meeting approved a private placement of 2,241,334 shares at a price of NOK 3.10 per share. In January 2018, an extraordinary general meeting approved a private placement of 15,625,000 shares at a price of NOK 3.20 per share. A subsequent offering of 3,000,000 shares at a subscription price of NOK 3.20 per share was executed on 30 January 2018. Nordic Mining's share capital as per the date of this report is NOK 68,070,280.80 divided on 113,450,468 shares, each with a par value of NOK 0.60.

In May 2017, the annual general meeting gave an authorisation to the Board to increase the share capital with up to NOK 8.5 million. As per the date of this report, the authorisation has not been utilised.

### Parent company financial result

The net profit for the parent company Nordic Mining ASA for 2017 was NOK 11.2 million (NOK -2.8 million). As per 31 December 2017, the total equity for the parent company amounted to NOK 232.1 million (NOK 214.2 million).

The Board proposes that the year's profit of NOK 11,240,218 in Nordic Mining ASA shall be transferred to retained losses.

Oslo, 27 April 2018

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen  
Chairman



Kjell Roland  
Deputy chairman



Eva Kaijser  
Board member



Mari Thjømøe  
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.



**Eva Kaijser**  
*Board member*

Kaijser holds a Bachelor of Science in Business Administration and Economics from the University of Stockholm, Sweden. Kaijser has comprehensive experience from the mining industry including various management positions in Boliden and Northland Resources. Kaijser runs an investment and consulting business alongside with being a board member in both listed and private companies.



**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 Program 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, Norconsult and Scatec Solar.



# 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.

# CORPORATE GOVERNANCE

Nordic Mining ASA (the “Company”) has a strong commitment to ensure trust in the Company and to enhance shareholder value through effective decision-making and reliable 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 in the autumn 2014, and which is available on the Norwegian Corporate Governance Committee’s web site [www.nues.no](http://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, Nordic Quartz AS and Nordic Ocean Resources AS. Further, Nordic Mining ASA owns approximately 22% 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](http://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.

The strategies related to Nordic Mining’s main 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

## Equity and dividends

The Group’s equity as per 31 December 2017 amounts to NOK 70.2 million, i.e. 91% 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 starts production and moves into its cash generation phase.

For information of equity issues in 2017 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 related to 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.

## 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 regarding deviations from existing shareholders’ priority rights related to 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 2017 are described in note 20 to the financial statements.

The Company's ethical guidelines are published on our webpage [www.nordicmining.com](http://www.nordicmining.com). The guidelines are of particular importance during major developments and 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 if they, directly or indirectly, have a material interest in a contract being signed by the Company. In the opinion of the Board, 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 2017 was held on 23 May 2017. The date of the Company's forthcoming annual general meeting is 29 May 2018.

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 Verdpapirservice assists 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 2017, 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
- Brita Eilertsen (member); independent advisor and board member

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 2017, the Board of Directors of Nordic Mining has four 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 2017, and the date of this report, the Board of Nordic Mining has the following members:

- Tarmo Tuominen, chairman
- Kjell Roland, deputy chairman
- Mari Thjømøe, board member
- Eva Kaijser, 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. 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 evaluates its performance and expertise annually and makes 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 Sumit Up 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 Nomination 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 2017 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 2017 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 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 signed 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 continues until 18 May 2018.

Information concerning remuneration paid to senior management in 2017 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 76 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 considerations regarding a possible valuation from an independent expert.

Transactions that in effect imply a sale of Nordic Mining's entire business will be subject to approval by the general meeting.

The Company has not established separate principles for how to act in a take-over 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.

To a limited extent, Nordic Mining has 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 2017, including breakdown between statutory auditing and other assistance/service, is presented in note 6 to the consolidated financial statements.



Board and management on site visit at Engebø. From left Kjell Roland, Mari Thjømøe, Ivar S. Fossum (CEO), Lars K. Grøndahl (CFO), Tarmo Tuominen and Eva Kaijser.

Oslo, 27 April 2018  
 The Board of Directors of Nordic Mining ASA

Tarmo Tuominen  
 Chairman

Kjell Roland  
 Deputy chairman

Eva Kaijser  
 Board member

Mari Thjømøe  
 Board member

Ivar S. Fossum  
 CEO

# SHAREHOLDER MATTERS

Nordic Mining ASA is a resource company with focus on high-end industrial minerals and metals. 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 68,070,280.80 divided on 113,450,468 shares. Over the last years, the Company's share capital and the number of shares have developed as shown in the table below.

The Company's annual general meeting held on 18 May 2016 authorised the Board to issue up to 2,833,333 new shares related to a share-based incentive program for leading employees and qualified resource persons. The authorisation is valid till 18 May 2018. At the date of this report, the Board has awarded options for 2,630,000 shares to employees and associated key people. For 2,030,000 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 23 May 2017, the annual general meeting gave an authorisation to the Board to increase the share capital by up to NOK 8.5 million. At the date of this report the authorisation has not been utilised.

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

On 8 January 2018, an extraordinary general meeting approved a private placement of 15,625,000 shares at a price of NOK 3.20 per share. A subsequent offering of 3,000,000 shares at a subscription price of NOK 3.20 per share was executed on 30 January 2018.

Following from the abovementioned equity issues, and at the date of this report, the Company has 113,450,468 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 2018 are listed on the next page. The total number of shareholders is around 3,800 and around 24% of the shares were held by shareholders domiciled outside Norway.

The Company's Board and management team own a total of around 2% of the shares in the Company.

## Trading of share and price development

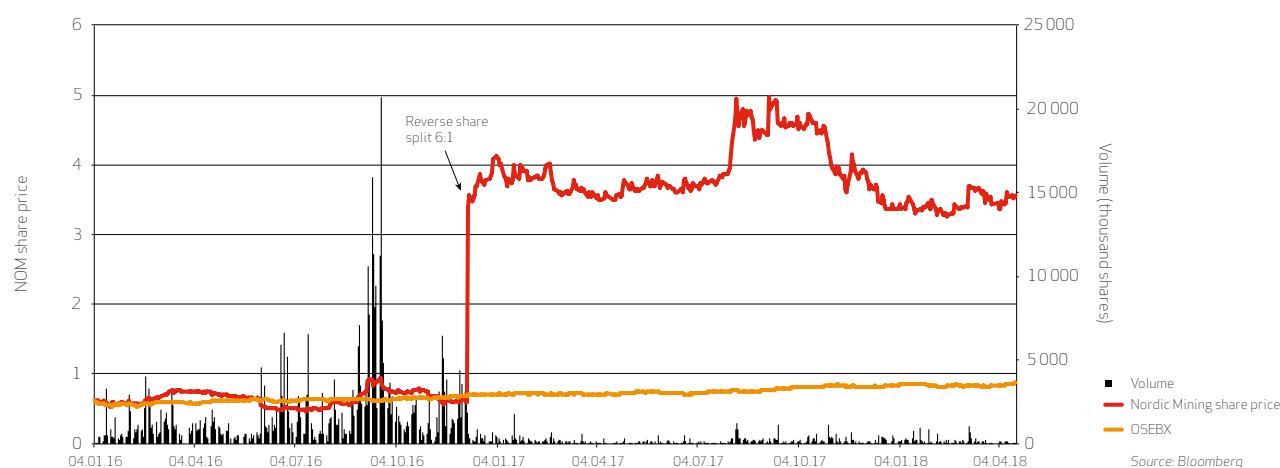
Shares in Nordic Mining are traded regularly on Oslo Axess. Share price development and key trading figures are shown on the next page.

