

**NORDIC
MINING**



ANNUAL
2018 REPORT

MINERALS
FOR A SUSTAINABLE
FUTURE

SAFETY | ENVIRONMENT | INNOVATION





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

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CEO'S REPORT

Dear shareholder,

Global perspectives

The mining industry is becoming increasingly important for the global social and economic development. This is mostly for good as production of minerals is an essential enabler for the shift towards a greener society. However, during the year we have also been reminded of our responsibilities for sustainable production and management throughout the value chain. In his speech in connection with the 2018 Nobel Peace Prize ceremony the laureate, Denis Mukwege from DR Congo, gave a clear message to the buyers of EVs of their responsibility to contribute to a sustainable sourcing of minerals.

Further, several dam failures in Brazil during the last years are grim evidences of lack of perspectives in the planning and design of tailings solutions which have caused hundreds of casualties and devastating destructions. Going forward, tailings management will continue to be a key issue as ore grades are reducing and tailings volumes growing. The approved deep-sea tailings deposit for the Engebø project utilize gravity forces for final disposal of tailings with no future risk for dam breaks or severe failures. At Engebø, the nature-given mineral resource and the topography are harmonized, providing a safe and long-term tailings solution.

Engebø, project development

The definitive feasibility study (DFS) for the Engebø rutile and garnet project is a substantial undertaking for the Nordic Mining organization and demonstrates the thorough work required to establish a greenfield mining operation. Based on the rich orebody, comprehensive test work has

been carried out to establish a robust process for continued production of high quality products of rutile and garnet. The drilling campaign executed in the beginning of 2018 provided valuable information about the geotechnical rock parameters and resulted in an increase of the resource estimates.

The DFS comprises engineering, design activities and a commercial bidding process for contractors' supply of materials and services. A significant part of the products and services are expected to be sourced from Norwegian vendors, and the interest at our initial supplier conferences was impressive. In parallel with the DFS, zoning plan activities for the fresh water supply from Askvoll municipality and the detailed regulations of the processing and mine site areas are carried out. The various engineering and design activities as well as the comprehensive mine planning activities have provided a solid basis for the application for the operational license which was submitted to the Directorate of Mining in February 2019.

During 2018 we also established new friendships. Our long-term vision for the Engebø project was aligned with the strategy and values of a reputable Japanese trading house which has extensive experience of the titanium value chain. The Heads of Agreement entered into in January 2019 for offtake of rutile and participation in the construction financing anchors our common goals and intentions for a long-term partnership.

Keliber, building a Finnish stronghold

The automotive industry's growing need for high-quality batteries has led to new strategies and substantial investments in

Europe. Finland is positioning itself in the battery value chain and mining space, and in 2018, the Canadian analysts Fraser Institute ranked Finland as the most attractive jurisdiction in the world for mining investments. As part of its strategy, the Finnish state has established a state-owned company, Finnish Minerals Group (FMG) with a mission to responsibly maximize the value of Finnish minerals. With a vision to achieve an integrated electric vehicle battery value chain in Finland, FMG seeks to engage in a cluster of battery related minerals. Together with FMG and the other shareholders in Keliber, we look forward to realize the vision of Keliber becoming the first European producer of battery grade lithium hydroxide.

Minerals, a strong business case for Norway

The Norwegian minister of Trade, Industry and Fisheries, Torbjørn Røe Isaksen has provided a clear message that mining is an industry for the future in Norway. A working group has recently evaluated the mineral act and the Norwegian Parliament is debating a proposal for a new seabed minerals act, regulating exploration and mining of mineral resources within Norwegian waters. We applaud this strategy and share the view that the whole mining industry value chain, including the metallurgical industries and advanced mineral production, represents a strong business case for Norway.

I would like to thank you for your continued strong support and look forward to an exciting common journey going forward.

Oslo, 29 April 2019

Ivar S. Fossum, CEO



OPERATIONS

ENGEBØ – rutile and garnet



The development of Nordic Mining's Engebø rutile and garnet project on the west coast of Norway is progressing steadily towards construction and market outlook remain positive. The Company has entered into Heads of Agreement with offtake partners relating to both minerals which includes offtake partners' intentions to participate substantially in the construction financing. The definitive feasibility study is expected completed in the second half of 2019 and targeted start of construction is in 2020.

Increased resource estimates

The Engebø deposit is one of the largest unexploited rutile deposits in the world and with a high grade of rutile compared to current producers and development projects. The deposit also contains significant quantities of garnet.

In 2018, an additional drilling program was carried out with a target to increase the knowledge of the ore body and to verify geotechnical parameters for the open pit mining methods. In total, 1,581 meters was drilled in 10 drill holes. The drilling program resulted in an increase of the estimated mineral resources in the measured and indicated categories by around 5%, to approximately 98 million tonnes (based on a cut-off of 3% TiO₂). The average grade of rutile and garnet in the measured and indicated categories is 3.87% and 44.4%, respectively.

The tables to the right provide an overview of the updated resource estimates* as presented by Competent Person Adam Wheeler in June 2018. The ongoing definitive feasibility work is based on the 2018 resource model and estimates.

The international mining consultancy company SRK has carried out geotechnical, hydrogeological and structural logging and modelling based on drill core data. SRK's recommendations on slope angles and evaluations of stability conditions confirm and improve parameters for the open pit design and mining scheduling. Current estimates show an increased mineable ore

volume in the open pit and prolonged project mine life. The substantial inferred mineral resource highlights the potential for future expansion of production capacity and/or further extension of project mine life.

Definitive feasibility study near complete

The Engebø operation will be a dual mineral operation with production and sale of high-quality rutile and garnet. The business concept provides efficient resource utilization, risk reduction, attractive and robust economics, and future expansion opportunities with significant value potential. Nordic Mining's extraction permits for rutile (state's mineral) cover the whole area for open pit and underground operation and imply, generally, the right to

extract garnet and possible other minerals (landowners' minerals) in connection with rutile extraction.

The prefeasibility study of the project was completed in October 2017 and substantiated attractive project financials. The study outlined a robust project with low operating cost due to outcropping orebody, high mineral grades, low stripping ratio, geotechnical stability, limited transportation cost and good product recoveries for rutile and garnet. With the flow sheet developed in the prefeasibility study, approximately 20% of the processed ore will become salable products which implies a higher utilization of the ore and reduced tailings volume than initially anticipated.

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

Resource class	Tonnage Mt	TiO ₂ %	Garnet%
Measured	30	3.61	43.5
Indicated	102	3.49	42.8
Measured & Indicated	132	3.51	42.9
Inferred	256	3.15	40.1

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

Resource class	Tonnage Mt	TiO ₂ %	Garnet%
Measured	22	3.95	44.9
Indicated	75	3.85	44.2
Measured & Indicated	98	3.87	44.4
Inferred	132	3.82	42.5

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

** 2%/3% cut-off grade means that only ore with TiO₂ content of 2%/3% or more is included in the resource estimates.

Based on the positive prefeasibility results, the definitive feasibility study was initiated in late 2017. The main purpose of the definitive feasibility study is to qualify the project for construction financing. This implies that the quality of the technical assessments and financial analysis are further improved and the target is to assure de-risking of all significant aspects of the project.

The definitive feasibility test work program has been divided in three stages: process optimization, repeatability verifications and ore variability testing. Optimal crushing and grinding, as well as maximizing recovery are important to secure stable output volumes and consistent product qualities. Important clarifications relating to configuration of the rutile and garnet processing circuits have been achieved during the test program and the test work activities and the finalization of the flow chart are nearing completion.

Detailed design and engineering activities are ongoing for certain parts of the process flowsheet and for most other project areas including mining, crushing and storage, various infrastructure, administration office etc. Completion of the definitive feasibility study is expected in the second half of 2019.



The Sapphire apartment building in Berlin is coated in a layer of titanium dioxide that allows the facade to clean itself, and the air around it, when exposed to natural light. Photo: Thomas Kolbein Bjørk Olsen



Garnet is the main abrasive mineral used in waterjet cutting.

In January 2019, Nordic Mining together with the Barton Group, carried out waterjet cutting tests using garnet products from Engebø. The test results were positive and indicate performance in line with premium quality garnet products for cutting speed, finish and abrasive consumption.

The Engebø project is developed in accordance with high international standards for environment, health and safety. The framework for the environmental monitoring program was filed to the Norwegian Environment Agency in December 2018 and a comprehensive monitoring program for various environmental aspects is in process.

Regulatory activities progressing according to plan

In February 2019, Nordic Mining filed an application for operating license for the project with the Norwegian Directorate of Mining. An approval is expected within 12 months. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources. The zoning plan for the mining and processing areas and the environmental permit for the project have already been granted.

Detailed regulation of buildings and infrastructure at the processing plant and service areas, as well as for the access and haul roads etc. is ongoing. The zoning plan for the planned pipeline for process water supply is in progress. Detailed engineering for re-routing of the county road through the process area as well as preparations for strengthening of the regional power grid is ongoing.

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

Project organization strengthened

During 2018, the project organization has been strengthened, inter alia to include a Project Manager to focus solely on the Engebø project. The project development work is carried out with the support from a broad range of experienced technical advisors and suppliers; i.a. Hatch, SRK, IHC Robbins, LDE and Asplan Viak. The organization will be further strengthened as the project continues to progress towards construction.

Agreements with main landowners entered into

Agreements have been signed with the main landowners at Engebø securing Nordic Mining's acquisition of the area for the planned mineral processing plant, including the existing deep-water harbor facility. The agreements also regulate compensation to the landowners for extraction and sale of all mineral products from the deposit. The mining area comprised by the agreements covers the open pit production phase as well as the service and rock storage areas.

Agreements on offtake and participation in construction financing

In January 2019, Nordic Mining signed a Heads of Agreement with a reputable Japanese trading house relating to long-term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. The agreement on rutile is complementary to the Heads of Agreement previously signed with the Barton Group relating to offtake and commercial cooperation for garnet, as well as participation in the project financing. Both agreements will be further developed and finalized to secure future cashflows and strengthen the ability to provide financing for the project.



Commercial outlook

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

High capacity utilization in the pigment industry, reduced stockpiles and limited supply are key market drivers for the strong demand for high-grade feedstock of rutile. In the coming years, rutile production from current producers is expected to be further reduced due to depletion of operating deposits and limited new capacity in the near-term pipeline. Further, the ongoing restructuring of the Chinese pigment industry with closures of smaller plants due to environmental regulations and increased capacity in modern technology plants will increase the demand for rutile as a high-grade titanium feedstock. For the prefeasibility study in 2017, the Australian consultancy company TZMI estimated a long-term price for rutile around USD 1,070 per tonne. Recent rutile prices (95% TiO₂) have been reported to exceed USD 1,100 per tonne.

The main applications for garnet are in waterjet cutting and sand blasting. Prices vary depending on quality and application. There is currently no production of garnet in Europe and the global supply of high-quality garnet for high-end applications is short of the increasing demand. To a large extent, this is due to regulatory measures introduced by the Indian government, affecting a substantial part of the garnet production in India. It is uncertain when and to what extent Indian production will re-enter the market. For the prefeasibility study in 2017, TAK Industrial Mineral Consultancy indicated a basket price around USD 250 per tonne for the garnet qualities which will be produced at Engebø. Recent prices for high-quality products have been reported above this level.

Large garnet crystals in eclogite from Engebø.

OPERATIONS

KELIBER – lithium



Keliber continues to progress its lithium project towards realization and targets to be the first European producer of battery-grade lithium chemicals. In February 2019, Keliber published the results of an updated definitive feasibility study based on production of lithium hydroxide which shows a significant improvement in profitability. Lithium hydroxide will form the basis for Keliber's further development of the project and global demand remains strong. Keliber is currently preparing for construction financing and targets to commence production of lithium hydroxide in 2021. Nordic Mining currently owns 18.5% of the shares in Keliber.

Increased resource estimates

The resource base for Keliber's lithium project has consistently increased over the last years, underling the substantial lithium potential in the Ostrobothnia region. The mineral resource estimates were last updated in May 2018 and are shown in the table below. The Competent Persons responsible for the estimations are Markku Meriläinen (MAusIMM) and Pekka Lovén (MAusIMM), Outotec (Finland) Ltd. The estimates are in accordance with the JORC code (2012 edition).

The updated definitive feasibility study based on production of lithium hydroxide (key figures published in February 2019) is based on the 2018 resource models and estimates. Since the latest resource update in May 2018, Keliber has continued exploration work and drilled approx. 22,000 meters in existing deposits and new areas. Preliminary indications are positive, and Keliber targets to provide an update of the resource estimates in Q2 2019.

Lithium hydroxide significantly improves profitability

In June 2018, Keliber completed a definitive feasibility study for the lithium project based on production of lithium carbonate. As a part of the study, various test work was executed related to ore sorting, beneficiation and production to secure a robust and flexible process flow sheet suitable for ore supply from various deposits. The study confirmed a profitable business case and outlined the plans for project execution.

However, recent market observations indicate that future lithium demand, especially relating to battery cathode chemicals, is expected to be focused on lithium hydroxide. As a response to this development, Keliber commenced a test program relating to production of lithium hydroxide together with Outotec Finland in the fall of 2018. The program was completed in December 2018 and demonstrated successful production of battery-grade lithium hydroxide in laboratory and pilot scales. The subsequent optimization of process flowsheet and technical and economic assessments resulted in an updated definitive feasibility study for the project based on production of lithium hydroxide.

Key figures from the updated definitive feasibility study were presented in February 2019 and show a significant improvement in project economics compared to previous assessments. The main results presented in the updated study are:

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

The updated definitive feasibility study will be the basis for Keliber's further progress of the project.

