



**NORDIC  
MINING**

**OAX: NOM**

# **INTERIM REPORT**

**Per 31 December 2016**



## Group interim report for the quarter ended 31 December 2016

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

*Nordic Mining is undertaking a large-scale project development at Engebø in Sogn and Fjordane where the Group has rights to a substantial eclogite deposit with rutile and garnet. Permits for the project have been granted by the Norwegian government. Nordic Mining has rights for exploration and production of high-purity quartz in Kvinnherad in Hordaland. Nordic Mining's associated company Keliber Oy in Finland plans to start mining of lithium bearing spodumene and production of lithium carbonate. Nordic Mining holds exploration rights on the Øksfjord Peninsula in Troms and Finnmark where the Company has discovered a prospective area of sulphide mineralisation. Nordic Mining is also exploring opportunities related to seabed mineral resources.*

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

### Important events in the fourth quarter, the year 2016 and the subsequent period:

In 2016 and continuing in 2017, Nordic Mining and the associated company Keliber have a high activity level related to value increasing milestones in connection with the Engebø rutile and garnet project and the lithium project in Finland.

#### **Engebø rutile and garnet project**

- ***Comprehensive comminution and process test work***

Various test work related to recovery of rutile and garnet is ongoing or has been completed in connection with the pre-feasibility study (PFS). For recovery of rutile, comprehensive processing tests have been carried out by magnetic, gravimetric and electrostatic separation. Flotation tests will be carried out with the target to test alternative process routes and optimise product quality. Also variability tests will be executed to test the flow sheet for variations in ore feed.

With increased garnet sales estimates, garnet recovery has become increasingly important. Additional test work will be carried out to optimise production of coarse and fine garnet qualities for various applications.

- ***JORC compliant resource base***

The revised resource model presented in September 2016 with estimated resources in the measured and indicated resource classes, as defined in the JORC code, will be the basis for the PFS. Mine planning for the open pit and the subsequent underground operation is ongoing. The open pit scheduling and the applied mining methods underground will be optimised for a safe, robust and financially sound project. The estimated resources in the inferred category, as defined in the JORC code, represent a substantial potential which will be further evaluated and explored.

- ***PFS completion in Q3 2017***

The importance of the ongoing test work program as well as certain practical implications related to the broad geographical spread of the activities is challenging with regard to the overall time table for the pre-feasibility study. As high quality in all aspects of the study has the highest priority, completion of the PFS has been rescheduled to Q3 2017.

- ***Zoning plan and discharge permit are final***

The industrial area plan (zoning plan) and the discharge permit for the Engebø project are approved and final, without possibility for appeals. In January 2017, the EFTA Surveillance Authority (ESA) closed three complaint cases related to Norway's permitting of the tailings disposal for the Engebø project.

## Keliber lithium project

- ***Positive lithium market development***

The lithium market is developing positively and product prices have increased. The demand for lithium in various applications, in particular related to batteries for electric/hybrid vehicles and energy storage is growing fast, and the trend is expected to continue in the coming years. Contract prices for lithium carbonate have generally doubled in 2017 compared to 2016. A tight market balance for battery grade lithium carbonate is expected to continue, and the spot prices in China are reported to be well above the current contract level of USD 13 – 14,000 per tonne.

- ***Definitive feasibility study ongoing***

In March 2016, Keliber completed a positive pre-feasibility study for the lithium project. A comprehensive work program is ongoing related to the definitive feasibility study (DFS) which is aiming to provide a solid foundation for the subsequent project financing to implement the lithium project.

As part of the DFS, various test work has been executed related to optical ore sorting, beneficiation and lithium carbonate production. Technical problems related to material handling in connection with conversion of spodumene concentrate have caused delay in the finalisation of the testing process. The challenges have been fully and successfully solved, but the time line for basic engineering, financial analysis and other tasks in connection with the completion of the DFS is affected. As a consequence, the DFS completion will be in Q3 2017.

- ***Financing of project development work***

In November 2016, Keliber executed an equity issue of approximately EUR 3.0 million. Nordic Mining participated pro-rata to its shareholding.

Keliber has appointed an advisor for corporate finance services. The purpose is to investigate options and carry out transactions in order to position Keliber for the fast-growing development in the lithium industry.