## Development of the Company's share capital in the period 2015 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)
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
2018	Private placement	9 375 000.00	0.60	3.20	110 450 468	66 270 280.80
2018	Share issue	1 800 000.00	0.60	3.20	113 450 468	68 070 280.80



## Development of Nordic Mining's share price, 1 January 2016–19 April 2018



### Key figures for the Nordic Mining share in the period 2015–2017

Year	Share price as per 31.12 (NOK)	High (NOK)	Low (NOK)	No. of shares traded	Market cap. as per 31.12 (NOK)
2015	3.66	5.40	2.43	66 million	243 million
2016	4.08	5.64	2.76	81 million	378 million
2017	3.38	4.96	3.36	74 million	321 million

### The largest shareholders of Nordic Mining as per 19 April 2018

Shareholder	Number of shares	% ownership
1 Nordnet Bank AB (nominee)	9 897 031	8.7 %
2 Nordea Bank Finland (nominee)	4 911 733	4.3 %
3 VPF Nordea Avkastning	4 127 963	3.6 %
4 Nordnet Livsforsikring	3 038 938	2.7 %
5 B-L Holding Company	2 579 620	2.3 %
6 Citibank N.A. S/A Pohjola Bank Plc (nominee)	2 467 955	2.2 %
7 Danske Bank A/S (nominee)	2 158 209	1.9 %
8 Dybvad Consulting AS	1 572 952	1.4 %
9 Viola AS	1 562 380	1.4 %
10 Adurna AS	1 547 000	1.4 %
11 Lithion AS	1 405 977	1.2 %
12 Magil AS	1 350 000	1.2 %
13 Naturlig Valg AS	1 321 650	1.2 %
14 Infosave AS	1 296 026	1.1 %
15 JP Morgan Chase Bank (nominee)	1 250 001	1.1 %
16 Knut Fosse AS	1 199 747	1.1 %
17 Ove Klungland Holdin NIL	1 194 536	1.1 %
18 Olav Birger Sletten	1 057 200	0.9 %
19 Snati AS	1 022 672	0.9 %
20 Cross AS	900 000	0.8 %
<b>Top 20 shareholders</b>	<b>45 861 590</b>	<b>40.4 %</b>
Others	67 588 878	59.6 %
<b>Total</b>	<b>113 450 468</b>	<b>100.0 %</b>

# CONSOLIDATED INCOME STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2017	2016
Payroll and related costs	4,20	(10 879)	(7 823)
Share-based payment	5	-	(1 429)
Depreciation and amortisation	11	(152)	(7)
Impairment of exploration and evaluation assets	10	-	(1 326)
Other operating expenses	6	(25 175)	(12 376)
<b>Operating profit/(loss)</b>		<b>(36 206)</b>	<b>(22 961)</b>
Share of result of an associate	12	542	(4 241)
Financial income	7	268	200
Financial costs	7	(177)	(89)
<b>Profit/(loss) before tax</b>		<b>(35 573)</b>	<b>(27 091)</b>
Income tax	8	-	-
<b>Loss for the period</b>		<b>(35 573)</b>	<b>(27 091)</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO</b>			
Equity holders of parent		(35 530)	(26 907)
Non-controlling interest		(43)	(184)
<i>(Amounts in NOK)</i>			
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS</b>			
Basic and diluted earnings per share	9	(0.37)	(0.36)

## STATEMENTS OF COMPREHENSIVE INCOME

<i>(Amounts in NOK thousands)</i>	Note	2017	2016
<b>Net profit/(loss) for the period</b>		<b>(35 573)</b>	<b>(27 091)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences	12	2 533	(623)
Currency translation reclassified to profit and loss	12	(410)	-
Items that will not be reclassified subsequently to profit or loss:			
Changes in pension estimates	21	201	222
<b>Other comprehensive income directly against equity</b>		<b>2 324</b>	<b>(401)</b>
<b>Total comprehensive income for the period</b>		<b>(33 249)</b>	<b>(27 492)</b>
<b>COMPREHENSIVE INCOME</b>			
Equity holders of parent		(33 206)	(27 308)
Non-controlling interest		(43)	(184)

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	31.12.2017	31.12.2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Evaluation and exploration assets	10	21 619	21 189
Property, plant and equipment	11	197	349
Investment in associate	12	29 254	15 044
<b>Total non-current assets</b>		<b>51 070</b>	<b>36 582</b>
<b>Current assets</b>			
Trade and other receivables	13,17	4 516	1 285
Cash and cash equivalents	14	21 547	66 112
<b>Total current assets</b>		<b>26 063</b>	<b>67 397</b>
<b>Total assets</b>		<b>77 133</b>	<b>103 979</b>

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	31.12.2017	31.12.2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	15	56 895	55 550
Share premium	15	331 223	326 045
Other paid-in capital	5	14 354	14 354
Retained losses		(335 858)	(300 026)
Other comprehensive income		3 544	1 220
Equity attributable to ordinary shareholders		70 158	97 143
Non-controlling interest		-	(173)
<b>Total equity</b>		<b>70 158</b>	<b>96 970</b>
<b>Non-current liabilities</b>			
Other liabilities	21	603	1 124
<b>Total non-current liabilities</b>		<b>603</b>	<b>1 124</b>
<b>Current liabilities</b>			
Trade payables	17	3 200	2 299
Other current liabilities	16,17	3 172	3 586
<b>Total current liabilities</b>		<b>6 372</b>	<b>5 885</b>
<b>Total liabilities</b>		<b>6 975</b>	<b>7 009</b>
<b>Total shareholders' equity and liabilities</b>		<b>77 133</b>	<b>103 979</b>

Oslo, 27 April 2018

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen  
Chairman



Kjell Roland  
Deputy chairman



Eva Kaijser  
Board member



Mari Thjømøe  
Board member



Ivar S. Fossum  
CEO

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in NOK thousands)	Note	Attributed to equity holders of the parent							Non-controlling interest	Total equity
		Share capital	Share premium	Other paid-in capital	Other comprehensive income	Accumulated losses	Total			
<b>Equity 1 January 2016</b>		<b>38 550</b>	<b>263 281</b>	<b>12 924</b>	<b>1 621</b>	<b>(273 119)</b>	<b>43 257</b>	<b>(97)</b>	<b>43 160</b>	
Loss for the period		-	-	-	-	(26 907)	(26 907)	(184)	(27 091)	
Other comprehensive income	15	-	-	-	(401)	-	(401)	-	(401)	
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(401)</b>	<b>(26 907)</b>	<b>(27 308)</b>	<b>(184)</b>	<b>(27 492)</b>	
Non-controlling investment		-	-	-	-	-	-	108	108	
Share-based payment	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)	
<b>Equity 31 December 2016</b>		<b>55 550</b>	<b>326 045</b>	<b>14 354</b>	<b>1 220</b>	<b>(300 026)</b>	<b>97 143</b>	<b>(173)</b>	<b>96 970</b>	
<b>Equity 1 January 2017</b>		<b>55 550</b>	<b>326 045</b>	<b>14 354</b>	<b>1 220</b>	<b>(300 026)</b>	<b>97 143</b>	<b>(173)</b>	<b>96 970</b>	
Loss for the period		-	-	-	-	(35 530)	(35 530)	(43)	(35 573)	
Other comprehensive income	15	-	-	-	2 324	-	2 324	-	2 324	
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2 324</b>	<b>(35 530)</b>	<b>(33 206)</b>	<b>(43)</b>	<b>(33 249)</b>	
Acquisition of non-controlling investment		-	-	-	-	(302)	(302)	216	(86)	
Share issue	15	1 345	5 603	-	-	-	6 948	-	6 948	
Transaction costs	15	-	(425)	-	-	-	(425)	-	(425)	
<b>Equity 31 December 2017</b>		<b>56 895</b>	<b>331 223</b>	<b>14 354</b>	<b>3 544</b>	<b>(335 858)</b>	<b>70 158</b>	<b>-</b>	<b>70 158</b>	

# CONSOLIDATED CASH FLOW STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2017	2016
<b>Cash flow from operating activities</b>			
Loss before income tax		(35 573)	(27 091)
Depreciation	11	152	7
Impairment of exploration asset	10	-	1 326
Share of loss in associate	12	(542)	4 241
Share-based expenses		-	1 430
<b>Changes in assets and liabilities</b>			
Other receivables and prepayments	13	(3 231)	(295)
Trade payables		901	1 609
Other current liabilities	16	(416)	2 529
Difference between pension expense and payment	21	(320)	(552)
<b>Net cash used in operating activities</b>		<b>(39 029)</b>	<b>(16 796)</b>
<b>Net cash used in investing activities</b>			
Acquisition of licences	10	(345)	(380)
Investment in other exploration and evaluation assets	10	(85)	(12 187)
Investment in associate	12	(11 544)	(13 725)
Purchases of property, plant and equipment	11	-	(372)
<b>Net cash used in investing activities</b>		<b>(11 974)</b>	<b>(26 664)</b>
<b>Net cash from financing activities</b>			
Share issuance	15	6 948	85 638
Transaction costs, share issue		(425)	(5 874)
Repurchase non-controlling interest		(85)	
<b>Net cash from financing activities</b>		<b>6 438</b>	<b>79 764</b>
Net change in cash and cash equivalents		(44 565)	36 303
Cash and cash equivalents at beginning of period	14	66 112	29 809
<b>Cash and cash equivalents at end of period</b>	<b>14</b>	<b>21 547</b>	<b>66 112</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1 - GENERAL INFORMATION

Nordic Mining ASA (“the Company”) and its subsidiaries (together “the Group”) is engaged in the exploration for and development of projects for 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 27 April 2018.