Resource estimates (mill. tonnes)

Resource category	Länttä	Syväjärvi	Outovesi	Rapasaari	Leviäkangas	Emmes	Total
Measured	0.42	0.79	-	-	-	-	1.21
Indicated	0.91	1.38	0.28	4.43	0.19	1.08	8.26
Sub-total	1.33	2.17	0.28	4.43	0.19	1.08	9.47
Ore grade (Li ₂ O%)	1.04	1.24	1.43	1.13	1.14	1.22	1.16
Inferred	-	0.06	-	0.17	0.30	-	0.53



Efficient production set-up

Keliber will extract lithium-bearing spodumene from pegmatite veins, mainly 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 chemicals will be in Kokkola Industrial Park. The industrial park area has an established infrastructure, including shipping facilities, and a variety of industrial services are available. Possibilities for co-operation with established industry players in the area related will be investigated, i.e. related to access control, security and other safety services, fire and rescue duties and statutory environmental monitoring.

Permitting process progressing

Keliber has been granted mining licenses and environmental permits for the Länttä and Syväjärvi lithium deposits. The application for the Kalavesi concentrator plant was submitted in December 2018 and applications for the Rapasaari deposit and the Kokkola chemical plant were submitted in March/April 2019. Keliber expects clarification of the remaining permits in the second half of 2019.

Keliber has submitted a supplement to the environmental impact assessment program for the Kokkola chemical plant to cater for a possible future capacity expansion. The purpose is to secure strategic flexibility utilizing combinations of domestic raw materials and overseas supply.

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

Financing activities ongoing

In February 2019, Keliber appointed Carnegie Investment Bank AB and Nordea Bank Abp as advisors for the equity financing of the lithium project. Keliber and the advisors will explore different financing options, including an initial public offering. Further, Keliber has appointed Northcott Capital Ltd. as the coordinator of the debt financing of the project. Initial contact has been established with relevant banks and other potential sources of debt financing.

Strong market fundamentals

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

Several European initiatives are under development related to battery chemicals and battery production, including also Finland and Sweden. Lithium is fundamental for most relevant battery formulas currently developed. Recent contract prices and forecasts for lithium hydroxide remain strong.

The positive outcome of the updated definitive feasibility study is expected to increase market flexibility and discussion of offtake agreements are ongoing.



OPERATIONS

STRATEGIC ASSETS AND INITIATIVES



In addition to Nordic Mining's current flagship project at Engebø and its ownership in Keliber Oy, the Group also holds interests in other initiatives at various stages of development. This includes patented rights for a new technology for production of alumina which are jointly owned with the Institute for Energy Technology. The Group has also taken initiatives related to seabed mineral exploration in Norway and participates in the MarMine research project. Further, the Group is investigating a high-quality quartz deposit in Kvinnherad in western Norway and holds exploration rights for nickel and PGE in a prospective geologic province in Reinfjord in northern Norway.

ALUMINA – technology development

Together with Institute for Energy Technology (IFE), Nordic Mining has developed and patented a new technology for production of alumina. IFE and Nordic Mining are 50/50 partners on the project. The technology is an innovative solution for production of alumina from alumina-/calcium-rich mineral sources such as anorthosite, with the integrated use and storage of CO₂. The Norwegian registered patent has also been granted in Denmark, USA and Russia. Patents are pending in Canada and EPO (European Patent Office).

The technology has been tested and developed at IFE's laboratory. The leaching step of the technology has successfully been demonstrated in a small pilot reactor at Herøya Industry Park in Norway. Nordic Mining is working together with IFE and other Norwegian and international industrial companies and knowledge institutions to assess schemes for funding of further development of the technology.

Production of alumina today is mainly based on bauxite resources which are processed through the Bayer process. With this new technology, alumina can be produced from alternative sources and in a more environmentally friendly manner. The technology is based on leaching of alumina-rich anorthosite rock with hydrochloric acid at moderate temperature and pressure. Silica forms a residue from the leaching process and is extracted as a by-product. Aluminum is extracted through a sparging process and

subsequently calcined to form alumina. Precipitated calcium carbonate (PCC) is produced in the process of regenerating acid by combining calcium in the rock with carbonate from CO₂.

The multi-product process provides potential for close to full utilization of the mineral resource and the technology has environmental advantages both in terms of CO₂ consumption and waste production. PCC is a commodity used as filler in paper, plastics and paint, and silica is used as filler in tires and plastics, and in the production of cement. Further, the process consumes 500,000 tonnes of CO₂ per million tonne of

alumina which corresponds to the CO₂ emission from a medium sized oil and gas platform. The CO₂ can either be stored safely or utilized as part of the production of PCC. The process is practically waste free since nearly all the components of the anorthosite are potential saleable products.

SEABED MINERALS – research

Through its subsidiary Nordic Ocean Resources (NORA), Nordic Mining 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.





Assessments undertaken indicate a substantial potential for discovery of metallic ore deposits along the Norwegian part of the Mid-Atlantic Ridge. Norwegian oil and gas companies have 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, are developing MarMine, a research project on marine mineral resources. The project has been granted NOK 25 million in financial support from the Norwegian Research Council to conduct field excursions and investigations for subsea minerals along the Mid-Atlantic Ridge.

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

KVINNHERAD – high-purity quartz

Nordic Mining’s investigations and development work on the Kvinnherad quartz deposit demonstrate that the quartz can be processed to produce high-purity quartz (HPQ) products suitable for advanced products and applications, e.g. optical glass, high temperature light bulbs, crucibles, semiconductors and microelectronics.

The long-term outlook for HPQ products in advanced technical and industrial applications is positive. Various opportunities for industrial cooperation to develop the deposit have been identified and Nordic

Mining intends to elaborate further on schemes to position the Kvinnherad quartz project internationally. Reference is made to Note 10 and 24 of the consolidated financial statements regarding the expiration of the exclusive rights for investigation and development of the Kvinnherad quartz deposit. Nordic Mining continues commercial dialogues to establish a broader basis for progressing the project.

REINFJORD – mineral exploration

Exploration work in Reinfjord on the Øksfjord peninsula has provided insight to a prospective geological province, the “Seiland Igneous Province”. A new type of nickel, palladium and platinum mineralization has been discovered.



The Nordic Mining team, from the left: Lars K. Grøndahl, Birte Norheim, Mona Schanche, Ivar S. Fossum, Steinar Kleppe, Varun Gopalakrishnan, Kenneth A. Nakken.

BOARD OF DIRECTORS' REPORT

Nordic Mining's (the "Company") assets comprise the following subsidiaries (jointly, the "Group"):

- Nordic Rutile AS (100%): Engebø rutile and garnet project
- Keliber Oy (18.5%): Keliber lithium project
- Nordic Quartz AS (100%): Kvinnherad high-purity quartz project
- Nordic Ocean Resources AS (100%): Subsea minerals

INTRODUCTION AND OVERVIEW

The Group's project portfolio is of high international standard and diversified across several attractive industrial minerals with largely uncorrelated end-user markets. The financial viability of the wholly owned Engebø rutile and garnet project was confirmed in the pre-feasibility study completed in 2017. During 2018 and so far in 2019, the project progress has continued with several important de-risking milestones successfully completed and offtake-partnerships which include participation in the financing of the project established. The definitive feasibility study is expected completed in the second half of 2019 and preparation for project financing has commenced.

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

The asset portfolio carries significant economic potential. In particular, the wholly owned Engebø flagship project and the ownership in the Keliber lithium project, combined with a debt-free balance sheet, provide a solid value basis. Reference is made to descriptions in separate sections of this annual report for further information on the Group's projects.

Key developments in 2018 and year-to-date

- Important milestones have been achieved to progress the Engebø rutile and garnet project during the year and the definitive feasibility study is near complete. Offtake partnerships have been established and in January 2019, Nordic Mining entered into an agreement with Northcott Capital Ltd for provision of financial advisory services with respect to debt financing of the project.
- Keliber's lithium project is progressing well towards construction. Significant increases in project value have been made through increased resource-base, de-risking and improved market flexibility through lithium hydroxide.
- The markets for minerals to be produced at Engebø and by Keliber have continued to strengthen during the year and the Board considers the outlook for the Group's main markets as positive.
- In November 2018, the Company completed a rights issue of NOK 40 million at a subscription price of NOK 2.30 per share. The rights issue was oversubscribed and mainly allocated to existing shareholders. The main purpose of the capital raise was to continue the development of the Engebø rutile and garnet project towards completion of the definitive feasibility study. The Barton Group, who has produced the world's highest-quality garnet abrasives for more than six generations and is also an offtake partner to Nordic Mining, increased its shareholding from 2.3% to 3.6% in the rights issue.

GROUP PROJECTS

Engebø rutile and garnet

- The Engebø deposit is one of the largest unexploited rutile deposits in the world

and has among the highest in situ grade of rutile (TiO₂) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The prefeasibility study of the project was completed in October 2017 and confirmed viable project economics. The definitive feasibility study is progressing well and is expected completed in the second half of 2019. The main purpose of the definitive feasibility study is to qualify the project for construction financing.

- Nordic Mining holds all rights and permits necessary for its current operations related to the Engebø project. This includes extraction permits for rutile (state's mineral) which, generally, also imply the right to extract garnet and possible other minerals (landowners' minerals) in connection with the rutile extraction. The zoning plan for the mining and processing areas and the environmental permit for the project are fully granted. In February 2019, Nordic Mining filed an application for operating license with the Norwegian Directorate of Mining. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources. An approval is expected within 12 months.
- In 2018, the Group entered into agreements with the main landowners which regulate Nordic Mining's acquisition of the area for the planned mineral processing plant, including the existing deep-water harbor facility, and compensation to the landowners for extraction and sale of all mineral products from the deposit.



Rutile and garnet



Photo: Tesla Motors, Inc.

Lithium



High-purity quartz



Ni, Cu, Pt, Pd

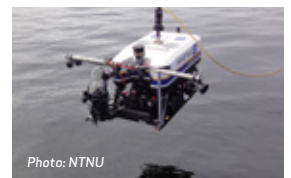


Photo: NTNU

Seabed minerals

- In January 2019, Nordic Mining signed a Heads of Agreement with a reputable Japanese trading house relating to long term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. The offtake on rutile is

complementary to the Heads of Agreement previously entered into with the Barton Group. Both agreements will be further developed and finalized over the next months to secure future cashflows and strengthen the ability to provide financing for the project.

- The market developments are positive for both of the minerals to be produced at Engebø. For rutile, high capacity utilization in the pigment industry, reduced stockpiles and limited supply are key market drivers for the strong demand for high-grade feedstock.

In the coming years, rutile production from current producers is expected to be further reduced due to depletion of operating deposits and limited new capacity in near-term pipeline. The main applications for garnet are in waterjet cutting, sand blasting and for various abrasives. There is currently no production of garnet in Europe and the global supply of high-quality garnet for high-end applications is short of the increasing demand.

Keliber lithium hydroxide

- In June 2018, Keliber published a definitive feasibility study which confirmed a profitable business case based on production of lithium carbonate. Following industry observations of lithium hydroxide being used in cathodes for lithium-ion batteries in electric vehicles to an increasing extent, Keliber responded by undertaking a test program for production of lithium hydroxide which was successfully completed in December 2018. Highlights of the updated DFS was published in February 2019 with significant improvements in project economics, increasing the post-tax NPV@8% by more than 70% to EUR 384 million and IRR of 24%. Keliber published an updated executive summary of the DFS in April 2019.
- Over the last years, Keliber has consistently increased the resource base for its project. Subsequent to the latest resource estimates, Keliber has carried out substantial drilling (approx. 22,000 meters) in 2018 and 2019 and targets to provide an update of the resource estimates in Q2 2019.
- Permitting processes are progressing according to plan with several permits already granted. Keliber expects the remaining permits to be in place during the second half of 2019.
- Keliber has appointed equity and debt advisors for the project financing and is currently in dialogue with potential customers to secure offtake agreements.
- The fastest demand growth for lithium is related to batteries for electric/hybrid vehicles and energy storage. Lithium is fundamental for most relevant battery formulas currently developed and

Keliber targets to be the first producer in Europe of battery-grade lithium chemicals. Recent contract prices for lithium remain strong, despite a reduction in pricing in the Chinese spot market.

- On 15 February 2019, Keliber raised EUR 10 million from existing shareholders to finance ongoing development work and other pre-construction activities. Following the share issue, Nordic Mining's shareholding in Keliber is approximately 18.5%. The implied value in the capital raise exceeded the book value recognized by the Group by approximately NOK 100 million which will be recognized as a gain in the financial statements for Q1 2019. The gain is not subject to tax.

FINANCIAL PERFORMANCE

For comparison, numbers in brackets relate to the comparable period in 2017.

The Group is developing mineral projects and had no sales revenue in 2018. The Group's operating loss in 2018 was NOK -64.2 million (NOK -36.2 million) resulting from planned project development activities, mainly related to the Engebø definitive feasibility study and general corporate expense. During 2018, the Group capitalized cost relating to a drilling program at the Engebø deposit at a total amount of NOK 2.3 million (NOK 0.1 million).

In 2018, Keliber impacted the consolidated statements by a loss of NOK 8.0 million (profit of NOK 0.5 million). In 2017, in addition to the pro-rata share of Keliber's result at an amount of NOK -11.7 million, the accumulated result also included reversal of a previous impairment at an amount of NOK 5.1 million, and a profit of NOK 7.1 million following from a deemed disposal relating to Nordic Mining's reduced shareholding in Keliber.