## Kvinnherad quartz project

- ***Independent quartz resource estimates***

In February 2016, an independent assessment of the Kvinnherad quartz deposit was completed based on information from the drilling program in 2015. The Competent Persons have estimated significant quartz-containing mineral resources in the inferred and indicated categories. The quartz content varies in the deposit with a substantial part in the massive zone category (>95% quartz content).

## Seabed minerals

- ***MarMine project***

In August/September 2016, an exploration cruise was carried out on the Norwegian part of the Mid-Atlantic Ridge. Mineral samples were collected on selected locations. Mineral analysis and preliminary process test work will be carried out based on the collected samples.

## Corporate

- ***Successful financing rounds***

In 2016, Nordic Mining has completed equity issues with gross proceeds of approximately NOK 85.7 million. In addition, a private placement with gross proceeds of around NOK 6.9 million was completed in January 2017. Based on current estimates, Nordic Mining is well funded for the ongoing PSF for the Engebø project and other prioritised activities.

## Financial performance

*For comparison, numbers in brackets relate to the fourth quarter of 2015.*

The Group is developing mineral projects and has so far no sales revenues from its operation. The Group's operating loss in the fourth quarter was NOK -8.8 million (NOK -2.9 million). Accumulated operating loss for the year was NOK -23.0 million (NOK -12.7 million), reflecting an increased project planning and development activity. The operating losses in the period and accumulated were mainly related to costs in connection with development of the Engebø project, in particular the ongoing PFS, and general corporate expenses. Accumulated costs in 2016 related to the PFS amounted to approximately NOK 6.1 million. The accumulated operating loss also includes costs related to share-based remuneration (no cash effect) of approximately NOK 1.4 million (NOK 0.0 million) in connection with option agreements with leading employees and resource persons, and an impairment loss (no cash effect) of NOK 1.3 million (NOK 0.0 million) related to all previously capitalised drilling costs at Rein fjord.

In 2016, the Group has capitalised costs related to drilling and various license costs at the Engebø deposit at a total amount of NOK 12.4 million (NOK 0.5 million). For the year, the Group's total capitalised costs related to exploration and evaluation assets were NOK 12.7 million (NOK 2.7 million). The amount includes capitalised costs related to resource estimation in connection with last year's drilling at the Kvinnherad quartz deposit at an amount of NOK 0.2 million (NOK 2.2 million).

The Group's investment in Keliber is classified as shares in an associated company. Nordic Mining's shareholding in Keliber is approximately 25.1%. Keliber is developing a lithium project in Finland and has so far no sales revenue from its operation. Nordic Mining's share of result from the associated company in the fourth quarter was NOK -1.5 million (NOK -2.2 million) and accumulated for the year NOK -4.2 million (NOK -6.6 million). Keliber's result was mainly related to costs for environmental impact assessments, process optimisation test work and other activities in connection with the ongoing DFS, the PFS which was completed in March 2016, as well as general corporate expenses.

Total net loss for the Group in the fourth quarter was NOK -10.2 million (NOK -5.0 million). The Group's accumulated total net loss for the year was NOK -27.1 million (NOK -19.2 million).

Accumulated cash flow from the Group's operating activities was negative with NOK -16.8 million (NOK -11.9 million). Accumulated net cash used in investment activities was NOK -26.7 million (NOK -4.5 million). The accumulated investments were mainly related to participation in equity issues in Keliber in March and November 2016 at a total amount of NOK 13.7 million, capitalised core drilling expenses and property fees in connection with the Engebø project at an amount of NOK -12.4 million, and capitalised costs related to resource estimations in connection with the Kvinnherad quartz project at an amount of NOK 0.2 million. Accumulated net cash flow from financing activities was NOK 79.8 million following from the completed rights issue in June and the private placement in December 2016.

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

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

## Main projects and activities

### ***Engebø rutile and garnet project***

#### *General project information*

The Engebø deposit is one of the largest unexploited rutile deposits in the world and has the highest in situ grade of rutile (TiO<sub>2</sub>) compared to existing rutile producers and development projects. The deposit also contains significant quantities of high quality garnet, representing a valuable revenue potential for the project.