## 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 discussion below and the Board of Directors’ report for further information.

Based on current forecasts and working plans, the Group’s working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2017. In January 2018, Nordic Mining raised new equity with gross proceeds of NOK 59.6 million (net proceeds of about NOK 55.4 million after deducting transaction costs) ensuring sufficient capital until the fourth quarter of 2018. Going forward, the Group will need to either reduce the activity level, raise more equity, issue debt instruments or divest assets depending on the development on ongoing projects.

Please see note 17 in the consolidated financial statements regarding discussion of liquidity risk and note 23 regarding the share issue after the balance sheet date.

### 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 judgement and estimation uncertainty:

- *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. The Group recognised impairment on its investment in the associate in 2013 and 2014.

In 2017, Keliber raised equity from investors reducing the Group’s ownership in the associate from 25% to 22%. The transaction price indicated a fair value of the Group’s investment significantly exceeding the carrying amount of the investment in the associate prior to the transaction. Also, the value in use cash flow estimate has increased significantly since 2014 because of an increase in estimated resources and an increase in the market price of lithium carbonate. Accordingly, the Group recognised a reversal of impairment losses of NOK 5.1 million. Please see note 12 in the consolidated financial statements for additional disclosure.

- *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, as well as 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 statements.

Total capitalised drilling costs in the statement of financial position was NOK 15 million at 31 December 2017. An additional exploratory drilling program for the Engebø project was initiated late 2017 (NOK 85,000 was capitalised in 2017) and completed in the first quarter 2018.

- *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 commerciality 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 (rutile and garnet) and Kvinnherad (quartz) has provided promising discoveries of mineral deposits.



**Basis of Consolidation**

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. 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 Nordic Rutile AS, Nordic Ocean Resources AS, and Nordic Quartz AS, all 100% owned and 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 result 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 company 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 each quarterly 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 financial income or financial 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 of 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 holes are charged to expenses as incurred. Drilling costs of exploration holes are temporarily capitalised pending the evaluation of the potential existence of mineral resources. If resources 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, 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 balance sheet 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 balance sheet 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

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 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 rutile and garnet 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 2017. 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 2017 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 note 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 2018 or 2019.

### 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, the Group expects that 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’s financial instruments mainly consists of short term receivables and payables. There were a minimal number of issues to consider under IFRS 9.

#### 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 and partly to interest expense.

### NOTE 3 - SEGMENTS

The Group presents segments on the basis of the mineral projects. 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 environmental permit for the project are approved and final, without possibilities 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.

#### 2017:

<i>(Amounts in NOK thousands)</i>	Quartz	Titanium	Adjustments and eliminations	Consolidated
Segment result	(574)	(32 954)	(2 045)	(35 573)
Depreciation and amortisation	-	(152)	-	(152)
Share of loss from associate	-	-	542	542
Financial income	-	116	152	268
Financial costs	-	(173)	(4)	(177)
Allocated segment assets	2 393	19 408	55 332	77 133

#### 2016:

<i>(Amounts in NOK thousands)</i>	Quartz	Titanium	Adjustments and eliminations	Consolidated
Segment result	(619)	(18 550)	(7 922)	(27 091)
Depreciation and amortisation	-	(7)	-	(7)
Share of loss from associate	-	-	(4 241)	(4 241)
Financial income	2	33	165	200
Financial costs	-	(84)	(5)	(89)
Allocated segment assets	2 393	18 781	82 805	103 979

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

<i>(Amounts in NOK thousands)</i>	2017	2016
Profit/(loss) from segments	(33 528)	(19 169)
Not allocated costs	(2 735)	(3 841)
Not allocated share of profit/(loss) in associate	542	(4 241)
Not allocated net finance	148	160
<b>Profit/(loss) before tax</b>	<b>(35 573)</b>	<b>(27 091)</b>

#### NOTE 4 – SALARIES

<i>(Amounts in NOK thousands)</i>	2017	2016
Wages and salaries	7 326	6 994
Social security costs	1 434	1 369
Pension costs defined benefit plan	713	432
Pension costs defined contribution plan	101	90
Board members, etc	1 205	1 060
Other personnel costs	185	93
Capitalized payroll costs	(85)	(2 215)
<b>Total</b>	<b>10 879</b>	<b>7 823</b>
Average number of full time employees	5	5

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

##### 2017

No options have been granted in 2017.

##### 2016

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

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 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. 66,667 options were cancelled in 2017.

	2017		2016	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
<b>Outstanding 1 January</b>	2 696 667	4.99	1 791 667	6.66
Granted during the year	-	-	3 030 000	5.03
Cancelled during the year	(66 667)	4.08	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(2 125 000)	6.46
<b>Outstanding 31 December</b>	<b>2 630 000</b>	<b>5.01</b>	<b>2 696 667</b>	<b>4.99</b>
<b>Exercisable 31 December</b>	<b>2 630 000</b>	<b>5.01</b>	<b>2 696 667</b>	<b>4.99</b>

The average fair value of options granted in 2016 was NOK 0.47. The average remaining contractual life is 0.4 years at 31 December 2017.

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:

<b>Weighted-average assumptions</b>	<b>2016</b>
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>	<b>2017</b>	<b>2016</b>
Lease expenses	1 431	574
Project costs – Engebøfjellet	20 544	7 916
Consulting and legal fees	771	741
Other costs	4 310	3 145
Research tax credit	(1 880)	-
<b>Total</b>	<b>25 176</b>	<b>12 376</b>

The Group completed the prefeasibility study for the Engebø rutile and garnet project in 2017. The Group recognised NOK 15.7 million in 2017 and NOK 6.1 million in 2016 in expenses related to the prefeasibility study. In late 2017, the Group started the definitive feasibility study and about NOK 2 million was incurred in 2017.

### **Auditor fees:**

<i>(Amounts in NOK thousands)</i>	<b>2017</b>	<b>2016</b>
Statutory audit	393	468
Other attestation services	34	60
Tax services	9	-
<b>Total</b>	<b>436</b>	<b>528</b>

The amounts are excluding VAT.

## **NOTE 7 – FINANCIAL INCOME AND FINANCIAL COSTS**

<i>(Amounts in NOK thousands)</i>	<b>2017</b>	<b>2016</b>
Interest income on bank deposits	150	149
Foreign exchange gains	117	51
Other interest income	1	-
<b>Finance income</b>	<b>268</b>	<b>200</b>
Interest cost	(1)	(1)
Other finance costs	(1)	(3)
Foreign exchange losses	(175)	(85)
<b>Finance costs</b>	<b>(177)</b>	<b>(89)</b>

**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 2017. Tax losses can be carried forward indefinitely in Norway.

<i>(Amounts in NOK thousands)</i>	2017	2016
Taxes payable	-	-
Deferred tax	-	-
<b>Income tax expense/(income)</b>	<b>-</b>	<b>-</b>

Tax effects of temporary differences and tax loss carryforwards at 31 December 2017:

<i>(Amounts in thousands)</i>	2017	2016
Mineral properties/PP&E	(3 444)	(3 575)
Pensions	139	270
Tax loss carryforwards	73 845	67 770
<b>Total net deferred tax assets</b>	<b>70 540</b>	<b>64 465</b>
Nominal tax rate (used for measurement)	23 %	24 %

The Group has recorded NOK 0.4 million in gross directly attributable transaction costs of the 2017 share issue directly against equity (in 2016: NOK 5.9 million). The costs are included in the 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>	2017	2016
Loss before tax	(35 573)	(27 091)
Nominal tax rate	24 %	25 %
<b>Expected income tax</b>	<b>(8 538)</b>	<b>(6 773)</b>
Non-deductible costs	10	14
Non-taxable income	(451)	-
Non-deductible share compensation costs	-	357
Effect of non deductible expenses from associates	(130)	1 060
Effect of change in tax rate	3 067	2 686
Tax rate change on non-recognised tax assets	(3 067)	(2 686)
Non-recognised tax assets on current year result	9 109	5 342
<b>Tax expense/(income)</b>	<b>-</b>	<b>-</b>

**NOTE 9 – EARNINGS PER SHARE**

<i>(Amounts in NOK thousands and number of shares in thousands)</i>	2017	2016
<b>Earnings</b>		
Attributable to ordinary shareholders	(35 530)	(26 907)
<b>Number of shares</b>		
Weighted average number of ordinary shares outstanding	94 758	75 450
<b>Earnings per share attributable to ordinary shareholders (amounts in NOK)</b>		
Basic and diluted earnings per share	(0.37)	(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 2.6 million (2016: 2.7 million) potentially dilutive shares arising from options (see note 5) is not included in the calculation of diluted results per share for 2017 or 2016 since the effect is anti-dilutive.