As per 31 December 2018, Nordic Mining's shareholding in Keliber was approximately 22% and the Group's investment in Keliber was classified as shares in an associated company with a carrying amount of NOK 21.3 million (NOK 29.3 million). Following a capital raise by Keliber in February 2019, the Company's shareholding was reduced to 18.5% which will result in a reclassification

in the financial statements in Q1 2019. The implied value in the capital raise exceeded the book value recognized by the Group by approximately NOK 100 million which will be recognized as a gain in the financial statements for Q1 2019. The gain is not subject to tax.

The exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. In 2018, the Group therefore recognized an impairment of related exploration and evaluation assets of NOK 2.4 million and made a provision of NOK 1.3 million for a potential VAT reclaim. Nordic Mining continues commercial dialogues to establish a broader basis for progressing the project.

Total net loss for the Group in 2018 amounted to NOK -72.3 million (NOK -35.6 million).

Cash flow from the Group's operating activities in 2018 was NOK -57.0 million (NOK -39.0 million). Net cash used in investment activities was NOK -6.6 million (NOK -12.0 million). The investments in 2018 mainly relate to capitalized expense at Engebø. Investments in 2017 mainly relate to participation in an equity issue in Keliber at an amount of NOK 11.5 million.

Net cash flow from financing activities in 2018 was NOK 92.0 million (NOK 6.4 million) resulting from equity issues. Reference is made to Note 15 and 23 in the consolidated financial statements for further information regarding equity issues.

The Group's total assets as of 31 December 2018 amounted to NOK 99.6 million (NOK 77.1 million), and total equity amounted to NOK 89.5 million (NOK 70.2 million). This gives an equity ratio of 90% (91%).

As per 31 December 2018, the Group's cash and cash equivalents amounted to NOK 49.9 million (NOK 21.5 million).

Based on current forecasts and work plans, the Group's working capital is not sufficient to fund operations and payment of financial obligations for the 12 months following 31 December 2018. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further

development of ongoing projects. The Board emphasizes that there are risks relating to the long-term financing of the Group. The Board expects that the good progress for ongoing project development activities will be positive contributors for the Group's financial flexibility going forward. 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 satisfactorily addresses risk management and internal control.

Regulatory risk

As a resource company in the mining industry, Nordic Mining depends on permits and licenses from various authorities. The zoning plan and the environmental permit for the Engebø rutile and garnet project have been approved by the Norwegian government with no further possibilities for appeal. The application for operating license for the Engebø project was filed with the Norwegian Directorate of Mining in February 2019. The approval is expected within 12 months. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources.

Keliber has been granted mining license for the Länttä lithium deposit and permits for mining, operation and waste disposal for Länttä and for production at the Kalavesi plant area. In December 2018, the permit for the Syväjärvi deposit was granted and the application for the Kalavesi concentrator plant submitted. Applications for the Rapasaari deposit and the Kokkola chemical plant were submitted in March/April 2019. Keliber expects the remaining permits to be in place during the second half of 2019.

Further 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 not fully within 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 Sumit Up AS (TMF Group AS in 2017) which has been engaged 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). Throughout 2018 and as per the date of this report, the Group's only currency exposure of significance relates to the investment in Keliber Oy (EUR).

Going forward, the Group will require further financing to develop its projects towards production. The development of the Group's properties, licenses and exploration rights depends on the Group's ability to obtain financing through equity financing, debt financing or other means.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to pay its financial obligations as they fall due. The Group has so far mainly used equity financing to meet liquidity requirements related to financial obligations, to cover operational losses, and for investments. Currently, the Group has no interest-bearing debt.

Market risk

Mineral prices can be affected by external factors such as global economic developments, competition etc. which are beyond the Group's control. Measures to mitigate this type of risk, e.g. through use of financial instruments and/or pricing structures in offtake agreements, will be implemented as the mining assets gets closer to production.

Operational risk

Mineral extraction is a high-risk activity. Generally, few investigated areas develop into producing mining operations. Long-term returns in Nordic Mining will depend on the success of the Group's exploration, development and operational activities.

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

CORPORATE GOVERNANCE

The Group's principles for corporate governance, ethical guidelines and a general management structure are based on the principles of "The Norwegian Code of Practice for Corporate Governance". Reference is made to page 26 for the Board's report on corporate governance.

Nordic Mining's corporate governance policy is founded on prevailing statutory and regulatory requirements and corporate governance is implemented through processes and control measures established to protect the interests of the Company's shareholders and other stakeholders.

The Company has assessed its relations with, and payments to and from, governmental institutions in accordance with section 3-3d of the Accounting Act. Reference is made to Note 23 in the consolidated financial statements for further information.

SUSTAINABILITY

Corporate responsibility in the Group is established in the corporate structure through the Board of Directors and the executive management team and is 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.

The Group has not identified any issues regarding human rights, labor rights and social conditions, anti-corruption or environmental footprint that deviates from its standards.

Environmental responsibility

Nordic Mining and its subsidiaries strive to ensure that all activities are within the scope of its environmental responsibilities and aim to be a contributing force in developing sustainable local communities.

The Group's projects will be developed and operated in accordance with the highest standards and regulations. The Group is aware of its environmental responsibilities throughout the life of the mine. During the ongoing development work related to the Engebø project and Keliber's lithium project, environmental issues are thoroughly assessed to ensure sustainable operations. Surveying, excavation and processing of minerals will be conducted in an environmental and safe manner and advanced technology and methods for safe and environmentally friendly extraction of minerals will be utilized to minimize footprint. Excess material will be disposed in accordance with regulatory guidelines and sustainable principles to minimize potential adverse impacts.

Nordic Mining will, where possible, pursue mineral processing locally. This is cost efficient and limits environmental and infrastructural impacts. The moderate internal transportation at Engebø will also contribute to a low CO₂ 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. Keliber will produce lithium hydroxide 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 use of rechargeable batteries in high-tech applications and vehicles has significant positive environmental benefits.

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 areas with scattered populations 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 and local authorities will receive tax payments (income and real estate taxes). The Group will also add to local value creation by job opportunities and purchase of products and services. Where practical and possible, Nordic Mining uses local suppliers and contractors.

Since the very early development stage at Engebø, Nordic Mining has aimed for proactivity in its dialogue with industrial and commercial parties in the region with the purpose to explore regional opportunities. Nordic Mining intends to continue to engage with local communities in open dialogue throughout the lifecycle of the project. Regular meetings with local authorities and stakeholders targets to secure an open line of communication.

The Engebø project will have a substantial impact on the regional economic activity during the construction phase and employ more than 100 full time employees during the operational phase. In addition, the mineral production will support regional and national employment indirectly.

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 integral part of the planning and development activities going forward.

Strict anti-corruption regulations

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 corruption or bribery and Nordic Mining will compete in the market place in a fair and ethically justifiable manner.

Goals and further work

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

ORGANISATIONAL MATTERS

At the end of 2018 and at the date of this report the Nordic Mining Group has 7 employees, of which 3 are employed in the subsidiary, Nordic Rutile, and 4 are employed in the Company.

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

The Company facilitates equal opportunities for professional and personal development regardless of gender. The Company has a reasonable gender balance and strives to maintain a good working environment. The Management team comprise three men and two women. Sick absence in 2018 was less than 0.5%, and no safety issues were recorded.

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 3,700 shareholders. As per April 2019, around 24% of the Company's shares were held by shareholders domiciled outside of Norway.

In November 2018, the general meeting approved a share-based incentive program for employees and qualified resource persons. The Board was authorized to award options that in total gives the right to subscribe for up to 4,500,000 new shares in Nordic Mining. In November 2018, the Board awarded options for 3,000,000 options to employees. The exercise price was set to NOK 2.63 per share. The option agreements expire in 2022.

In January 2018, the 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. In November 2018, an extraordinary general meeting approved a rights issue of up to 17,391,304 shares at a

price of NOK 2.30 per shares. Nordic Mining's share capital as per the date of this report is NOK 78,505,063.20 divided on 130,841,772 shares, each with a par value of NOK 0.60.

In November 2018, the general meeting granted an authorization to the Board to increase the share capital with up to NOK 7,850,500. As per the date of this report, the authorization has not been utilized.

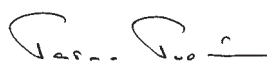
PARENT COMPANY FINANCIAL RESULTS

The net loss for the parent company Nordic Mining ASA for 2018 was NOK 13.7 million (net gain of NOK 11.2 million). As per 31 December 2018, the total equity for the parent company amounted to NOK 310.1 million (NOK 232.1 million).

The Board proposes that the year's loss of NOK 13,664,807 in Nordic Mining ASA shall be transferred to retained losses.

Oslo, 29 April 2019

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chair



Kjell Roland
Deputy chair



Eva Kaijser
Board member



Mari Thjømøe
Board member



Kjell Sletsjøe
Board member



Ivar S. Fossum
CEO

THE BOARD OF DIRECTORS

Tarmo Tuominen
Chairman



Tuominen is Deputy CEO in the Finnish group Nordkalk, a significant producer of limestone-based products for industrial, agricultural and environmental applications. He is a geologist from Åbo Academy in Finland and has since 1992 held various positions in the Nordkalk Group, including Geologist, Mining Engineer, General Manager of subsidiaries, Business Area Manager, Chief Technology Officer and Chief Supply Chain Officer. Tuominen has served and is currently serving on several corporate boards in the Nordkalk Group and externally, i.a. as the Chairman of the Geological Survey of Finland. Tuominen is a Finnish citizen and resides in Turku, Finland.

Kjell Roland
Deputy chairman



Kjell Roland holds a Master of Science degree from the department of Economics at the University of Oslo, a lower degree in Philosophy from University of Tromsø and has been a visiting scholar at the Department of Economics and Department Operations Research at Stanford University. Roland was CEO of Norfund (the Norwegian government's investment fund for developing countries) from 2006–2018. Roland co-founded ECON in 1986 and was partner and CEO in ECON Management AS and ECON Analysis for more than two decades. As consultant, he has worked on macro-economics, energy and environmental issues for private companies, governments and international organizations such as the World Bank and the Asian Development Bank. Roland is a Norwegian citizen and resides in Oslo, Norway.

Eva Kaijser
Board member



Kaijser holds a Bachelor of Science in Business Administration and Economics with advanced studies in Finance from the University of Stockholm, Sweden. Kaijser has more than 20 years of experience from the mining industry, whereof 11 years in the Boliden group in various positions including top management. After leaving the Boliden group she has been CFO in Northland Resources and CEO in Nordic Mines. Eva Kaijser runs an investment and consulting business, alongside with being a board member in both listed and private companies. Kaijser is a Swedish citizen, and resides in Stockholm, Sweden.

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 attended Executive Programs at London Business School and Harvard Business School. Thjømøe has 25 years of experience from oil and energy, finance and real estate. She has held positions as CFO and acting CEO in Norwegian Property and various management positions in Norsk Hydro, Statoil and KLP Insurance. Thjømøe is Chairman of the board in TF Bank AB and a board member of i.a. Tryg, SINTEF, Norconsult, Hafslund E-CO, ICE and Scatec Solar. Mari Thjømøe currently runs an investment and consulting business. Thjømøe is a Norwegian citizen and resides in Oslo, Norway.

Kjell Sletsjøe
Board member



Sletsjøe holds a Master of Science in Civil Engineering from the University of Science and Technology in Trondheim, Norway and an MBA from Columbia University in New York, USA. Sletsjøe has comprehensive international management experience from mining, coatings and construction industries as well as from consulting. He has been CEO in Rana Gruber AS (iron ore), Lundhs AS (natural stone) and held various top management positions in Jotun Group (coatings) in Norway, UK and Malaysia. Sletsjøe has also worked as a business consultant in McKinsey & Co and Hartmark Consulting and served on several boards in Europe and Asia. He now runs a consulting business and serves as board member of several companies. Sletsjøe is a Norwegian citizen and resides in Sandefjord, Norway.

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 and commercial positions within the petroleum and fertilizer industries in the Norsk Hydro Group and in FMC Technologies, including as General Manager of Norsk Hydro East Africa Ltd. and as Chief Executive Officer of Loke AS. Fossum is a Norwegian citizen and resides in Asker, Norway.

Birte Norheim
CFO



Norheim holds a Master of Applied Finance from Queensland University of Technology, Brisbane, Australia. She has previously held various managerial and financial positions within the petroleum and infrastructure sectors, including as CEO for Njord Gas Infrastructure AS and Vice President Finance for Sevan Marine ASA. Norheim is also on the Board of Directors of Sandnes Sparebank. Norheim is a Norwegian citizen and resides in Oslo, Norway.

Kenneth Nakken Angedal
Project Manager, Engebø



Nakken holds a Bachelor of Automation Technology, Control Engineering from the Western Norway University of Applied Science. He has broad management and project experience from various technical and management positions in the ABB Group including as Vice President, Digital Services in ABB's Marine Business Unit. Nakken is a Norwegian citizen and resides in Førde, Norway.

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 Titania AS (Kronos Group), a major producer of ilmenite feedstock for titanium pigment production. Schanche is a Norwegian and US citizen and resides in Oslo, Norway.

Lars K. Grøndahl
Sr. Advisor



Grøndahl holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics (NHH) in Bergen, Norway. He was CFO of Nordic Mining in the period 2006–18 and has previously held various managerial positions within the cement and building materials industries, including in Aker, Scancem and Heidelberg Cement. Grøndahl was Deputy COO of Heidelberg Cement's operations in Africa and was Head of Department in the Norwegian Ministry of Industry. Grøndahl is a Norwegian citizen and resides in Oslo, Norway.