In 2016, Nordic Mining established an office with drill core logging facilities close to the municipality center of Naustdal and adjacent to the Engebø deposit. The Group will gradually manage the project development, stakeholder contacts and public relations from this location.

#### Pre-feasibility study

Nordic Mining has appointed Hatch for technical advisory services and coordination of the Engebø pre-feasibility study. Hatch is a Canadian engineering and consultancy company and a leading international mining and processing specialist with extensive experience across the mining industry, including titanium feedstock and other industrial minerals.

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

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

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

From a processing and revenue perspective the Engebø project will be developed as a dual mineral operation with prominent scaling opportunities. Commercially this provides strength and flexibility. In the assessments going forward, commercial strategies and optimisation of capacities and financial key figures will be balanced to secure a robust business case.

The importance of the ongoing test work program as well as certain practical implications of the broad geographical spread of the activities is challenging with regard to the overall time table for the pre-feasibility study. As high quality in all aspects of the study has the highest priority, completion of the PFS has been rescheduled to Q3 2017.

#### Resource estimations and mine planning

A core drilling program was completed in April 2016. 38 holes with a total length of more than 6,300 meters were drilled, mainly in the open pit part of the deposit. The drill cores have been subject to various mineral analyses to determine rutile grade, by-product garnet quality, and other mineral characteristics. The data was used to develop a revised resource model for the deposit and for re-estimation and reclassification of the resource. The estimations were done by the independent Competent Person, Mr. Adam Wheeler who is also a registered Chartered Engineer. The resource report was published in September 2016.

The mineral resource at Engebø can roughly be divided in three categories: high grade ferro eclogite (> 3% TiO<sub>2</sub>), medium grade transitional eclogite (3-2% TiO<sub>2</sub>) and low grade leuco eclogite (<2% TiO<sub>2</sub>). An open pit breakeven cut-off estimation supports the use of lower cut-offs for resource evaluation, and this will include more material of the transitional eclogite category. The estimations below illustrate the overall in-situ resources at a cut-off grade of 2% TiO<sub>2</sub>.

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

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

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

Mine planning for the open pit and the subsequent underground operation is ongoing. The open pit scheduling and the applied mining methods underground will be optimised for a safe and financially sound project.

The financial analysis for the PFS will be based on updated assessments for the open pit and underground extraction costs. Mainly the resources in the measured and indicated resource classes will be relevant for the financial analysis in accordance with the JORC code. The substantial resources in the inferred category will be basis for evaluation of project potentials.

Industrial area plan and discharge permit

In February 2016, the King in Council dismissed an appeal related to the discharge permit. Consequently, the discharge permit is final in all aspects and without further possibility for appeal. The zoning plan was final directly following the government's approval in 2015.

In January 2017, the EFTA Surveillance Authority (ESA) closed three complaint cases, with no rights for appeal, related to Norway's permitting of the tailings disposal for the Engebø project.

Commercial outlook

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

Generally, the demand for titanium feedstock is expected to follow the global GDP development. Europe has a significant supply deficit in titanium feedstock. Today, the main volumes of rutile and other feedstock into Europe come from Australia, Africa and North-America. For industrial customers in Europe supplies from Engebø will represent a substantial logistical advantage compared to overseas alternatives.

The main applications for garnet are in waterjet cutting, sand blasting and for various abrasives. Prices vary significantly depending on quality/application. Based on the substantial garnet content in the Engebø deposit and updated market information, Nordic Mining has increased the sales target for garnet from 100,000 tonnes to 200,000 tonnes per year. As the revised target assumes a broader product spectre, the average sales price will be reduced from the previous indicated level of USD 300 per tonne.

Updated volume and price assumptions for rutile and garnet will be presented in the PFS for the Engebø project.

## ***Keliber lithium project***

### General project information

The associated company Keliber in Finland has several deposits of high quality lithium mineral suitable for extraction and production of high-purity lithium carbonate. Lithium carbonate has a variety of applications, i.a. for batteries which takes up an increasing share of the total global lithium consumption.