**NOTE 10 – EXPLORATION AND EVALUATION ASSETS**

<i>(Amounts in NOK thousands)</i>	License cost	Capitalised exploration	Total
Cost at 1 January 2016	5 872	3 976	9 848
Additions	379	12 288	12 667
<b>Cost at 31 December 2016</b>	<b>6 251</b>	<b>16 264</b>	<b>22 515</b>
Additions	345	85	430
<b>Cost at 31 December 2017</b>	<b>6 596</b>	<b>16 349</b>	<b>22 945</b>
Provision for impairment at 1 January 2016	-	-	-
Impairments	-	(1 326)	(1 326)
<b>Provision for impairment at 31 December 2016</b>	<b>-</b>	<b>(1 326)</b>	<b>(1 326)</b>
Impairments	-	-	-
<b>Provision for impairment at 31 December 2017</b>	<b>-</b>	<b>(1 326)</b>	<b>(1 326)</b>
<b>Net book value 31 December 2017</b>	<b>6 596</b>	<b>15 023</b>	<b>21 619</b>
Net book value 31 December 2016	6 251	14 938	21 189
Net book value 1 January 2016	5 872	3 976	9 848

In late 2017, the Group started the preparations for a new drilling program at Engebø to be completed during the first quarter of 2018.

**Mining concessions**

The carrying amount for 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 commences at Engebø. No liability has been recognised per 31 December 2017.

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.

**2016**

The Group recognised an impairment loss of NOK 1.3 million related to all previously capitalised drilling costs for the Reinfjord project.

**NOTE 11 – PROPERTY, PLANT AND EQUIPMENT**

<i>(Amounts in NOK thousands)</i>	Machinery and equipment	Total
<b>Cost</b>		
1 January 2016	84	84
Additions	372	372
<b>31 December 2016</b>	<b>456</b>	<b>456</b>
Additions	-	-
<b>31 December 2017</b>	<b>456</b>	<b>456</b>
<b>Depreciation</b>		
1 January 2016	-	-
Depreciation expensed	7	7
Depreciation capitalised	100	100
<b>31 December 2016</b>	<b>107</b>	<b>107</b>
Depreciation expense	152	152
<b>31 December 2017</b>	<b>259</b>	<b>259</b>
<b>Net book value:</b>		
<b>31 December 2017</b>	<b>197</b>	<b>197</b>
31 December 2016	349	349
1 January 2016	84	84

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



**NOTE 12 – INVESTMENT IN ASSOCIATE**

The Group holds an investment of about 22% 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 evaluation 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>	2017	2016
Current assets	74 875	27 341
Non-current assets	80 336	65 558
Current liabilities	(7 666)	(3 089)
Non-current liabilities	(30 523)	(14 891)
<b>Equity</b>	<b>117 022</b>	<b>74 919</b>
Carrying amount of investment in associate:	29 254	15 044

The Group recognised NOK 542,000 in profit related to its investment in the associate in 2017 and a share of loss of NOK -4.2 million in 2016. The components of the share of profit/loss in the associate consisted of the following elements:

<i>(Amounts in NOK thousands)</i>	2017	2016
Share of loss in associate	(11 685)	(4 241)
Reversal of impairment	5 112	-
Profit on deemed part disposal of associate	6 706	-
Reclassification of translation adjustment to profit	410	-
<b>Total</b>	<b>542</b>	<b>(4 241)</b>

Other changes affecting the carrying amount of the investment in associate are an additional investment in Keliber shares of NOK 11.6 million and translation adjustment of NOK 2.5 million in 2017.

**Reversal of previously recorded impairments**

In 2013 and 2014, the Group recorded impairment of its investment in Keliber because of risk assessments related to the investment and financing challenges. Over the last years, Keliber has increased its mineral resources and completed a prefeasibility study indicating an economically viable lithium project. The definitive feasibility study is ongoing and scheduled for completion in the first half of 2018.

In March/April 2017, Keliber raised in total €10 million from new investors and a repair issue for existing shareholders. The shares were issued at €40 per share which is substantially higher than the subscription price in previous years. The Group considers that it has sufficient objective evidence to reverse the impairments recorded for the investment in Keliber in 2013 and 2014. After deducting unrecognised earnings since the A-shares were written-down to zero, the Group recognised NOK 5.1 million in reversed impairment in the first quarter 2017.

**Deemed disposal**

The share issue to new investors in March 2017 in combination with the subsequent repair issue and incentive issues to board members and management in 2017 have reduced the Group's ownership of Keliber from about 25.1% to approximately 22.1%. The dilution of ownership has been accounted for as a deemed disposal, and since the private placement was completed at €40 per share, a subscription price in significant excess of the net book value, the Group has recorded a gain of NOK 7.1 million, including the reclassification of foreign currency translation differences to profit and loss.

The Group's investment in Keliber consists of A-shares and B-shares. The carrying amount of A- shares was again reduced to 0 in 2017 subsequent to the reversal of prior years' impairments as described above. The unrecognised losses resulting from A-shares being fully written down, was NOK 2.3 million in 2017 and NOK 2.5 million in 2016.

**NOTE 13 – TRADE AND OTHER RECEIVABLES**

<i>(Amounts in NOK thousands)</i>	2017	2016
Accounts receivable	-	-
Other receivables	885	77
Prepayments	1 828	436
Skattefunn (receivable tax credit)	1 179	-
VAT receivable	624	772
<b>Totalt</b>	<b>4 516</b>	<b>1 285</b>

**NOTE 14 – CASH AND CASH EQUIVALENTS**

<i>(Amounts in NOK thousands)</i>	2017	2016
Bank deposits	21 547	66 112
<b>Total cash and cash equivalents</b>	<b>21 547</b>	<b>66 112</b>
Restricted cash in tax withholding account	550	437

**NOTE 15 – SHARE CAPITAL**

Number of shares outstanding	Ordinary Shares
<b>2016:</b>	
Opening balance	64 250 801
Share issuance	28 333 333
<b>31 December 2016</b>	<b>92 584 134</b>
<b>2017:</b>	
Opening balance	92 584 134
Share issuance	2 241 334
<b>31 December 2017</b>	<b>94 825 468</b>

**Share issues in 2017**

On 10 January 2017, Nordic Mining executed a private placement of 2,241,334 shares to institutional and professional investors. The gross proceeds in the issue were approximately NOK 6.9 million.

All shares have a par value of 0.60 per share and carry equal rights.

**Share issues in 2016**

In June 2016, Nordic Mining executed a rights issue of 21,954,667 shares. 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 selected institutional and professional investors. The subscription price was NOK 3.10 per share, resulting in gross proceeds of approximately NOK 19.8 million.

**Potential new shares**

See note 23 “Events after the balance sheet date” for authorisation of additional share issue in 2018.

**NOTE 16 – OTHER CURRENT LIABILITIES**

<i>(Amounts in NOK thousands)</i>	2017	2016
Tax withholding and social security accrual	879	747
Employee salary and holiday pay accrual	852	776
VAT payable	35	215
Deferred items	51	-
Accrued expenses	1 355	1 848
<b>Total</b>	<b>3 172</b>	<b>3 586</b>

**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.

The Group has no interest-bearing long-term debt and does not have recurring revenues since the Group's projects are still in the development phase. The Group's financial instruments mainly consist of regular short-term receivables and trade payables.

**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 operational losses, exploration activity and investments.

All of the Group's financial liabilities as at 31 December 2017, NOK 5.4 million, mature within 6 months from the balance sheet date (2016: all financial liabilities of NOK 4.9 million mature within 6 months at 31 December 2016).

Based on current forecasts and working plans, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2017. In January 2018, Nordic Mining raised new equity with gross proceeds of NOK 59.6 million (net proceeds of about NOK 55.4 million after deducting transaction costs) ensuring sufficient capital until the fourth quarter of 2018. Going forward, the Group will need to either reduce the activity level, raise more equity, issue debt instruments or divest assets depending on the development on ongoing projects.