CORPORATE GOVERNANCE

Proactive and transparent corporate governance is essential for aligning the interests of our various stakeholders. The Board of Directors (the “Board”) of Nordic Mining ASA (“Nordic Mining” or the “Company”) believes that good corporate governance drives sustainable business conduct and long-term value creation. Nordic Mining’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

Nordic Mining targets to comply with the principles in the Norwegian Code of Practice for Corporate Governance (the “Corporate Governance Code”) where applicable and will explain possible deviations. The Company’s corporate governance framework is subject to annual reviews and discussions by the Board.

The Corporate Governance Code, last revised in October 2018, is available on the Norwegian Corporate Governance Committee’s website (www.nues.no). The objective of the Corporate Governance Code is that companies listed on regulated markets in Norway will practice corporate governance that regulates the division of roles between shareholders, the Board, and executive management (“Management”) more comprehensively than is required by legislation.

The Company is subject to corporate governance reporting requirements under the Norwegian Accounting Act section 3-3b as well as the Continuing Obligations of Oslo Axess section 7. The Company has fulfilled its reporting requirements.

Business

Nordic Mining’s objectives are defined in the Company’s Articles of Association which are published on page 74 of this annual report as well as at the corporate website (www.nordicmining.com): *“The object of the Company is to carry out exploration for minerals and ores, mining activity, technology development, activities that may be associated herewith, and participation in other companies anywhere in the world.”*

It is the responsibility of the Board to define clear objectives, strategies and risk profiles for the Company’s business activities and to ensure that these support value creation for shareholders. The Board evaluates these objectives, strategies and risk profiles at least annually. More details on Nordic Mining’s activities and strategies are presented in the Board of Directors’ Report on page 18 of this annual report.

Nordic Mining owns 100% of the shares in the subsidiaries Nordic Rutile AS, Nordic Quartz AS and Nordic Ocean Resources AS. In addition, Nordic Mining owns approximately 18.5% of the shares in Keliber Oy (jointly “the Group”).

Equity and dividends

As per 31 December 2018, the Group’s equity amounted to NOK 89,5 million, which is equivalent to 90% of the total assets. The Board assesses the Company’s capital structure on a regular basis to ensure adequate liquidity for prioritised activities and funding for the Group’s planned construction projects.

Nordic Mining intends to follow a dividend policy favorable to the shareholders. The amount of any dividends to be distributed will depend on the Company’s investment requirements and rate of growth as well as the general development and financing of the Company.

For information of equity issues in 2018 and to the date of this report, as well as the status of authorisations from the general meeting to the Board to increase the share capital of the Company, reference is made to the Board of Directors’ Report.

The authorisation to issue shares related to the Company’s option program for employees and qualified resource persons deviates from the recommendation of the Code of Practice in that it was granted for two years, until November 2020, in order to fulfil the Company’s obligations under the program.

Equal treatment of shareholders and transactions with related parties

In 2018 there were no significant transactions between the Company and related parties, except for ordinary commercial transactions with subsidiaries. All transactions between the Company and related parties are on arm’s length basis.

Any recommendation made by the Board to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital will be justified. In the opinion of the Board, satisfactory arguments and information have been provided regarding such deviations from existing shareholders’ priority rights related to equity issues by the Company.

Shares and negotiability

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

Further, the Articles of Association place no restrictions on the transferability of Nordic Mining shares, and the shares are freely negotiable.



General meetings

The shareholders exercise supreme authority in Nordic Mining through the general meeting. 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 members of the Board
- Election of the external auditor and approval of the auditor's remuneration
- Adoption of the annual accounts and the Board of Directors' Report
- Resolve any distribution of dividend recommended by the Board
- Consideration of any other items on the agenda in the notice of the general meeting

Nordic Mining's annual general meeting in 2018 was held on 29 May 2018. The date of the forthcoming annual general meeting is 21 May 2019.

Notices of general meetings is published as stock exchange releases and made available at the corporate website at least 21 days in advance of a general meeting. The Company's annual report is published at the corporate website at least 21 days prior to the annual general meeting. General meeting notices outlines the agenda matters and are distributed in Norwegian with an English translation to foreign shareholders.

The general meeting vote on each matter separately and all shareholders are entitled to submit items to the general meeting agenda, to meet, speak and vote, either in person or by proxy. The deadline for notifying attendance is normally five days prior to the general meeting.

The Nomination Committee's recommendation concerning the election of Directors and members of the Nomination Committee is published together with the notice of the general meeting. In line with the Corporate Governance Code's recommendation, it is the Company's policy that the general meeting vote on each candidate separately.

Nordic Mining has approximately 3,700 shareholders who are widely distributed geographically. The Company provides

shareholders that are unable to attend in person the opportunity to vote on every item on the agenda by proxy. In order to ensure that general meetings are conducted professionally and impartially, the Company's share registrar, DNB Verdipapirservice, assists on practical matters in relation to the general meeting.

Representatives of the Board and Management are represented at the general meetings. Normally, the Company's auditor and legal advisor are also present. The general meeting is normally chaired by the Chair or the Deputy Chair of the Board. In the event of disagreement about specific agenda items where the Chair 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 Chair of the meeting to ensure impartiality in relation to the item(s) on the agenda.

Nomination Committee

The Articles of Association stipulates that the Company shall have a Nomination Committee consisting of three members who shall be elected by the general meeting for terms of two years. As of 31 December 2018, the Nomination Committee consisted of the following members who all are independent of the Board and Management:

- **Ole G. Klevan, Chair**
Lawyer/Partner and Head of Industry & Energy at the law firm Schjødt
- **Hans Olav Kvalvåg, Member**
SVP New Ventures in Scatec Solar ASA
- **Brita Eilertsen, Member**
Non-executive Director for listed and unlisted companies

The Nomination Committee's duties are to:

- Prepare recommendations to the general meeting concerning the election and remuneration of Directors
- Prepare recommendations to the general meeting regarding the election of members to the Nomination Committee

The Nomination Committee's recommendations contains separate justifications for each candidate proposed. Contact details and guidelines for the Nomination

Committee are available at the corporate website.

Board of Directors; composition and independence

As of 31 December 2018, the Board of Directors consisted of five members who all are independent of the Company's major shareholders and Management. The Chair of the Board and the other Directors are elected by the general meeting for terms not exceeding two years.

Further information on each Director is available on page 24 of this annual report and at the corporate website. Information about Directors' remuneration and number of shares held in Nordic Mining is provided in Note 20 to the consolidated financial statements.

As of 31 December 2018, and at the date of this report, the Board consists of:

- **Tarmo Tuominen, Chair**
Participated in 17 of 17 meetings in 2018
- **Kjell Roland, Deputy Chair**
Participated in 14 of 17 meetings in 2018
- **Mari Thjømøe, Board Member**
Participated in 17 of 17 meetings in 2018
- **Eva Kaijser, Board Member**
Participated in 17 of 17 meetings in 2018
- **Kjell Sletsjøe, Board Member**
Participated in 6 of 8 meetings since appointment on 29 May 2018

The work of the Board

The Board's work follows an annual plan which is evaluated and approved at or before the start of the calendar year. 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. The Board evaluates its performance and expertise at least annually and makes the evaluation available to the Nomination Committee.

The Board has established written instructions for its own work and the work of the CEO, and the CEO has established instructions for other Management. 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 Management's work.

The Company's ethical guidelines include rules intended to avoid conflicts of interest and requires that any person acting on behalf of Nordic Mining act honestly and in line with principles for good business ethics. The ethical guidelines requires Directors and Management to notify the Board in case they, directly or indirectly, hold a material interest in a transaction or key matter of the Company. The Board's consideration of material matters in which the Chair is personally involved, or in other way is restrained from participate in, shall be chaired by the Deputy Chair or another Director.

At present, the Company is not required to establish an Audit Committee, as governed by the Norwegian Public Limited Liability Companies Act. Considering the Company's current phase of development, it is the opinion of the Board that assessments linked to financial statements and remuneration of Management are most appropriately undertaken by the Board acting as a whole. The Board will continue to assess potential benefits of establishing Board committees (e.g. Audit Committee, Compensation Committee or other) going forward.

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 and social responsibility. 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 satisfactory address risk management and internal control.

Management 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 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 17, respectively, in the consolidated financial statements.

The Company has engaged Sumit Up AS as the Group's accountant and have established routines for accounting work and reporting.

Nordic Mining has established policies to insure both people and property for certain risks as well as established a liability insurance for Directors.

Nordic Mining has developed guidelines concerning corporate, social and ethical conduct which are available at the corporate website.

Remuneration of the Board

The remuneration of the Board is proposed by the Nomination Committee and resolved by the general meeting. The remuneration of the Board is not linked to the Company's performance and Directors are not granted share options.

The remuneration of the Board reflects the Board's responsibility, expertise, time commitment and the complexity of the Company's activities, and Board Members do not have specific assignments for the Company in addition to their duties as Directors. Information on the remuneration to the Board in 2018 is included in Note 20 in the consolidated financial statements.

Remuneration of 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 Management. The statement is presented to and considered by the general meeting. Any equity based remuneration is resolved by the general meeting.

The key principles underlying the remuneration of Management for 2018 have been that total remuneration should reflect the responsibilities and duties undertaken by each individual, as well as contribution 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.

Share options have been granted to employees. The option agreements entitle the holders to purchase a specified number of shares at a fixed price (NOK 2.63 per share which was 5% above the share price at the allocation date), and stipulates that 1/3 of the options become exercisable (vest) each year. The option program was resolved by the general meeting on 1 November 2018 and expires in 2022.

Information regarding remuneration of Management in 2018 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 equal treatment of all shareholders and participants in the securities market. The objective is to maintain accounting and reporting systems in which the investors will have confidence.

Management is responsible for communication with the capital markets and for relations with current and potential new investors. Nordic Mining's financial reports provide comprehensive information about the Group's operations, including its major value drivers and risk factors.

The financial reports and other information are published electronically. All shareholders are treated equally in relation to access to financial information. Reports, stock exchange releases and other presentation material are made available at the corporate website.

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 shareholders are given sufficient information and time to assess the offer as well as ensure that the Company's business activities are not unnecessarily disrupted.

The Board will not seek to prevent any take-over unless it believes that the interests of the Company and the shareholders justify such. 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 Corporate Governance Code, 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 other principles for potential take-over situations.

Auditor

Nordic Mining's auditor is elected by the general meeting and is independent of the Company. The general meeting also approves the auditor's remuneration.

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 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

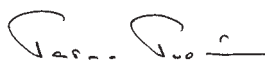
disagreement between the auditor and Management. The auditor presents to the Board a review of the Company's control routines and potential areas of improvement in relation to accounting. When required and at least once a year, the auditor meets with the Board without Management present.

To a limited extent, Nordic Mining assigns 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.

Information on fees paid to the auditor in 2018, including breakdown between statutory auditing and other assistance/service, is presented in Note 6 to the consolidated financial statements.

Oslo, 29 April 2019

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chair



Kjell Roland
Deputy chair



Eva Kaijser
Board member



Mari Thjømøe
Board member



Kjell Sletsjøe
Board member



Ivar S. Fossum
CEO



The Board, from the left: Mari Thjømøe, Tarmo Tuominen, Kjell Sletsjøe and Eva Kaijser. Kjell Roland was not present when the photo was taken.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>(Amounts in NOK thousands)</i>	Note	2018	2017
Payroll and related cost	4,20	(11 773)	(10 879)
Depreciation and amortization	5	(152)	(152)
Impairment of exploration and evaluation assets	10	(2 393)	-
Other operating expense	6	(49 916)	(25 175)
Operating profit/(loss)		(64 234)	(36 206)
Share of result of an associate	12	(7 988)	542
Financial income	7	476	268
Financial cost	7	(566)	(177)
Profit/(loss) before tax		(72 312)	(35 573)
Income tax	8	-	-
Loss for the period		(72 312)	(35 573)
PROFIT/(LOSS) ATTRIBUTABLE TO			
Equity holders of parent		(72 312)	(35 530)
Non-controlling interest		-	(43)
<i>(Amounts in NOK)</i>			
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			
Basic and diluted earnings per share	9	(0.63)	(0.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>(Amounts in NOK thousands)</i>	2018	2017
Net loss for the period	(72 312)	(35 573)
OTHER COMPREHENSIVE INCOME		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Currency translation differences	29	2 533
Currency translation reclassified to profit and loss	-	(410)
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Changes in pension estimates	(478)	201
Other comprehensive income directly against equity	(449)	2 324
Total comprehensive income for the period	(72 761)	(33 249)
ALLOCATION OF COMPREHENSIVE INCOME		
Equity holders of parent	(72 761)	(33 206)
Non-controlling interest	-	(43)

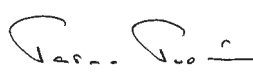
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	31.12.2018	31.12.2017
ASSETS			
Non-current assets			
Evaluation and exploration assets	10	25 607	21 619
Property, plant & equipment	11	245	197
Investment in associate	12	21 296	29 254
Total non-current assets		47 148	51 070
Current assets			
Trade and other receivables	13,17	2 514	4 516
Cash and cash equivalents	14	49 902	21 547
Total current assets		52 416	26 063
Total assets		99 564	77 133

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	31.12.2018	31.12.2017
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	15	78 505	56 895
Share premium	15	401 597	331 223
Other paid-in capital	5	14 502	14 354
Retained losses		(408 170)	(335 858)
Other comprehensive income		3 095	3 544
Total equity		89 529	70 158
Non-current liabilities			
Other liabilities	21	834	603
Total non-current liabilities		834	603
Current liabilities			
Trade payables	17	2 787	3 200
Other current liabilities	16,17	6 414	3 172
Total current liabilities		9 201	6 372
Total liabilities		10 035	6 975
Total shareholders' equity and liabilities		99 564	77 133

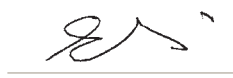
Oslo, 29 April 2019
The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chair