Keliber has a mining license for the Länttä lithium deposit and permits for mining, operation and waste disposal for Länttä and for production of lithium carbonate at its planned processing plant at Kalavesi in Kaustinen municipality. Preparations are ongoing for permit applications related to other deposits and for revision of the processing plant permit due to increased production rate (from 6,000 to 9,000 tonnes of lithium carbonate per year). A good dialogue has been established with various authorities to secure an efficient permitting process. The current timetable targets completion of the permitting in the second half of 2018.

Nordic Mining owns approximately 25.1% of the share capital and is the largest shareholder in Keliber.

### Completed pre-feasibility study

In March 2016, Keliber completed a pre-feasibility study (PFS) for the lithium project. In connection with the PFS the JORC compliant mineral resource and ore reserve estimates were confirmed by independent experts. The combined resource estimates (including reserves) for Keliber's deposits in the measured and indicated categories were reported to approximately 6 million tonnes at an average grade of 1.26% Li<sub>2</sub>O. The total estimated reserves in the proven and probable categories for the Syväjärvi, Rapasaari, Länttä and Outovesi deposits were approximately 4.5 million tonnes at an average grade of 1.10% Li<sub>2</sub>O.

The detailed estimations for the various deposits were as follows:

<b>Deposit</b>	<b>Resource class</b>	<b>Tonnage (mill. tonnes)</b>	<b>Li<sub>2</sub>O %</b>	<b>Reserve class</b>	<b>Tonnage (mill. tonnes)</b>	<b>Li<sub>2</sub>O %</b>
Syväjärvi	Indicated	1.53	1.35	Probable	1.48	1.19
	Inferred	0.19	1.32			
Rapasaari	Indicated	1.81	1.25	Probable	1.75	1.09
	Inferred	0.16	1.30			
Länttä	Measured	0.44	1.10	Proven	0.47	0.95
	Indicated	0.91	1.04	Probable	0.54	0.93
	Meas. + Ind.	1.35	1.06	Prov. + Prob.	1.01	0.94
Outovesi	Indicated	0.28	1.40	Probable	0.25	1.20
Leviäkangas	Indicated	0.19	1.13			
	Inferred	0.21	0.90			
Emmes	Indicated	0.82	1.40			

The Competent Persons responsible for the estimations are Markku Meriläinen (MAusIMM\*) and Pekka Lovén (MAusIMM\*), Outotec (Finland) Ltd.

No inferred mineral resources are used in the estimation of ore reserves. The ore reserves are the portion of the mineral resources that have been identified as mineable within a design pit. The mineral resources and ore reserves have been estimated using a 0.5% Li<sub>2</sub>O cut-off grade. Ore loss is assumed at 5% and waste rock dilution 15% for the estimated ore reserves.

\* Member of the Australasian Institute of Mining & Metallurgy

Keliber's mining operations will consist of open pit mining only, and all deposits are located within a 20 km distance from the planned processing plant at Kalavesi.

The exploration potential in the Ostrobothnia lithium province is considered positive, and Keliber has secured a substantial area for future exploration. Since the completion of the PFS, Keliber has done various exploration and core drilling which is expected to improve the resource base. Updated resource and reserve estimates will be part of the upcoming definitive feasibility study (DFS).

#### Definitive feasibility study

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

Various test work has been executed related to ore sorting, beneficiation and lithium carbonate production. Technical issues related to material handling in connection with conversion of spodumene concentrate have caused delay in the finalisation of the testing process. The challenges have been fully and successfully solved, but the time line for basic engineering, financial analysis and other tasks in connection with the completion of the DFS is affected. As a consequence, the DFS completion will be in Q3 2017.

In the ongoing test work, small quantities of lithium carbonate is produced in order to have samples available for commercial discussions.

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

#### Commercial outlook

Over the last year, lithium carbonate prices have increased substantially. Prices for battery grade lithium carbonate have been reported above USD 20,000 per tonne in the Chinese market.

The battery grade lithium carbonate (>99.5%  $\text{Li}_2\text{CO}_3$ ) is used in the cathode part of the batteries. Lithium carbonate of  $\geq 99.9\%$  purity is used in the manufacturing of electrolyte solutions for lithium-ion batteries. Lithium-ion batteries are used in electric and hybrid vehicles and electronics like tablets, mobile phones and laptops. To an increasing extent lithium-ion batteries are also used for energy storage, mainly in connection with production of renewable energy, i.a. solar, wind etc.