**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 216,000 per percentage-point change in the variable market interest rate.

**(ii) Currency exchange risk**

A 10% increase or decrease in foreign currency rates would have an immaterial effect on the profit or loss statement.

**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 2017. 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 2017 or 2016.

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 on-going 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 0 in 2017 and NOK 0,1 million in 2016.

#### 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)	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	885	885	77	77
Cash and cash equivalents	21 547	21 547	66 112	66 112
<b>Total financial assets</b>	<b>22 432</b>	<b>22 432</b>	<b>66 189</b>	<b>66 189</b>
<b>Financial liabilities measured at amortised cost:</b>				
Accounts payable	3 200	3 200	2 299	2 299
Other current financial liabilities	2 207	2 207	2 624	2 624
<b>Total financial liabilities</b>	<b>5 407</b>	<b>5 407</b>	<b>4 923</b>	<b>4 923</b>

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 2017.

#### 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 2017, is -26% (as of 31 December 2016, -156%).

(Amounts in NOK thousands)	2017	2016
Total debt	6 975	7 009
- Cash and cash equivalents	21 547	66 112
<b>Net debt</b>	<b>(14 572)</b>	<b>(59 103)</b>
Total equity and debt	77 133	103 979
- Cash and cash equivalents	21 547	66 112
<b>Net debt and equity</b>	<b>55 586</b>	<b>37 867</b>
<b>Ratio</b>	<b>-26 %</b>	<b>-156 %</b>

#### NOTE 18 – INVESTMENT IN SUBSIDIARIES

(Amounts in NOK thousands)	Location	Year incorp.	Share capital	Ownership	Equity 31.12.17	Net loss 2017
Nordic Rutile AS	Oslo, Norway	2006	16 470	100 %	(11 415)	(32 954)
Nordic Ocean Resources AS	Oslo, Norway	2011	118	100 %	(1 190)	(362)
Nordic Quartz AS	Oslo, Norway	2011	123	100 %	(219)	(574)

**NOTE 19 – SHAREHOLDERS**

Shareholder	Number of shares	% ownership
Nordnet Bank AB (nominee)	9 165 487	9.67 %
Nordea Bank AB (nominee)	5 091 721	5.37 %
Nordnet Livsforsikring AS	2 800 903	2.95 %
Citibank N.A. (nominee)	2 274 804	2.40 %
Danske Bank A/S (nominee)	2 034 177	2.15 %
Dybvad Consulting AS	1 576 428	1.66 %
Magil AS	1 300 000	1.37 %
Infosave AS	1 235 609	1.30 %
Adurna AS	1 200 000	1.27 %
Knut Fosse AS	1 095 008	1.15 %
Ove Klungland Holding AS	1 051 180	1.11 %
VPF Nordea Avkastning	1 002 963	1.06 %
Lithinon AS	1 000 977	1.06 %
Snati AS	975 000	1.03 %
Olav Birger Sletten	957 400	1.01 %
Gode Tider AS	800 000	0.84 %
Ole Kristian Gundersen Stokken	725 043	0.76 %
Cross AS	700 000	0.74 %
Svend Otto Remøe	690 000	0.73 %
Frank Molander	662 000	0.70 %
Total 20 largest shareholders	36 338 700	38.32 %
Other shareholders	58 486 768	61.68 %
<b>Total</b>	<b>94 825 468</b>	<b>100.00 %</b>

**NOTE 20 – RELATED PARTIES AND COMPENSATION OF MANAGEMENT****Compensation of board members and key management in 2017**

(Amounts in NOK thousands)	Salary	Board member fees	Other compensation	Pension costs	Total
Ivar Sund Fossum, CEO	2 088	-	195	329	2 612
Lars K. Grøndahl, CFO	1 580	-	166	249	1 995
Mona Schanche, Exploration manager	1 240	-	126	196	1 562
Thomas B. Addison, former General Manager	1 654	-	14	70	1 738
Bent Erik Nordbø, former Nomination Committee	-	15	-	-	15
Hans Olav Kvalvaag, Nomination Committee	-	20	-	-	20
Ole Klevan, Chairman Nomination Committee	-	40	-	-	40
Tarmo Tuominen, Board chairman	-	330	-	-	330
Tore Viana-Rønningen, former Board member	-	200	-	-	200
Kjell Roland, Board member	-	200	-	-	200
Mari Thjømøe, Board member	-	200	-	-	200
Hilde Myrberg, former Board member	-	200	-	-	200
<b>Total</b>	<b>6 562</b>	<b>1 205</b>	<b>501</b>	<b>844</b>	<b>9 112</b>

## Compensation of board members and key management in 2016

(Amounts in NOK thousands)	Board member Salary	Board member fees	Other compensation	Pension costs	Total
Ivar Sund Fossum, CEO	2 043	-	232	225	2 500
Lars K. Grøndahl, CFO	1 547	-	163	170	1 880
Mona Schanche, Exploration manager	1 201	-	122	132	1 455
Thomas B. Addison, former General Manager	1 309	-	11	68	1 388
Bent Erik Nordbø, former Nomination Committee	-	15	-	-	15
Hans Olav Kvalvaag, Nomination Committee	-	15	-	-	15
Ole Klevan, Chairman Nomination Committee	-	30	-	-	30
Tarmo Tuominen, Board chairman	-	300	-	-	300
Tore Viana-Rønningen, former Board member	-	175	-	-	175
Kjell Roland, Board member	-	175	-	-	175
Mari Thjømmøe, Board member	-	175	-	-	175
Hilde Myrberg, former Board member	-	175	-	-	175
<b>Total</b>	<b>6 100</b>	<b>1 060</b>	<b>529</b>	<b>595</b>	<b>8 284</b>

Management has no termination agreement and is subject to a normal statutory termination period of 3 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 Company will offer competitive conditions in order to attract relevant expertise for the development of the Company.
- 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 to establish salary levels.

### Shares owned/controlled by members of the Board and senior management and those related to them as of 31 December 2017

Name	No of shares	% owned
Ivar Sund Fossum, CEO	437 182	0.46 %
Lars K. Grøndahl, CFO <sup>1</sup>	1 300 000	1.37 %
Mona Schanche, Exploration Manager	34 053	0.04 %
Tarmo Tuominen, Board Chairman	90 224	0.10 %
Kjell Roland, Board member	75 027	0.08 %
Mari Thjømmøe, Board member <sup>2</sup>	130 797	0.14 %
Eva Kaijser, Board member	-	0.00 %
<b>Total</b>	<b>2 067 283</b>	<b>2.18 %</b>

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

2. The shares are owned through the company ThjømmøeKranen AS.

### Options held by key management at 31 December 2017

Name	Total granted and outstanding	Granted in 2016	Exercise price
Ivar Sund Fossum, CEO	600 000	600 000	4.08
Ivar Sund Fossum, CEO	300 000	300 000	8.16
Lars K. Grøndahl, CFO	466 667	466 667	4.08
Lars K. Grøndahl, CFO	100 000	100 000	8.16
Mona Schanche, Exploration manager	400 000	400 000	4.08
Mona Schanche, Exploration manager	100 000	100 000	8.16
Thomas Addison, former General Manager	400 000	400 000	4.08
Thomas Addison, former General Manager	100 000	100 000	8.16
<b>Total</b>	<b>2 466 667</b>	<b>2 466 667</b>	

The expiry date for the options is 18 May 2018. The fair value of the options granted in 2016 using the Black Scholes model to members of key management was: NOK 453,000 for Ivar Sund Fossum, NOK 301,000 for Lars K. Grøndahl, and NOK 263,000 for Mona Schanche.

No options have been granted to members of the Board.

### NOTE 21 – PENSIONS

The Group has a defined benefit plan for its employees in the parent company, Nordic Mining ASA and a defined contribution plan for its employees in Nordic Rutile AS. The plans meet the Norwegian statutory requirements for pension plans for employees.