Kjell Roland
Deputy chair



Eva Kaijser
Board member



Mari Thjømøe
Board member



Kjell Sletsjoe
Board member



Ivar S. Fossum
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributed to equity holders of the parent						Non-controlling interest	Total equity
	Share capital	Share premium	Other paid-in capital	Other comprehensive income	Accum. losses	Total		
<i>(Amounts in NOK thousands)</i>								
Equity 1 January 2017	55 550	326 045	14 354	1 220	(300 026)	97 143	(173)	96 970
Loss for the period	-	-	-	-	(35 530)	(35 530)	(44)	(35 573)
Other comprehensive income	-	-	-	2 324	-	2 324	-	2 324
Total comprehensive income	-	-	-	2 324	(35 530)	(33 206)	(44)	(33 249)
Acquisition of non-controlling interest	-	-	-	-	(302)	(302)	217	(85)
Share issue	1 345	5 603	-	-	-	6 948	-	6 948
Transaction cost	-	(425)	-	-	-	(425)	-	(425)
Equity 31 December 2017	56 895	331 223	14 354	3 544	(335 858)	70 158	-	70 158
Equity 1 January 2018	56 895	331 223	14 354	3 544	(335 858)	70 158	-	70 158
Loss for the period	-	-	-	-	(72 312)	(72 312)	-	(72 312)
Other comprehensive income	-	-	-	(449)	-	(449)	-	(449)
Total comprehensive income	-	-	-	(449)	(72 312)	(72 761)	-	(72 761)
Share issue	21 610	77 990	-	-	-	99 600	-	99 600
Transaction cost	-	(7 616)	-	-	-	(7 616)	-	(7 616)
Share-based compensation	-	-	148	-	-	148	-	148
Equity 31 December 2018	78 505	401 597	14 502	3 095	(408 170)	89 529	-	89 529

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Amounts in NOK thousands)</i>	Note	2018	2017
Operating activities:			
Loss before income tax		(72 312)	(35 573)
Depreciation	11	152	152
Impairment of exploration asset	10	2 393	-
Share of loss in associate	12	7 988	(542)
Share-based expense		148	-
Changes in assets and liabilities:			
Other receivables and prepayments	13	2 002	(3 231)
Trade payables		(413)	901
Other current liabilities	16	3 241	(416)
Difference between pension expense and payment	21	(247)	(320)
Net cash used in operating activities		(57 048)	(39 029)
Investing activities:			
Acquisition of licenses and properties	10	(4 109)	(345)
Investment in other exploration and evaluation assets	10	(2 272)	(85)
Investment in property, plant and equipment	11	(200)	-
Investment in associate	12	-	(11 544)
Net cash used in investing activities		(6 581)	(11 974)
Financing activities:			
Share issuance	15	99 600	6 948
Transaction cost, share issue	15	(7 616)	(425)
Acquisition of non-controlling interest		-	(85)
Net cash from financing activities		91 984	6 438
Net change in cash and cash equivalents		28 355	(44 565)
Cash and cash equivalents at beginning of period		21 547	66 112
Cash and cash equivalents at end of period		49 902	21 547

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 were approved for issue by the Board of Directors on 29 April 2019.

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. Reference is made to the next paragraph and the Board of Directors’ report for further details.

Going concern assumption

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 2018. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing projects.

Reference is made to Note 17 for further information on liquidity risk.

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:

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

Total capitalized drilling cost was NOK 17.3 million at 31 December 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. Management also considers expected demand and prices for the minerals.
- *Share-based compensation (Note 5):* The Group grants options to its employees and qualified resource persons. Fair value of options is estimated by use of the Black Scholes option model and Management must estimate key inputs to the model, such as volatility, expected life, and number of options expected to vest.

Basis for consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2018. 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 loss in the income statement. Non-controlling interest includes part of the excess purchase price allocated to identifiable assets and liabilities at the acquisition date. The non-controlling interest's share of total comprehensive income/loss is allocated even if this results in a negative non-controlling interest.

Business combinations

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

Directly attributable transaction cost related to the business combination is 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 recognized at cost. The carrying amount of the investment is adjusted to recognize 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 amortized nor individually tested for impairment. The income statement reflects the Group's share of the associate. Any transactions with the associate are eliminated to the extent of the interest in the associate.

Foreign currency translation

Functional and presentation currency

NOK is the functional currency of the parent and the presentation currency of the Group. Assets and liabilities in foreign entities, including goodwill and fair value adjustments related to business combinations are translated to NOK at the exchange rate at the balance sheet date. Revenues, expenses, gains and losses are translated using the average exchange rate during each quarterly period. Translation adjustments are recognized 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 recognized as finance income or finance expense in the income statement.

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

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

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

Exploration and development for mineral properties

The Group employs the successful efforts method to account for exploration and development cost. All exploration cost, with the exception of acquisition cost of licenses and direct drilling cost of exploration wells is expensed as incurred. Drilling cost of exploration wells is temporarily capitalized pending the evaluation of the potential existence of mineral reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling cost of exploration holes is expensed. Cost of acquiring licenses is capitalized 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 cost include cost directly attributable to the acquisition of the asset.

Subsequent cost is included in the asset's carrying amount or recognized 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 cost are expensed as incurred.

An item of property, plant and equipment is de-recognized 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 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 amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 cost 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 recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Leases

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

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

Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

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 cost that is 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 recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using

the effective interest method; any difference between proceeds (net of transaction cost) and the redemption value is recognized on the income statement over the period of the interest-bearing liabilities.

De-recognition of financial liabilities

The Group de-recognizes 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 recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Share-based compensation

The Group uses options to incentivize employees and qualified resource persons. The fair value of the options is recognized as an expense in the financial statements over the vesting period. Fair value of options is estimated by use of the Black Scholes option model.

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 recognized 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 recognized for all temporary differences, and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred income tax is not recognized 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 recognized in other comprehensive income in the period in which they occur. Past service cost is recognized 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 recognized 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 recognized 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. Reference is made to Note 10 in the consolidated financial statements regarding contingent liabilities related to the Engebø rutile deposit.

Cash flow statement

The Group reports the cash flow statement using the indirect method. The method involves adjusting the result for the period 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 in 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 recognized 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**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 recognizing income; at a point in time or over time. The Group currently does not recognize revenue and there was no implementation effect on 1 January 2018.

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 amortized 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 recognizing an impairment loss, the Directors expect that there may be a change in timing of recognizing impairment losses as these may be recognized at an earlier stage but not necessarily a change in the amount of recognized losses. The Group's financial instruments mainly consists of short-term receivables and payables. There were not material effects on implementation of IFRS 9 on 1 January 2018.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2018 and not early adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning 1 January 2019 or later and have not been applied in preparing these consolidated financial statements.

IFRS 16 Leases

This standard will replace the present IAS 1 and IFRIC 4 for annual periods beginning on or after 1 January 2019. The new standard requires lessees to recognize 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, amortization and impairment losses as well as interest expense must be recognized 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 an increase in lease liabilities with approximately NOK 249 thousand with a corresponding increase in lease assets. There will be with a corresponding shift of certain amounts from other operating expense partly to depreciation and amortization expense and partly to interest expense.

NOTE 3 - SEGMENTS

The Group presents segments on the basis of the mineral projects. The two reportable segments for 2017 and 2018 are:

- Titanium and Garnet can be produced by Nordic Rutile from the mineral deposit at Engebøfjellet. On 17 April 2015, the Ministry of Local Government and Modernization approved the industrial area plan for the project.
- Quartz which can be produced from the quartz deposit in Kvinnherad. A scoping study outlines the potential for a profitable industrial quartz project. As described in Note 10 and 24, the Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. Nordic Mining is proceeding commercial dialogues to establish a broader basis for progressing the project.

The reconciliation column "Adjustments and eliminations" includes the Group's administration cost and other unallocated corporate business development cost 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 numbers in the table below are in NOK thousands and represent the period 1 January – 31 December.

2018

<i>(Amounts in NOK thousands)</i>	Titanium and Garnet	Quartz	Adjustments and eliminations	Consolidated
Segment result	(53 478)	(4 863)	(13 971)	(72 312)
Depreciation and amortization	(152)	-	-	(152)
Impairment of capitalized drilling cost	-	(2 393)	-	(2 393)
Share of loss from Associate	-	-	(7 988)	(7 988)
Financial income	297	-	179	476
Financial cost	(560)	-	(5)	(566)
Allocated segment assets	25 837	-	73 727	99 564

The Quartz segment result of NOK 4,863 thousand includes impairment of exploration and evaluation assets of NOK 2,393 thousand and a provision of NOK 1.312 thousand for potential VAT reclaim. Reference is made to Note 6 and Note 10 for further details.

2017

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

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

<i>(Amounts in NOK thousands)</i>	2018	2017
Profit/(loss) from segments	(58 341)	(33 528)
Not allocated cost	(6 157)	(2 735)
Not allocated share of profit/(loss) in associate	(7 988)	542
Not allocated net finance	174	148
Profit/(loss) before tax	(72 312)	(35 573)

NOTE 4 – SALARIES

<i>(Amounts in NOK thousands)</i>	2018	2017
Wages and salaries	8 054	7 326
Social security cost	1 462	1 434
Pension cost defined benefit plan	795	713
Pension cost defined contribution plan	85	101
Board members, etc	1 149	1 205
Share-based compensation	148	0
Other personnel cost	241	185
Capitalized payroll cost	(161)	(85)
Total	11 773	10 879
Average number of full time employees	5	5

Reference is made to Note 20 for further information about remuneration of Senior Management and guidelines for remuneration.

NOTE 5 – SHARE-BASED COMPENSATION

On 1 November 2018, the General Meeting of Nordic Mining approved a share-based compensation program of up to 4.5 million options for employees and qualified resource persons. On 26 November 2018, the Board of Directors granted 3 million options at a strike price of NOK 2.63 per share to employees in the Group. The options vest by 1/3 each year, first time on 30 June 2019. The options expire on 30 June 2022.

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding 1 January	2 630 000	5.01	2 696 667	4.99
Granted during the year	3 000 000	2.63	-	-
Cancelled during the year	-	-	(66 667)	4.08
Exercised during the year	-	-	-	-
Expired during the year	(2 630 000)	5.01	-	-
Outstanding 31 December	3 000 000	2.63	2 630 000	5.01
Exercisable 31 December	-	-	2 630 000	5.01

The average fair value of options granted in 2018 was NOK 0.59. The average remaining contractual life for options outstanding as per 31 December 2018 was 3.5 years.

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:

Weighted-average assumptions	2018
Volatility	40%
Expected life	2.58
Risk free interest	1.16 %
Share price	2.47
Exercise price	2.63

The Group recognized a share-based expense of NOK 148 thousands in 2018 (2017; 0).

NOTE 6 – OTHER OPERATING EXPENSE

The following table shows a specification of other operating expense for the year:

<i>(Amounts in NOK thousands)</i>	2018	2017
Lease expense	1 655	1 431
Project cost – Engebøfjellet	39 155	20 544
Consulting and legal fees	3 191	771
Other cost	5 697	4 309
Provision for VAT refund	1 312	-
Research tax credit	(1 094)	(1 880)
Total	49 916	25 175

The Group incurred project cost of NOK 39.2 million related to the Definitive Feasibility Study (DFS) for Engebøfjellet in 2018.

In 2017, project cost at Engebøfjellet primarily consisted of cost related to the DFS and PFS (Preliminary Feasibility Study). The Group completed the PFS in October 2017 and recognized total cost of NOK 15.7 million for the year. Immediately following completion of the PFS, the Group commenced work on the DFS and incurred associated cost of about NOK 2 million in 2017.

The Group made a provision for VAT refund for its subsidiary Nordic Quartz as described in Note 3. Reference is made to Note 24 for further details.

Auditor fees

<i>(Amounts in NOK thousands)</i>	2018	2017
Statutory audit	476	393
Other attestation services	108	34
Tax services	34	9
Total	618	436

The amounts exclude VAT.

NOTE 7 – FINANCIAL INCOME AND FINANCIAL COST

The following table shows the components of financial income and financial expense:

<i>(Amounts in NOK thousands)</i>	2018	2017
Interest income on bank deposits	180	150
Foreign exchange gains	291	117
Other interest income	5	1
Finance income	476	268
Interest cost	-	(1)
Other finance cost	(564)	(1)
Foreign exchange losses	(2)	(175)
Finance cost	(566)	(177)

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 realize the Group's unused tax losses, and therefore the Group has not recognized deferred tax assets at 31 December 2018. Tax losses can be carried forward indefinitely in Norway.

<i>(Amounts in NOK thousands)</i>	2018	2017
Taxes payable	-	-
Deferred tax	-	-
Income tax expense/(income)	-	-

Tax effects of temporary differences and tax loss carryforwards at 31 December 2018:

<i>(Amounts in thousands)</i>	2018	2017
Mineral properties/PP&E	(3 249)	(3 444)
Pensions	183	139
Accrued expense	289	-
Tax loss carryforwards	86 380	73 845
Total net deferred tax assets	83 603	70 540
Nominal tax rate (used for measurement)	22 %	23 %
Recognized in the statement of financial position:		
Deferred tax asset	-	-
Deferred tax liability	-	-

The Group recognized NOK 7.6 million in gross transaction cost of the 2018 share issues directly in equity (in 2017: NOK 0.4 million) which is included in tax loss carry forwards.