#### Defined benefit plan

The Group has one benefit plan for Norwegian employees with a total of 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

(Amounts in NOK thousands)	2017	2016
Pension cost - employee benefit	766	509
Pension cost - interest expense	11	18
<b>Total pension related costs</b>	<b>777</b>	<b>528</b>
Remeasurement gains/(losses) recorded to OCI	201	222

#### Movement in pension obligation during the year

(Amounts in NOK thousands)	2017	2016
Pension obligations January 1	10 301	10 480
Current value of pension benefits for the year	745	744
Interest costs	201	182
Curtailement/settlement		(609)
Payments	(247)	(246)
Remeasurement loss/ (gain)	(197)	(161)
Other	(63)	(88)
<b>Pension obligations as of 31 December</b>	<b>10 739</b>	<b>10 301</b>

**Movements in pension funds during the year**

<i>(Amounts in NOK thousands)</i>	2017	2016
Pension funds 1 January	9 178	8 582
Expected return on plan assets	169	141
Curtailement/settlement	-	(352)
Contributions	1 033	984
Payments	(247)	(246)
Other	-	8
Remeasurement (loss)/ gain	4	61
<b>Pension funds as of 31 December</b>	<b>10 137</b>	<b>9 178</b>

**Pension liability is classified on the balance sheet as follows**

<i>(Amounts in NOK thousands)</i>	2017	2016
Pension funds	10 137	9 178
Pension obligations	(10 739)	(10 301)
Total	(603)	(1 124)
Other		
<b>Net pension asset</b>	<b>(603)</b>	<b>(1 124)</b>

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

Other long-term asset	-	-
Other liabilities	(603)	(1 124)

**Assumptions**

	2017	2016
Discount interest rate	2.40 %	2.00 %
Annual projected increase in salary	2.50 %	2.50 %
Annual projected G- regulation	2.25 %	2.25 %
Annual projected regulation of pension under payment	0.50 %	0.00 %

**Investment of plan assets by category**

	2017	2016
Equities	10.90 %	6.70 %
Alternative investments	0.00 %	0.00 %
Bonds	13.20 %	12.20 %
Money market	14.00 %	23.60 %
Hold to maturity bonds	27.20 %	31.70 %
Loans and receivables	23.30 %	18.10 %
Real estate	10.00 %	7.40 %
Other	1.40 %	0.30 %

**Defined contribution plan**

As per 31 December 2017, the Group has a defined contribution plan for one of its employees in the subsidiary Nordic Rutile AS. The Group recognised an expense of NOK 101,000 in 2017 and NOK 90,000 in 2016 related to its 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 0.2 million in 2017 (2016: NOK 0.2 million). Estimated total payment to the Group from various Norwegian governmental institutions was around 0.7 million in 2017 (2016: NOK 0 million).



## **NOTE 23 – EVENTS AFTER THE BALANCE SHEET DATE**

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### **Share capital**

Share private placement of 15,625,000 shares to selected investors at a subscriptions price of NOK 3.20 per share was approved by the extraordinary Shareholders meeting on 8 January 2018. The gross proceeds in the private placement were NOK 50.0 million.

On 8 January 2018, the abovementioned Shareholders' meeting resolved a subsequent offering of up to 3 million new shares at the same terms and conditions as in the private placement to the company's shareholders who were not offered shares in the private placement. Allocation of the 3 million offer shares was completed on 30 January 2018. The gross proceeds in the subsequent offering were NOK 9.6 million.

In January/February 2018, the Company has received the proceeds from the private placement and the subsequent offering, net of fees to the managers and transaction costs; in total around NOK 55.4 million.

As per the date of this report, the Company's share capital is NOK 68,070,280.80 divided into 113,450,468 shares, each with a par value of NOK 0.60.

### **Strengthening of Group management – Appointment of new CFO**

Nordic Mining expands the management and has appointed Birte Norheim as new CFO to strengthen its financial operations going forward. Norheim will take up the position effective from 1 August 2018. Norheim has broad management experience from various companies in the oil and gas sector. The current CFO Lars K. Grøndahl will continue in his position until Norheim takes office and will continue in the Group management team with special focus on strategic financial planning.

### **Information from Arctic Mineral Resources AS**

On 20 April 2018, Arctic Mineral Resources AS published information of a mineral project scenario focusing solely on garnet in the area for Nordic Mining's Engebø rutile and garnet project. Nordic Mining holds all rights and permits necessary for its current operations related to the Engebø rutile and garnet project.

# Corporate accounts for Nordic Mining ASA



## INCOME STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2017	2016
Revenues from Group companies		6 654	6 654
Payroll and related costs	4	(8 089)	(6 384)
Share-based compensation		-	(1 064)
Other operating expenses	5	(4 637)	(3 586)
Impairment of exploration and evaluation assets	8	-	(1 326)
<b>Operating loss</b>		<b>(6 072)</b>	<b>(5 706)</b>
Reversal of write-downs in associate	13	13 466	-
Financial income	6	3 850	2 952
Financial costs	6	(4)	(5)
<b>Profit/(loss) before tax</b>		<b>11 240</b>	<b>(2 759)</b>
Income tax	7	-	-
<b>Net profit/(loss)</b>		<b>11 240</b>	<b>(2 759)</b>
<b>Earnings per share attributable to ordinary shareholders</b> <i>(Amounts in NOK)</i>			
Basic and diluted earnings per share		0.12	(0.04)
<b>Allocation of the profit/(loss)</b>			
Allocated to/from share premium		11 240	(2 759)

## BALANCE SHEETS

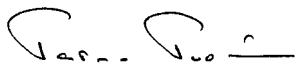
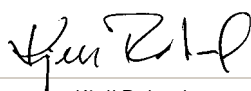
<i>(Amounts in NOK thousands)</i>	Note	2017	2016
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	3, 13	79 243	54 054
Investment in associate	13	51 160	26 149
Long term receivables Group companies	9	82 367	71 278
<b>Total non-current assets</b>		<b>212 770</b>	<b>151 481</b>
<b>Current assets</b>			
Other receivables and prepayments	9	2 695	480
Cash and cash equivalents	10	20 815	65 341
<b>Total current assets</b>		<b>23 510</b>	<b>65 821</b>
<b>Total assets</b>		<b>236 280</b>	<b>217 302</b>

## BALANCE SHEETS

<i>(Amounts in NOK thousands)</i>	Note	2017	2016
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	11	56 895	55 550
Share premium	11	162 588	146 170
Other equity	11	12 663	12 462
<b>Total equity</b>	<b>11</b>	<b>232 146</b>	<b>214 182</b>
<b>Non-current liabilities</b>			
Pension liabilities	4	603	1 124
<b>Total non-current liabilities</b>		<b>603</b>	<b>1 124</b>
<b>Current liabilities</b>			
Trade payables		2 068	628
Provision and other current liabilities	12	1 463	1 368
<b>Total current liabilities</b>		<b>3 531</b>	<b>1 996</b>
<b>Total liabilities</b>		<b>4 134</b>	<b>3 120</b>
<b>Total shareholders' equity and liabilities</b>		<b>236 280</b>	<b>217 302</b>

Oslo, 27 April 2018

The Board of Directors of Nordic Mining ASA


Tarmo Tuominen  
Chairman

Kjell Roland  
Deputy chairman

Eva Kaijser  
Board member

Mari Thjømøe  
Board member

Ivar S. Fossum  
CEO

## CASH FLOW STATEMENTS

<i>(Amounts in NOK thousands)</i>	Note	2017	2016
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net profit/(loss) before income tax		11 240	(2 759)
Reversal of write-downs in associate	13	(13 466)	
Write down of exploration assets	13	-	1 326
Share-based expenses	4	-	1 064
<b>Other changes in assets and liabilities</b>			
Receivables, operating receivables from subsidiaries, prepayments	9	(38 408)	(29 315)
Trade payables		1 440	143
Accrued expenses and other current liabilities	12	95	121
Other		(320)	(551)
<b>Net cash used in operating activities</b>		<b>(39 419)</b>	<b>(29 971)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment in associate	13	(11 545)	(13 726)
<b>Net cash used in investing activities</b>		<b>(11 545)</b>	<b>(13 726)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Share issuance net of transaction costs	11	6 523	79 763
Repurchase of non-controlling interest		(85)	-
<b>Net cash from financing activities</b>		<b>6 438</b>	<b>79 763</b>
Net change in cash and cash equivalents		(44 526)	36 066
Cash and cash equivalents at beginning of period	10	65 341	29 275
<b>Cash and cash equivalents at end of period</b>	<b>10</b>	<b>20 815</b>	<b>65 341</b>
<b>Non-cash transactions</b>			
Conversion of debt to equity in subsidiaries		25 104	1 282

# 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 27 April 2018.

## 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. See discussion below.

### Going concern assumption

Based on current forecasts, the Group’s working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2017. In January 2018, Nordic Mining raised new equity with gross proceeds of NOK 59.6 million (net proceeds of about NOK 55.4 million after deducting transaction costs) ensuring sufficient capital until the fourth quarter of 2018. Going forward, the Group will need to either reduce the activity level, raise more equity, issue debt instruments or divest assets depending on the development on ongoing projects.

Please see note 14, note 17 and note 23 in the consolidated financial statements and the Board of Directors report.

### 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 resources. If resources 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 is 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 to compensate service providers. 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 others providing a similar service 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 4 below and 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 if this is later.



**NOTE 3 – SIGNIFICANT TRANSACTIONS****2017:**

In 2017 Nordic Minings associated company Keliber Oy issued shares in several instances, where among others existing and new investor's participated to fund Keliber's investment program. Nordic Mining contributed with NOK 11.5 million, which resulted in a dilution in the ownership from 25.1 % per 31 December 2016 to about 22 % at 31 December 2017.

For additional disclosure of investement in associate, see note 12 in the consolidated financial statements for 2017.

**2016:**

In 2016, Nordic Mining invested NOK 13.7 million in Keliber to maintain its ownership of about 25%.

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

<i>(Amounts in NOK thousands)</i>	2017	2016
Wages and salaries	4 990	4 817
Social security costs	1 088	1 041
Pension costs defined benefit plan	713	432
Pension costs defined contribution plan	-	-
Board members, etc	1 205	1 060
Other personnel costs	159	63
Capitalised payroll costs	(66)	(1 029)
<b>Total</b>	<b>8 089</b>	<b>6 384</b>
Average number of full time employees	3	3

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

The note disclosure in note 21 – Pensions, regarding the defined benefit plan relates in its entirety to Nordic Mining ASA as the subsidiaries only has defined contribution plans.

**NOTE 5 – OTHER OPERATIONAL COSTS**

<i>(Amounts in NOK thousands)</i>	2017	2016
Leasing costs	1 077	479
Consulting and legal fees	1 515	419
Other costs	2 045	2 688
<b>Total</b>	<b>4 637</b>	<b>3 586</b>

**Auditor fees:**

<i>(Amounts in NOK thousands)</i>	2017	2016
Statutory audit	360	365
Other attestation services	18	60
Tax services	9	-
<b>Total</b>	<b>378</b>	<b>425</b>

The amounts are excluding VAT.

**NOTE 6 – FINANCIAL INCOME AND FINANCIAL COSTS**

<i>(Amounts in NOK thousands)</i>	2017	2016
Interest income on bank deposits	148	147
Interest from Group companies	3 698	2 787
Foreign exchange gains	4	18
<b>Finance income</b>	<b>3 850</b>	<b>2 952</b>
Other finance costs	1	1
Foreign exchange losses	3	4
<b>Finance costs</b>	<b>4</b>	<b>5</b>

**NOTE 7 – TAXES**

The Company has incurred substantial losses to be carried forward. 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 2017

There is no time limitation for utilisation of tax losses carried forward in Norway.

**Income taxes for the year**

<i>(Amounts in thousands)</i>	2017	2016
Taxes payable	-	-
Deferred tax	-	-
<b>Income tax expense/(income)</b>	<b>-</b>	<b>-</b>

**Tax impact of temporary differences as of 31 December**

<i>(Amounts in thousands)</i>	2017	2016
Pensions	139	270
Tax loss carryforwards	48 470	49 872
<b>Net deferred tax assets</b>	<b>48 609</b>	<b>50 142</b>
Nominal tax rate (used to measure deferred tax items)	23 %	24 %
<b>Recognised on the balance sheet</b>		
Deferred tax asset	-	-
Deferred tax liability	-	-

**Reconciliation of effective tax rate**

<i>(Amounts in thousands)</i>	2017	2016
Net profit/(loss) before tax	11 240	(2 759)
Nominal tax rate	24 %	25 %
Expected tax expense/(income)	2 698	(690)
Non-deductible costs	7	9
Reversed impairments in associate	(3 232)	-
Non-deductible share compensation costs	-	266
Effect of rate change	2 113	2 089
Effect of range change on non-recognised deferred tax asset	(2 113)	(2 089)
Non-recognised deferred tax asset allocable to profit and loss	527	415
<b>Tax expense/(income)</b>	<b>-</b>	<b>-</b>

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

In 2016, Nordic Mining decided to put further exploration activities at Reinfjord on hold in order to focus resources on other projects. 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>	2017	2016
Accounts receivable	-	-
Other receivables	885	76
Prepayments	1 810	404
<b>Totalt</b>	<b>2 695</b>	<b>480</b>

**Specification of intercompany loans/receivables**

<i>(Amounts in NOK thousands)</i>	2017	2016
Nordic Rutile AS	78 137	67 647
Nordic Quartz AS	3 028	2 850
Nordic Ocean Resources AS	1 202	781
<b>Total</b>	<b>82 367</b>	<b>71 278</b>
Classified as current liabilities	-	-
Classified long-term receivables	82 367	71 278

During 2017, the Company converted NOK 24.7 million of debt to equity in Nordic Rutile AS and NOK 0.4 million of debt to equity in Nordic Quartz AS. The interest rate on the intercompany loans is 5% per year.

**NOTE 10 – CASH AND CASH EQUIVALENTS**

<i>(Amounts in NOK thousands)</i>	2017	2016
Bank deposits	20 815	65 341
<b>Total cash and cash equivalents</b>	<b>20 815</b>	<b>65 341</b>
Included in cash and cash equivalent - Employee withholding tax	318	322

**NOTE 11 – SHARE CAPITAL AND CHANGES IN EQUITY**

<b>Number of shares outstanding</b>	<b>Ordinary Shares</b>
<b>2016:</b>	
Opening balance	64 250 801
Share issuance	28 333 333
<b>31 December 2016</b>	<b>92 584 134</b>
<b>2017:</b>	
Opening balance	92 584 134
Share issuance	2 241 334
<b>31 December 2017</b>	<b>94 825 468</b>

See note 15 in the consolidated financial statements for information regarding share issues in 2017 and 2016, and note 17 for information regarding the largest shareholders in Nordic Mining ASA. Also see note 15 for information regarding reverse stock split by factor of 6 in 2016.

All shares have equal rights. The 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 equity	Total
<b>Equity at 1 January 2016</b>	<b>38 550</b>	<b>86 165</b>	<b>10 810</b>	<b>135 525</b>
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)
<b>Equity at 31 December 2016</b>	<b>55 550</b>	<b>146 170</b>	<b>12 462</b>	<b>214 182</b>
Share-based payment	-	-	-	-
Share issue	1 345	5 603	-	6 948
Transaction costs on share issue	-	(425)	-	(425)
Actuarial gain losses on pensions	-	-	201	201
Loss for the period	-	11 240	-	11 240
<b>Equity at 31 December 2017</b>	<b>56 895</b>	<b>162 588</b>	<b>12 663</b>	<b>232 146</b>

**NOTE 12 – PROVISION AND OTHER CURRENT LIABILITIES**

<i>(Amounts in NOK thousands)</i>	2017	2016
Tax withholding and social security accrual	532	536
Employee salary and holiday pay accrual	602	544
VAT payable	67	215
Deferred items	51	-
Accrued expenses	211	73
<b>Total</b>	<b>1 463</b>	<b>1 368</b>

**NOTE 13 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE**

<i>(Amounts in NOK thousands)</i>	Location	Year incorp.	Share capital	Ownership	Equity 31.12.17	Net loss 2017	Carrying amount 31.12.17
Nordic Rutile AS	Oslo, Norway	2006	16 470	100 %	(11 415)	(32 954)	72 254
Nordic Ocean Resources AS	Oslo, Norway	2011	118	100 %	(1 190)	(362)	2 624
Nordic Quartz AS	Oslo, Norway	2011	123	100 %	(219)	(574)	4 365
<b>Total</b>							<b>79 243</b>

In 2017, the Company increased its investment in Nordic Rutile by NOK 24.7 million and in Nordic Quartz by NOK 0.4 million. Both capital increases were achieved by debt to equity conversion.

In 2017, the Company purchased the non-controlling interest in Nordic Ocean Resources AS for NOK 85,000.

The subsidiaries are in an early phase of its development program. During the exploration phase most of the expenses are recorded through the income statement. Even if the equity is negative in the subsidiaries the carrying value of shares in subsidiaries is deemed recoverable due to the current information available regarding discovered resources through the exploration program.

**Investments in associate**

The Company holds an investment of approximately 22% in Keliber Oy in Finland.