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>	2018	2017
Loss before tax	(72 312)	(35 573)
Nominal tax rate	23 %	24 %
Expected income tax	(16 632)	(8 538)
Non-deductible cost	18	10
Non-taxable income	(1)	(451)
Effect of non deductible expense from associates	-	(130)
Effect of change in tax rate	3 800	3 067
Tax rate change on non-recognized tax assets	(3 800)	(3 067)
Non-recognized tax assets on current year result	15 002	9 109
Tax expense/(income)	-	-

NOTE 9 – EARNINGS PER SHARE

<i>(Amounts in NOK thousands and number of shares in thousands)</i>	2018	2017
Earnings		
Attributable to ordinary shareholders	(72 312)	(35 530)
Number of shares		
Weighted average number of ordinary shares outstanding	114 068	94 758
Earnings per share attributable to ordinary shareholders (amounts in NOK)		
Basic and diluted earnings per share	(0.63)	(0.37)

The effect of 3.0 million (2017: 2.6 million) potentially dilutive shares arising from options (ref. Note 5) is not included in the calculation of diluted results per share for 2018 or 2017 since it is anti-dilutive.

NOTE 10 – EXPLORATION AND EVALUATION ASSETS

<i>(Amounts in NOK thousands)</i>	License cost	Capitalized exploration	Total
Cost at 1 January 2017	6 251	16 264	22 515
Additions	345	85	430
Cost at 31 December 2017	6 596	16 349	22 945
Additions	4 109	2 272	6 381
Cost at 31 December 2018	10 705	18 621	29 326
Provision for impairment at 1 January 2017	-	(1 326)	(1 326)
Impairments	-	-	-
Provision for impairment at 31 December 2017	-	(1 326)	(1 326)
Impairments	-	(2 393)	(2 393)
Provision for impairment at 31 December 2018	-	(3 719)	(3 719)
Net book value 31 December 2018	10 705	14 902	25 607
Net book value 31 December 2017	6 596	15 023	21 619
Net book value 1 Januar 2017	6 251	14 938	21 189

Engebø Rutile and Garnet Project

In the first half of 2018, the Group completed an additional exploratory drilling program at Engebøfjellet, the Group's Rutile and Garnet Project.

In June 2018, the Group entered into agreements with the main landowners at Engebø that regulate the Group's acquisition of the area for the planned mineral processing plant, including the existing deep-water harbor facility, and compensation to the landowners for extraction and sale of all mineral products from the deposit.

Kvinnherad Quartz Project

As described in Note 24, the exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. The Group recognized an impairment of exploration and evaluation assets of NOK 2,393 thousand for previously capitalized drilling cost in the area. Nordic Mining continues commercial dialogues to establish a broader basis for progressing the project.

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 recognized as per 31 December 2018.

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

NOTE 11 – PROPERTY, PLANT & EQUIPMENT

<i>(Amounts in NOK thousands)</i>	Machinery & equipment	Total
Cost		
1 January 2017	456	456
Additions	-	-
31 December 2017	456	456
Additions	200	200
31 December 2018	656	656
Depreciation		
1 January 2017	(107)	(107)
Depreciation expense	(152)	(152)
31 December 2017	(259)	(259)
Depreciation expense	(152)	(152)
31 December 2018	(411)	(411)
Net book value:		
31 December 2018	245	245
31 December 2017	197	197
1 January 2017	349	349

Machinery and equipment are depreciated over a period of 4-10 years.

NOTE 12 – INVESTMENT IN ASSOCIATES

As per 31 December 2018, the Group held an investment of about 22% of the voting shares in Keliber Oy which is developing a lithium project in Finland. The voting shares consist of A and B shares with unequal rights (A shares carry more of the losses).

Reference is made to Note 24 for information of relevant events after balance sheet date.

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

Summary of associate's assets, liabilities and net loss

<i>(Amounts in NOK thousands)</i>	2018	2017
Current assets	14 594	74 875
Non-current assets	97 991	80 336
Current liabilities	(12 197)	(7 666)
Non-current liabilities	(34 429)	(30 523)
Equity	65 959	117 022
Carrying amount of investment in associate	21 296	29 254

The Group recognized a share of loss in Keliber of NOK 7,988 thousands in 2018 and a profit of NOK 542 thousand in 2017. The components of the share of profit/loss in associate consisted of the following elements:

<i>(Amounts in NOK thousands)</i>	2018	2017
Share of loss in associate	(7 988)	(11 685)
Reversal of impairment	-	5 112
Profit on deemed part disposal of associate	-	6 705
Reclassification of translation adjustment to profit	-	410
Total	(7 988)	542

Other changes affecting the carrying amount of investment in associate is a translation adjustment of 29 thousands in 2018.

2017**Reversal of previously recorded impairments**

In March/April 2017, Keliber raised in total EUR 10 million from new investors and a repair issue for existing shareholders. The shares were issued at EUR 40 per share which was 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 unrecognized earnings since the A-shares were written-down to zero, the Group recognized NOK 5.1 million in reversed impairment in the first quarter of 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 April 2017 reduced the Group's ownership of Keliber from about 25.1% to approximately 22.1%. The dilution of ownership was accounted for as a deemed disposal, and since the private placement was completed at EUR 40 per share, a subscription price in significant excess of the net book value, the Group recorded a gain of NOK 7.1 million, including the reclassification of foreign currency translation differences to profit and loss.

NOTE 13 – TRADE AND OTHER RECEIVABLES

<i>(Amounts in NOK thousands)</i>	2018	2017
Other financial receivables	927	885
Prepayments	761	1 828
Skattefunn (receivable tax credit)	-	1 179
VAT receivable	826	624
Total	2 514	4 516

NOTE 14 – CASH AND CASH EQUIVALENTS

<i>(Amounts in NOK thousands)</i>	2018	2017
Bank deposits	49 902	21 547
Total cash and cash equivalents	49 902	21 547
Restricted cash in tax withholding account	595	437

NOTE 15 – EQUITY

Number of shares outstanding	Ordinary shares
2017:	
Opening balance	92 584 134
Share issuance	2 241 334
31 December 2017	94 825 468
2018:	
Opening balance	94 825 468
Share issuance	36 016 304
31 December 2018	130 841 772

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

Share issues in 2017

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

Share issues in 2018

On 14 December 2017, Nordic Mining executed a private placement of 15,625,000 shares at a subscription price of NOK 3.20 per share. The private placement was approved in an extraordinary general meeting on 8 January 2018. Gross proceeds were NOK 50.0 million. A subsequent offering of 3,000,000 shares at a subscription price of NOK 3.20 per share were executed 30 January 2018 with gross proceeds of NOK 9.6 million.

On 20 November 2018, Nordic Mining executed a rights issue of 17,391,304 shares at a subscription price of NOK 2.30 per share and gross proceeds of NOK 40.0 million.

As per the date of this report, the Company's share capital is NOK 78,505,063.20 divided into 130,841,772 shares, each with a par value of NOK 0.60.

Components of other comprehensive income

The following table shows a reconciliation of the components of other comprehensive income ("OCI"):

<i>(Amounts in NOK thousands)</i>	Translation adjustment	Actuarial gain/ loss	Total OCI
Balance on 31 December 2017	3 112	(1 892)	1 220
Translation adjustment for year	2 533	-	2 533
Reclassification of translation adjustment to profit and loss	(410)	-	(410)
Actuarial gain/(loss)	-	201	201
Balance on 31 December 2017	5 235	(1 691)	3 544
Translation adjustment for year	29	-	29
Actuarial gain/(loss)	-	(478)	(478)
Balance on 31 December 2018	5 264	(2 169)	3 095

NOTE 16 – OTHER CURRENT LIABILITIES

The following table shows a specification of other liabilities as at 31 December:

<i>(Amounts in NOK thousands)</i>	2018	2017
Tax withholding and social security accrual	961	879
Employee salary and holiday pay accrual	869	852
VAT payable	1 259	35
Deferred items	-	51
Accrued expense	3 325	1 355
Total	6 414	3 172

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 liquidity risk and market risk relating to floating interest rate risk on cash and cash equivalents.

Nordic Mining manages the Group's financial risk primarily by identifying and evaluating potential risk areas. Management's focus is primarily on managing liquidity risk to secure continuing operations and financing of the Group's capital-intensive projects.

Nordic Mining's cash holdings are placed in bank accounts in Norwegian Kroner (NOK). Throughout 2018 and as per the date of this report, the Group's only currency exposure of significance relates to the investment in Keliber Oy (EUR).

The Group has no interest-bearing 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 customary short-term receivables and trade payables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to settle its financial obligations as they fall due. The Group has mainly used equity financing in order to meet liquidity requirements relating to financial obligations, covering operational losses, exploration activities and investments.

All the Group's financial liabilities as at 31 December 2018 (NOK 7.0 million) mature within 6 months from balance sheet date (31 December 2017: all financial liabilities of NOK 5.4 million mature within 6 months).

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 2018. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing projects. Reference is also made to the Board of Directors' report.

Market risk

Market risk is the risk that real value or future cash flow related to financial instruments will vary as a consequence of fluctuation in 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 499 thousand 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 current operation has only limited credit risk. Cash and cash equivalents and security deposits in banks represent close to 100% of the Group's financial assets at 31 December 2017 and are placed with reputable banks. There has been no recognized loss on trade receivables in 2018 or 2017.

The exposure to credit risk on receivables at balance sheet date is negligible.

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.

Trade receivables and other non-current financial assets classified as Loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are classified and measured as debt instruments at amortized cost beginning 1 January 2018.

(Amounts in NOK thousands)	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at amortized cost:				
Trade and financial receivables ¹	927	927	885	885
Cash and cash equivalents	49 902	49 902	21 547	21 547
Total financial assets	50 829	50 829	22 432	22 432
Financial liabilities measured at amortized cost:				
Accounts payable	2 787	2 787	3 200	3 200
Other current financial liabilities	4 194	4 194	2 207	2 207
Total financial liabilities	6 981	6 981	5 407	5 407

1. Trade and other financial receivables were classified as debt instruments at amortized cost in 2018 and as loans and receivables under IAS 39 in 2017. The measurement basis remains amortized cost so there are no implementation effects arising from the change of categories.

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

The Group has only immaterial currency exchange exposure related to financial instruments as of 31 December 2018.

Capital management

The Group has mainly used equity financing to finance research, operations, purchase of licenses and other investments. The Group's capital management target 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 existing 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 2018 is -80% (as of 31 December 2017 -26%).

NOTE 18 – INVESTMENT IN SUBSIDIARIES

The table below provides an overview of Nordic Mining ASA's subsidiaries as at 31 December 2018:

<i>(Amounts in NOK thousands)</i>	Location	Year incorp.	Share capital	Ownership	Equity 31.12.18	Net loss 2018
Nordic Rutile AS	Oslo, Norway	2006	17 843	100 %	(19 324)	(53 478)
Nordic Ocean Resources AS	Oslo, Norway	2011	119	100 %	(207)	(408)
Nordic Quartz AS	Oslo, Norway	2011	124	100 %	(4 522)	(4 863)

NOTE 19 – SHAREHOLDERS

The table below shows the Company's 20 largest shareholders as at 31 December 2018:

Shareholder	Number of shares	% ownership
Nordnet Bank AB (nominee)	9 165 487	7.01 %
Nordea Bank AB (nominee)	5 091 721	3.89 %
Nordnet Livsforsikring AS	2 800 903	2.14 %
Citibank N.A. (nominee)	2 274 804	1.74 %
Danske Bank A/S (nominee)	2 034 177	1.55 %
Dybvad Consulting AS	1 576 428	1.20 %
Magil AS	1 300 000	0.99 %
Infosave AS	1 235 609	0.94 %
Adurna AS	1 200 000	0.92 %
Knut Fosse AS	1 095 008	0.84 %
Ove Klungland Holding AS	1 051 180	0.80 %
VPF Nordea Avkastning	1 002 963	0.77 %
Lithinon AS	1 000 977	0.77 %
Snati AS	975 000	0.75 %
Olav Birger Sletten	957 400	0.73 %
Gode Tider AS	800 000	0.61 %
Ole Kristian Gundersen Stokken	725 043	0.55 %
Cross AS	700 000	0.53 %
Svend Otto Remøe	690 000	0.53 %
Frank Molander	662 000	0.51 %
Total 20 largest shareholders	36 338 700	27.77 %
Other shareholders	94 503 072	72.23 %
Total	130 841 772	100.00 %

NOTE 20 – RELATED PARTIES AND COMPENSATION OF MANAGEMENT

Compensation to Board members and Senior Management in 2018

(Amounts in NOK thousands)	Salary	Board member fees	Other compensation	Pension cost	Share based compensation	Total
Ivar S. Fossum, CEO	2 148	-	230	326	52	2 756
Birte Norheim, CFO ¹	819	-	4	37	28	888
Lars K. Grøndahl, Senior Advisor ²	1 619	-	169	246	20	2 053
Kenneth N. Angedal, Project Manager - Engebø ³	586	-	6	23	20	635
Mona Schanche, VP Exploration	970	-	128	194	20	1 312
Hans Olav Kvalvaag, Nomination Committee	-	20	-	-	-	20
Ole Klevan, Nomination Committee (Chair)	-	40	-	-	-	40
Brita Eilersen, Nomination Committee	-	12	-	-	-	12
Tarmo Tuominen, Chair of the Board	-	330	-	-	-	330
Kjell Roland, Deputy Chair of the Board	-	200	-	-	-	200
Mari Thjømøe, Board member	-	200	-	-	-	200
Kjell Sletsjøe, Board member ⁴	-	-	-	-	-	-
Eva Kaijser, Board member	-	121	-	-	-	121
Total	6 142	1 146	536	826	140	8 790

1. Birte Norheim started as CFO on 1 August 2018

2. Lars K. Grøndahl was CFO until August 2018 and has subsequently taken on a role as senior advisor in the Group

3. Kenneth N. Angedal started as Project Manager – Engebø on 1 August 2018

4. Kjell Sletsjøe was appointed Board member on 29 May 2018

Compensation to Board members and Senior Management in 2017

(Amounts in NOK thousands)	Salary	Board member fees	Other compensation	Pension cost	Share based compensation	Total
Ivar S. Fossum, CEO	2 088	-	195	329	-	2 612
Lars K. Grøndahl, CFO	1 580	-	166	249	-	1 995
Mona Schanche, VP Exploration	1 240	-	126	196	-	1 562
Thomas B. Addison, former GM Engebø	1 654	-	14	70	-	1 738
Bent Erik Nordbø, Nomination Committee	-	15	-	-	-	15
Hans Olav Kvalvaag, Nomination Committee	-	20	-	-	-	20
Ole Klevan, Nomination Committee (Chair)	-	40	-	-	-	40
Tarmo Tuominen, Chair of the Board	-	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
Total	6 562	1 205	501	844	-	9 112

Senior Management is subject to termination periods of 3-6 months.