<i>(Amounts in NOK thousands)</i>	<b>Carrying amount</b>
Carrying amount 1.1.16	12 423
Additional investment 2016	13 726
Carrying amount 31.12.16	26 149
Additional investment 2017	11 545
Reversal of impairments	13 466
<b>Carrying amount 31.12.17</b>	<b>51 160</b>

Nordic Mining made an additional investment of approximately NOK 11.5 million in 2017 (NOK 13.7 million in 2016).

**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.

Based on current forecasts, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the next 12 months from 31 December 2017. In January 2018, Nordic Mining raised new equity with gross proceeds of NOK 59.6 million (net proceeds of about NOK 55.4 million after deducting transaction costs) ensuring sufficient capital until the fourth quarter of 2018. Going forward, the Group will need to either reduce the activity level, raise more equity, issue debt instruments or divest assets depending on the development on ongoing projects.

For a more complete description of the 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**

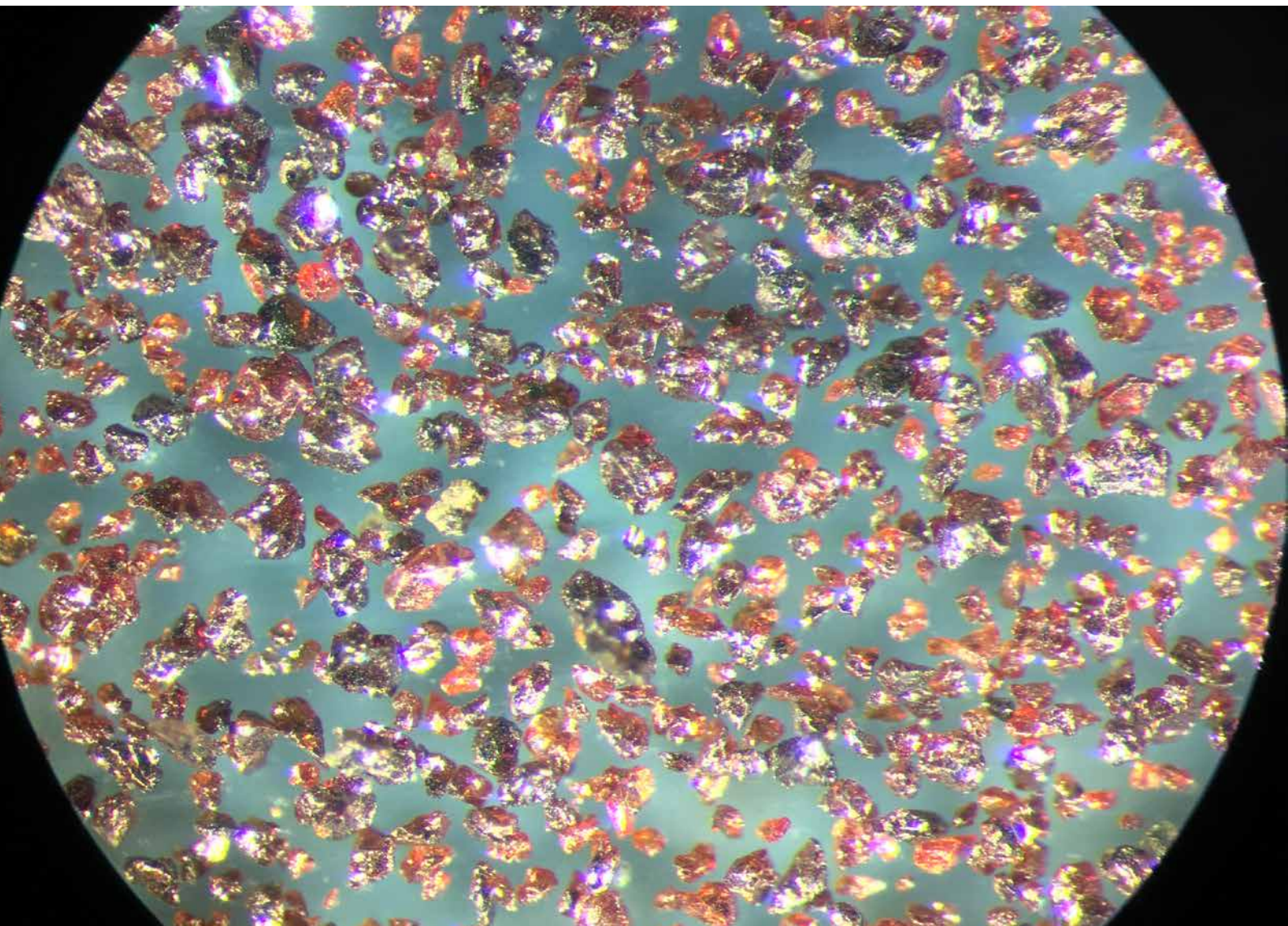
The Company does not have receivables from sales, and there are not many other payables (loans and payables are primarily from the companies within the Group; at 31 December 2017 the intercompany loans and payables amounted to NOK 82.4 million). The Company has a limited credit risk from external parties.

**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.



Dry rutile concentrate from test work production.



**NORDIC  
MINING**

**Nordic Mining ASA**

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**RESPONSIBILITY STATEMENT**

We confirm to the best of our knowledge that the consolidated financial statements for 2017 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 2017 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, 27 April 2018

The Board of Directors of Nordic Mining ASA

Tarmo Tuominen  
Chairman

Mari Thjømøe  
Board mem

Kjell Roland  
Deputy chairman

Eva Kaijser  
Board member

Ivar S. Fossum  
CEO



Statsautoriserte revisorer  
Ernst & Young AS

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## 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 2017, income statement and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2017, income statement and the statements of comprehensive income, cash flow and 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 2017, 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 2017 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.

#### Material uncertainty related to going concern

According to note 2 Going Concern and note 17 Liquidity risk to the financial statements and the Board of Directors' Report, the Company will need to either reduce its activity level, issue new equity, divest assets or obtain debt financing to develop its ongoing projects. This indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. In addition to the matter described in the Material uncertainty





related to going concern section, we have determined the matter described below to be the key audit matters to be communicated in our report. 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.

### **Reversal of prior years' impairment losses in the associated company Keliber Oy**

The carrying amount of the investment in the associated company Keliber OY ("Keliber") per 31 December 2017 is NOK 29 254 thousand and NOK 51 160 thousand in the Group's and Parent company's statement of financial position respectively.

During March and April 2017 Keliber issued new shares to existing and new owners. The subscription price in the equity offerings was together with the increase both in Mineral resources and Lithium prices considered as objective evidence to reverse part of prior year's impairment charges amounting to NOK 5 112 thousand and NOK 13 466 thousand in the Group and Parent Company's income statement respectively. In establishing the amount eligible for reversal, management applied estimates as Keliber has two different share classes with different economic rights, while the equity offerings was for one share class. The accounting impacts of reversal of prior year's impairment losses was a key audit matter due to its magnitude and the uncertainty of the estimates and judgments applied.

Our audit procedures included an assessment of management's evaluation of objective criteria's for reversal of prior period impairment losses and estimates applied in calculating amounts eligible for reversal to the different share classes. We also tested the mathematical accuracy of the amount recorded as reversal of impairment. Further, we assessed the Company's disclosures regarding reversal of impairment.

We refer to note 2 and 12 in the Group financial statements and note 13 in the Parent company's financial statements for further description.

### **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.

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.

Independent auditor's report - Nordic Mining ASA

A member firm of Ernst & Young Global Limited



## Report on other legal and regulatory requirements

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

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 and corporate social responsibility, 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.

### 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.

27 April 2018  
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)

# ARTICLES OF ASSOCIATION

for Nordic Mining ASA per 29 January 2018

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 68,070,280.80 divided on 113,450,468 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 2018

May 2018	May 2018	August 2018	November 2018	February 2019
<b>15</b>	<b>29</b>	<b>17</b>	<b>8</b>	<b>22</b>
First quarter results 2018	Annual General Meeting	Second quarter results 2018	Third quarter results 2018	Fourth quarter results 2018

**Photos:**

Thomas Kolbein Bjørk Olsen: front page

Olav Heggø: page 4, 24 and 25

GettyImages: page 2, 3, 9, 14 and 27

Keliber: page 5, 10 and 12

NTNU MarMine: page 16

Nordic Mining: 6, 7, 8, 13, 15, 16,  
17, 19, 31, 70

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