Guidelines for management remuneration

The main components of the guidelines for Senior Management salaries are as follows:

- The compensation package of each individual in Senior Management should reflect responsibilities and duties as well as contribution towards the long-term value creation in Nordic Mining.
- The Company will offer competitive conditions 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 been approved by the general meeting.
- Senior Management participates in pension and insurance plans.

These guidelines have been used to recruit 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 2018

Name	No of shares	% owned
Ivar S. Fossum, CEO	528 848	0.40 %
Birte Norheim, CFO ¹	29 815	0.02 %
Lars K. Grøndahl, Senior Advisor ²	1 500 000	1.15 %
Kenneth A. Nakken, Project Manager - Engebø	38 000	0.03 %
Mona Schanche, VP Exploration	34 053	0.03 %
Tarmo Tuominen, Chair of the Board	120 224	0.09 %
Kjell Roland, Deputy Chair of the Board	75 027	0.06 %
Mari Thjømøe, Board member ³	272 190	0.21 %
Kjell Sletsjøe, Board member	17 976	0.01 %
Total	2 616 133	2.00 %

1. The shares are owned through the company BINO Consult AS

2. The shares are owned through the company Magil AS

3. The shares are owned through the company ThjømøeKranen AS

Options held by Board members and Senior Management at 31 December 2018

Name	Total granted and outstanding	Exercise price	Expiry date
Ivar S. Fossum, CEO	1 050 000	2.63	jun.22
Birte Norheim, CFO ¹	575 000	2.63	jun.22
Lars K. Grøndahl, Senior Advisor ²	400 000	2.63	jun.22
Mona Schanche, VP Exploration	400 000	2.63	jun.22
Kenneth N. Angedal, Project Manager - Engebø	400 000	2.63	jun.22
Total	2 825 000		

1. The options are held through the company BINO Consult AS

2. The options are held through the company Magil AS

No options have been granted to members of the Board.

NOTE 21 – PENSIONS

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

Defined benefit plan

The Group has a defined benefit plan in the parent company 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)	2018	2017
Pension cost - employee benefit	749	766
Pension cost - interest expense	17	11
Total pension related cost	766	777
Remeasurement gains/(losses) recorded to other comprehensive income	(478)	201

Movement in pension obligation during the year

(Amounts in NOK thousands)	2018	2017
Pension obligations January 1	10 739	10 301
Current value of pension benefits for the year	766	745
Interest cost	196	201
Payments	(134)	(247)
Remeasurement loss/(gain)	496	(197)
Other	40	(63)
Pension obligations as of 31 December	12 103	10 739

Movement in pension obligations during the year

<i>(Amounts in NOK thousands)</i>	2018	2017
Pension funds 1 January	10 137	9 178
Expected return on plan assets	195	169
Contributions	1 043	1 033
Payments	(134)	(247)
Other	17	4
Remeasurement (loss)/ gain	12	-
Pension funds as of 31 December	11 270	10 137

Pension liabilities are classified on the balance sheet as follows:

<i>(Amounts in NOK thousands)</i>	2018	2017
Pension funds	11 270	10 137
Pension obligations	(12 103)	(10 739)
Net pension asset	(834)	(603)
Pension asset/(liability) is shown in the balance sheet as:		
Other long-term asset	-	-
Other liabilities	(834)	(603)

Assumptions

	2018	2017
Discount interest rate	2.60 %	2.40 %
Annual projected increase in salary	2.75 %	2.50 %
Annual projected G- regulation	2.50 %	2.25 %
Annual projected regulation of pension	0.80 %	0.50 %

Investment of plan assets by category

	2018	2017
Equities	12.80 %	10.90 %
Bonds	12.50 %	13.20 %
Money market	10.20 %	14.00 %
Hold to maturity bonds	30.60 %	27.20 %
Loans and receivables	23.90 %	23.30 %
Real estate	9.10 %	10.00 %
Other	0.90 %	1.40 %

Defined contribution plan

The Group recognized an expense of NOK 85 thousands in 2018 and NOK 101 thousands in 2017 related to its defined contribution plan.

NOTE 22 - COMMITMENTS

The Group has various operating leases for offices, cars and office equipment. The Group's office lease is cancellable with 4 months' notice.

<i>(Amounts in NOK thousands)</i>	2018	2017
Within a year	871	804
From year 2-5	115	157
Total	985	961
Lease expense	1 655	1 431

NOTE 23 – PAYMENTS TO AND FROM GOVERNMENTAL INSTITUTIONS

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

Estimated total payment from the Group to various Norwegian governmental institutions was around NOK 0.4 million in 2018 (2017: NOK 0.2 million). Estimated total payment to the Group from various Norwegian governmental institutions was around NOK 2.3 million in 2018 (around NOK 0.7 million in 2017).

NOTE 24 – EVENTS AFTER BALANCE SHEET DATE

Keliber Oy

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

Following the share issue in Keliber, Nordic Mining was diluted from 22% to 18.5% ownership. As a consequence, the Group has assessed that it no longer imposes significant influence and will reclassify the investment in Keliber from an Associate to a Financial Asset Measured at Fair Value Through Profit and Loss under IFRS 9 ("FVPL Method"). The reclassification will be recognized in the interim consolidated financial statements for Q1 2019 and will result in an estimated accounting gain of approximately NOK 100 million. The gain is not subject to tax.

Reference is made to Note 12 for more information about Keliber.

Kvinnherad quartz deposit

The exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. This resulted in an impairment of exploration and evaluation assets of NOK 2.4 million for previously capitalized drilling cost in the area. Reference is made to Note 10 for more information about the Kvinnherad quartz deposit. Nordic Mining continues commercial dialogues to establish a broader basis for progressing the project.

Corporate accounts for Nordic Mining ASA



INCOME STATEMENT

<i>(Amounts in NOK thousands)</i>	Note	2018	2017
Revenues from Group companies		7 086	6 654
Payroll and related cost	4	(9 750)	(8 089)
Other operating expense	5	(7 170)	(4 637)
Operating loss		(9 834)	(6 072)
Reversal of write-downs in associate	13	-	13 466
Impairment of investment and loans to subsidiary	13	(8 089)	-
Financial income	6	4 263	3 850
Financial cost	6	(5)	(4)
Profit/(loss) before tax		(13 665)	11 240
Income tax	7	-	-
Net profit/(loss)		(13 665)	11 240
ALLOCATION OF (LOSS)/PROFIT			
Allocated to/from other equity		(13 665)	11 240
<i>(Amounts in NOK)</i>			
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS			
Basic and diluted earnings per share		(0.12)	0.12

BALANCE SHEET

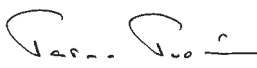
<i>(Amounts in NOK thousands)</i>	Note	2018	2017
ASSETS			
Non-current assets			
Investment in subsidiaries	3, 13	121 839	79 243
Investment in associate	13	51 160	51 160
Long term receivables from group companies	9	91 024	82 367
Total non-current assets		264 022	212 770
Current assets			
Other receivables and prepayments	9	1 701	2 695
Cash and cash equivalents	10	48 452	20 815
Total current assets		50 153	23 510
Total assets		314 176	236 280

BALANCE SHEET

<i>(Amounts in NOK thousands)</i>	Note	2018	2017
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital	11	78 505	56 895
Share premium	11	401 598	331 224
Other paid-in capital	11	14 502	14 354
Other equity		(184 470)	(170 327)
Total equity	11	310 135	232 146
Non-current liabilities			
Pension liabilities	4	834	603
Total non-current liabilities		834	603
Current liabilities			
Trade payable		835	2 068
Provisions and other current liabilities	12	2 372	1 463
Total current liabilities		3 207	3 531
Total liabilities		4 041	4 134
Total shareholders' equity and liabilities		314 176	236 280

Oslo, 29 April 2019

The Board of Directors of Nordic Mining ASA


Tarmo Tuominen
Chair

Kjell Roland
Deputy chair

Eva Kaijser
Board member

Mari Thjømøe
Board member

Kjell Sletsjøe
Board member

Ivar S. Fossum
CEO

CASH FLOW STATEMENT

<i>(Amounts in NOK thousands)</i>	Note	2018	2017
Operating activities:			
Net profit/(loss) before income tax		(13 665)	11 240
Reversal of write-downs in associate	13	-	(13 466)
Impairment of investment and loans to subsidiary	13	8 089	-
Share-based expense	4	120	-
Changes in assets and liabilities:			
Receivables, operating receivables from subsidiaries, prepayments	9	(58 320)	(38 408)
Trade payables		(1 233)	1 440
Other current liabilities	12	909	95
Other		(247)	(320)
Net cash used in operating activities		(64 347)	(39 419)
Investing activities:			
Investment in associate	13	-	(11 545)
Net cash used in investing activities		-	(11 545)
Financing activities:			
Share issuance net of transaction cost	11	99 600	6 948
Transaction cost on equity issue		(7 616)	(425)
Repurchase of non-controlling interest		-	(85)
Net cash from financing activities		91 984	6 438
Net change in cash and cash equivalents		27 637	(44 526)
Cash and cash equivalents at beginning of period	10	20 815	65 341
Cash and cash equivalents at end of period	10	48 452	20 815
Non-cash transactions			
Conversion of debt to equity in subsidiaries		47 492	25 104

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.

These financial statements were approved for issue by the Board of Directors on 29 April 2019.

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, ref. discussion below.

Going concern assumption

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 2018. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing projects.

For a more complete description of Nordic Mining Group’s liquidity risk, reference is made to Note 14 in these annual financial statements, Note 17 in the consolidated annual 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. 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 recognized 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 cost. 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 cost is 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 cost. All exploration cost, with the exception of acquisition cost of licenses and direct drilling cost of exploration wells are expensed as incurred.

Drilling cost of exploration holes are temporarily capitalized 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 cost of exploration holes are expensed. Cost of acquiring licenses are capitalized and assessed for impairment at each reporting date.

Receivables

The Company’s receivables are mainly receivables from group companies. Receivables are recognized initially at cost, and subsequently measured at amortized cost using the effective interest method if the amortization 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 recognized at cost, being the fair value of the consideration received net of issue cost associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method; any difference between proceeds (net of transaction cost) and the redemption value is recognized on the income statement over the period of the interest-bearing liabilities.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, if the amortization effect is material.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

Share-based compensation

The Group use options to incentivize employees and qualified resource persons. The fair value of the options is recognized as an expense in the financial statements over the vesting period. Fair value of options is estimated by use of the Black Scholes option model.

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 recognized 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 recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Deferred income tax is not recognized 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 recognized in the accounting period in which the services are provided.

Pensions

The Company has a defined benefit pension plan and a defined contribution 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 recognized in equity in the period in which they occur. Past service cost are recognized 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. For the defined contribution plan the cost is expensed as incurred.

Cash flow statement

The Company reports the cash flow statement using the indirect method. The method involves adjusting the result for the period 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 in Note 4.

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 weighted average number of treasury shares held over 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 recognized 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 Mining's associated company, Keliber Oy, issued shares in several instances to existing and new investors participated. Nordic Mining contributed with NOK 11.5 million, which resulted in a dilution in the ownership from 25.1 % as per 31 December 2016 to about 22 % as per 31 December 2017.

For additional disclosure of investment in associate, reference is made to Note 12 and 24 in the Group's consolidated financial statements for 2018.

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

<i>(Amounts in NOK thousands)</i>	2018	2017
Wages and salaries	6 415	4 990
Social security cost	1 209	1 088
Pension cost defined benefit plan	795	713
Pension cost defined contribution plan	37	-
Board members, etc	1 149	1 205
Share-based compensation	120	-
Other personnel cost	152	159
Capitalized payroll cost	(127)	(66)
Total	9 750	8 089
Average number of full time employees	4	3

Options granted to employees

On 1 November 2018, the General Meeting of Nordic Mining approved a share-based compensation program of up to 4.5 million options for employees and qualified resource persons. On 26 November 2018, the Board of Directors granted 2.43 million options to employees in Nordic Mining ASA at a strike price of NOK 2.63 per share. The options vest by 1/3 each year, first time on 30 June 2019. The options expire on 30 June 2022.

	2018		2017	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding 1 January	1,966,667	5.12	1,966,667	5.12
Granted during the year	2,425,000	2.63	-	-
Cancelled during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(1,966,667)	(5.12)	-	-
Outstanding 31 December	2,425,000	2.63	1,966,667	5.12
Exercisable 31 December	-	-	1,966,667	5.12

The average fair value of options granted in 2018 was NOK 0.59. The average remaining contractual life is 3.5 years at 31 December 2018.

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

Weighted-average assumptions	2018
Volatility	40%
Expected life	2.58
Risk free interest	1.16 %
Share price	2.47
Exercise price	2.63

Reference is made to Note 4, 5, 20, and 21 in the consolidated financial statements for information regarding salaries, share-based compensation, pensions, related parties and compensation of Management.

The 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 COST

<i>(Amounts in NOK thousands)</i>	2018	2017
Leasing cost	1 399	1 077
Consulting and legal fees	2 626	1 515
Other cost	3 145	2 045
Total	7 170	4 637

Auditor fees

<i>(Amounts in NOK thousands)</i>	2018	2017
Statutory audit	367	360
Other attestation services	77	18
Tax services	34	9
Total	444	378

The amounts exclude VAT.

NOTE 6 – FINANCIAL INCOME AND FINANCIAL COST

<i>(Amounts in NOK thousands)</i>	2018	2017
Interest income on bank deposits	179	148
Interest from Group companies	4 084	3 698
Foreign exchange gains	-	4
Finance income	4 263	3 850
Other finance cost	2	1
Foreign exchange losses	3	3
Finance cost	5	4

NOTE 7 – TAXES

The Company has incurred substantial tax loss carry forwards of NOK 224 million as per 31 December 2018. 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 recognized any deferred tax asset as per 31 December 2018. There is no time limitation for utilization of tax losses carried forward in Norway.

Income taxes for the year

<i>(Amounts in thousands)</i>	2018	2017
Taxes payable	-	-
Deferred tax	-	-
Income tax expense/(income)	-	-

Tax impact of temporary differences as of 31 December

<i>(Amounts in thousands)</i>	2018	2017
Pensions	183	139
Tax loss carryforwards	49 282	48 470
Net deferred tax assets	49 465	48 609
Nominal tax rate (used to measure deferred tax items)	22%	23%
Recognized on the balance sheet:		
Deferred tax asset	-	-
Deferred tax liability	-	-

Reconciliation of effective tax rate

Amounts in thousands	2018	2017
Net profit/(loss) before tax	(13 665)	11 240
Nominal tax rate	23%	24%
Expected tax expense/(income)	(3 143)	2 698
Non-deductible cost	12	7
Impairment of investment and loans to subsidiary	1 860	-
Reversed impairment in associate	-	(3 232)
Non-deductible share compensation cost	28	-
Effect of rate change	2 248	2 113
Effect of range change on non-recognized deferred tax asset	(2 248)	(2 113)
Non-recognized deferred tax asset	1 243	527
Tax expense/(income)	-	-

NOTE 8 – EXPLORATION AND EVALUATION ASSETS

There were no exploration activities in Nordic Mining ASA in 2018 or 2017.

NOTE 9 – OTHER RECEIVABLES, PREPAYMENTS, AND LOANS TO RELATED PARTIES**Other receivables and prepayments**

(Amounts in NOK thousands)	2018	2017
Other financial receivables	927	885
Prepayments	720	1 810
VAT receivable	54	-
Total	1 701	2 695

Specification of intercompany loans/receivables

(Amounts in NOK thousands)	2018	2017
Nordic Rutile AS	90 802	78 137
Nordic Quartz AS	-	3 028
Nordic Ocean Resources AS	223	1 202
Total	91 025	82 367
Classified as current liabilities	-	-
Classified long-term receivables	91 025	82 367

During 2018, the Company converted NOK 45.5 million of debt in Nordic Rutile AS to equity, NOK 0.56 million of debt in Nordic Quartz AS to equity, and NOK 1.39 million of debt in Nordic Ocean resources AS to equity.

The Company wrote-down a loan receivable from Nordic Quartz of NOK 3,164 thousand in 2018. Reference is made to Note 13 for further details on Nordic Quartz.

The interest rate on intercompany loans is 5% pa.

NOTE 10 – CASH AND CASH EQUIVALENTS

The following table shows the Company's cash and cash equivalent balances at 31 December:

(Amounts in NOK thousands)	2018	2017
Bank deposits	48 452	20 815
Total cash and cash equivalents	48 452	20 815
Restricted cash in tax withholding account	467	318

NOTE 11 – SHARE CAPITAL AND CHANGES IN EQUITY

Number of shares outstanding	Ordinary shares
2017:	
Opening balance	92 584 134
Share issuance	2 241 334
31 December 2017	94 825 468
2018:	
Opening balance	94 825 468
Share issuance	36 016 304
31 December 2018	130 841 772

Reference is made to Note 15 in the consolidated financial statements for information regarding share issues in 2018 and 2017. Reference is made to Note 17 for information regarding the 20 largest shareholders in Nordic Mining ASA.

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

Changes in equity were as follows

<i>(Amounts in NOK thousands)</i>	Share capital	Share premium	Other paid-in equity	Other equity	Total
Equity at 1 January 2017	55 550	326 046	14 354	(181 768)	214 182
Share-based payment					-
Share issue	1 345	5 603	-	-	6 948
Transaction cost on share issue	-	(425)	-	-	(425)
Actuarial gain losses on pensions	-	-	-	201	201
Profit for period	-	-	-	11 240	11 240
Equity at 31 December 2017	56 895	331 224	14 354	(170 327)	232 146
Share-based payment	-	-	148	-	148
Share issue	21 610	77 990	-	-	99 600
Transaction cost on share issue	-	(7 616)	-	-	(7 616)
Actuarial gain losses on pensions	-	-	-	(478)	(478)
Loss for the period	-	-	-	(13 665)	(13 665)
Equity at 31 December 2018	78 505	401 598	14 502	(184 470)	310 135

NOTE 12 – PROVISIONS AND OTHER CURRENT LIABILITIES

The following table specifies amounts included in provisions and other current liabilities at 31 December:

<i>(Amounts in NOK thousands)</i>	2018	2017
Tax withholding and social security accrual	741	532
Employee salary and holiday pay accrual	707	602
VAT payable	-	67
Deferred items	-	51
Accrued expense	923	211
Total	2 371	1 463

NOTE 13 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE

Nordic Mining ASA's investment in subsidiaries as at 31 December 2018 is illustrated in the following table:

<i>(Amounts in NOK thousands)</i>	Location	Year incorp.	Share capital	Ownership	Equity 31.12.18	Net loss 2018	Carrying amount 31.12.18
Nordic Rutile AS	Oslo, Norway	2006	17 843	100 %	(19 324)	(53 478)	117 822
Nordic Ocean Resources AS	Oslo, Norway	2011	119	100 %	(207)	(408)	4 017
Nordic Quartz AS	Oslo, Norway	2011	124	100 %	(4 522)	(4 863)	-
Total							121 839

2018

The Company wrote down its investment (NOK 4.9 million) and loans (NOK 3.2 million) to Nordic Quartz due to the expiration of the exclusive rights for investigation and development of the Kvinnherad quartz deposit in April 2019 (ref. Note 9 and 15).

The Company converted NOK 45.5 million of debt in Nordic Rutile AS to equity, NOK 0.56 million of debt in Nordic Quartz AS to equity, and NOK 1.39 million of debt in Nordic Ocean resources AS to equity.

2017

The Company increased its investment in Nordic Rutile by NOK 24.7 million and in Nordic Quartz by NOK 0.4 million by way of debt to equity conversions.

The Company purchased the non-controlling interest in Nordic Ocean Resources AS for NOK 85 thousand.

Despite negative equity in the subsidiaries, the carrying value of shares in subsidiaries is deemed recoverable based on currently available information regarding the discovered resources.

Investments in associate

<i>(Amounts in NOK thousands)</i>	Carrying amount
Carrying amount 1 January 2017	26 149
Additional investment 2017	11 545
Reversal of impairments	13 466
Carrying amount 31 December 2017	51 160
Additional investment	-
Carrying amount 31 December 2018	51 160

In 2017, the Company made an additional investment of approximately NOK 11.5 million in 2017 in Keliber Oy.

As per 31 December 2018, the Company held approximately 22% of the shares in Keliber Oy in Finland. Reference is made to Note 15 for further information of the Company's shareholding in Keliber Oy.

NOTE 14 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Management of financial risk

Nordic Mining is exposed to various types of financial risk related to its financial instruments, market risk primarily related to floating interest rate on cash and cash equivalents, and liquidity risk.

Liquidity risk

Liquidity risk is the risk that the Company is not able to pay its financial obligations upon maturity. The Company has mainly used equity financing to meet liquidity demands related to financial obligations, cover operational losses and for investments. Nordic Mining ASA does not have significant financial obligations and has no interest-bearing debt.

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 2018. Going forward, the Group will need to raise more equity, issue debt instruments or divest assets to fund further development of ongoing projects.

Reference is also made to 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 fixed interest rate. Furthermore, the Company has exposure to the floating interest risk related cash or cash equivalent deposits.

Currency exchange risk

As per 31 December 2018, the Company has limited exposure to currency exchange risk. Cash holdings are placed in bank accounts in Norwegian Kroner (NOK). Throughout 2017 and 2018, the Group's only currency exposure of significance relates to the investment in Keliber Oy (EUR).

Credit risk

The Company does not have receivables from sales (receivables are primarily from companies within the Group). The Company has no or limited credit risk from external parties. The Company wrote down NOK 3.2 million of loans to subsidiary in 2018 (ref. Note 13).

Sensitivity analysis

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

NOTE 15 – EVENTS AFTER BALANCE SHEET DATE

Keliber Oy

On 15 February 2019, Keliber Oy completed a share issue directed towards existing shareholders with total gross proceeds of EUR 10 million at a share price of EUR 49 per share which implies a post-money value of Keliber of EUR 63 million. Following the share issue in Keliber, Nordic Mining was diluted from 22% to 18.5% ownership.

Kvinnherad quartz deposit

The exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. This resulted in an impairment of shares in subsidiary and group receivable of NOK 4.9 million and NOK 3.2 million respectively. Reference is made to Note 9 for further information on the Kvinnherad quartz deposit. Nordic Mining continues commercial dialogues to establish a broader basis for progressing the project.

**Nordic Mining ASA**

Vika Atrium
Munkedamsveien 45
Entrance A – 5th floor
N-0250 Oslo
Norway

Tel. : +47 22 94 77 90
Fax.: +47 22 94 77 91

post@nordicmining.com
www.nordicmining.com

Org. no. 989 796 739

RESPONSIBILITY STATEMENT

We confirm to the best of our knowledge that the consolidated financial statements for 2018 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 2018 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, 29 April 2019

The Board of Directors of Nordic Mining ASA

Tarmo Tuominen
Chair

Kjell Roland
Deputy Chair

Mari Thjømøe
Board member

Eva Kaijser
Board member

Kjell Sletsjøe
Board member

Ivar S. Fossum
CEO



Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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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 2018 and the statements of income and cash flow 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 2018 and the statements of profit or loss, comprehensive income, cash flows 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 2018, and of its financial performance and its cash flows for the year then 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 2018 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 and the Group 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 in the financial statements and the going concern section in the Board of Director's Report, the Company will need to raise more equity, issue debt instruments or divest assets to fund further development of 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 2018. In addition to the matter described in the *Material uncertainty*



related to going concern section, we have determined the matters 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.

Accounting for costs related to licenses, exploration and evaluation activities

The Group temporarily capitalizes license acquisition costs and costs related to exploration and evaluation activity until drilling is completed and the results have been evaluated. There is a risk that these costs do not meet the criteria for temporary capitalization, or that costs continue to be held in the statement of financial position despite no longer meeting the relevant temporary capitalization criteria. In 2018 the group temporarily capitalized costs amounting to NOK 6.4 million and recorded an impairment of NOK 2.4 million. Total remaining capitalized amount is NOK 25.6 million per 31 December 2018. Considering the extent of estimates and assumptions applied, and management's involvement and judgement in establishing them, we consider the accounting for costs related to licenses, exploration and evaluation costs as a key audit matter.

Our audit procedures included an assessment of the eligibility of the temporary capitalized costs including evaluating the assumptions and methodologies used by management. We have also performed detailed testing of capitalized external and internal costs against supporting documentation including license agreements, vouchers, internal timesheets and hourly rates for a sample of costs to verify that the criteria's for temporarily capitalization are met. Furthermore, we evaluated management's assessment to determine whether or not temporarily capitalized costs shall remain in the statement of financial position or be impaired. This included individual assessment of each license related to the magnitude of future exploration and evaluation activity to assess whether there are sufficient commerciality quantities of mineral resources over the remaining license period.

Refer to note 2 regarding significant estimates and judgment and note 10 regarding impairment.

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 Chief Executive Officer (management) are 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.



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.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on 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 and in the statements on corporate governance and corporate social responsibility concerning the financial statements, 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.

Oslo, 29 April 2019
ERNST & YOUNG AS

Jon-Michael Grefsrød
State Authorised Public Accountant (Norway)

ARTICLES OF ASSOCIATION

for Nordic Mining ASA per 1 November 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 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 78,505,063.20 divided on 130,841,772 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 2019

May 2019	May 2019	August 2019	November 2019	February 2020
10	21	23	13	21
First quarter results 2019	Annual General Meeting	Second quarter results 2019	Third quarter results 2019	Fourth quarter results 2019

Photos:

GettyImages: page 1, 2, 3, 5

Olav Heggø: page 2, 5, 24, 25, 27, 31

Thomas Kolbein Bjørk Olsen: page 8

Keliber: page 2, 10, 12, 13

Nordic Mining: page 2, 3, 6, 8, 9, 14, 15, 17, 19

NTNU MarMine: page 14, 16

Design and production:

oktanoslo.no



Nordic Mining ASA
Munkedamsveien 45 A
NO-0250 Oslo
Norway
Tel: +47 22 94 77 90
Email: post@nordicmining.com
www.nordicmining.com