According to market information, contract prices for lithium carbonate have generally doubled in 2017 compared to 2016. Market information, i.a. spot prices in China, indicates a continued tight supply/demand balance. The current contract price level for lithium carbonate is around USD 13,000 – 14,000 per tonne which is substantially higher than the assumption in Keliber's PFS.

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

### ***Kvinnherad quartz project***

#### General project information

Nordic Mining has exclusive rights for the investigation and development of a quartz deposit in Kvinnherad municipality in Norway. Studies and tests show that the quartz has a low content of contaminants and therefore can be regarded as a high-purity type of quartz. Processing tests of blasted surface samples show that high-purity quartz concentrates with a total level of impurities less than 15 ppm can be made. This is in the range of the highest grade quartz qualities on the market.

A scoping study (2012) has outlined an industrial base case with a mine life of 30 years, estimated investments of USD 50 million, a preliminary after tax NPV of USD 60 million based on an 8% discount rate and an average price of high-purity quartz of USD 6,700 per tonne, and a payback period of 4.3 years.



Nordic Mining continues dialogues with international companies with commercial interests in the quartz value chain. The purpose is to explore scenarios for development of the deposit and investigate partnership models and financing options in order to progress the project.

#### Resource estimations

In February 2016, an independent assessment was completed based the results from the core drilling in 2015 and information from previous exploration work. A model of the quartz deposit was developed according to international standards and practice. The Competent Persons have estimated a quartz-containing mineral resource of 2.92 million tonnes in the indicated category and 1.34 million tonnes in the inferred category. The quartz content of the deposit is on average 65%. The resource estimates are in accordance with the JORC Code.

The extension of the quartz deposit towards depth remains unknown, and further core drilling may be carried out at a later stage.

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

#### **Seabed minerals**

##### General project information

Nordic Mining's subsidiary Nordic Ocean Resources (NORA) is a first-mover initiative related to seabed mineral exploration in Norway. Current assessments indicate a substantial potential for discovery of metallic ore deposits along the Norwegian part of the Mid-Atlantic Ridge (MAR) and possible significant economic values within Norway's exclusive economic zone. NORA has applied for mineral exploration rights on the Norwegian MAR.

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

##### The MarMine project

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

An exploration cruise was executed in August/September 2016 in selected areas of the Norwegian MAR. An expedition team of 25 researchers and a support crew of around 20 persons carried out exploration work including mineral sampling and various assessments related to seabed mineral operations. Mineral analysis of the samples and preliminary process test work will be executed.

Discussion of a possible expansion of the MarMine research scope is ongoing.

#### **Other project activity**

##### Patented alumina technology

The registered Norwegian patent related to technology for extraction of alumina from aluminium/calcium-rich minerals is in the process of being expanded to selected countries.

Oslo, 20 February 2017

The Board of Directors of Nordic Mining ASA

## CONSOLIDATED INCOME STATEMENTS

		2016	2015	2016	2015
	Note	01.10-31.12	01.10-31.12	01.01-31.12	01.01-31.12
		Unaudited	Unaudited	Unaudited	Audited
<i>(Amounts in NOK thousands)</i>					
Payroll and related costs		(2 134)	(1 195)	(7 823)	(6 617)
Share-based payment	4	-	-	(1 429)	-
Depreciation and amortisation		(7)	-	(7)	-
Impairment of exploration & evaluation assets	3	-	-	(1 326)	-
Other operating expenses		(6 626)	(1 666)	(12 376)	(6 110)
<b>Operating profit/(loss)</b>		<b>(8 767)</b>	<b>(2 861)</b>	<b>(22 961)</b>	<b>(12 727)</b>
Share of result of an associate		(1 468)	(2 153)	(4 241)	(6 597)
Financial income		51	36	200	96
Financial costs		(42)	(1)	(89)	(4)
<b>Profit/(loss) before tax</b>		<b>(10 226)</b>	<b>(4 979)</b>	<b>(27 091)</b>	<b>(19 232)</b>
Income tax		-	-	-	-
<b>Loss for the period</b>		<b>(10 226)</b>	<b>(4 979)</b>	<b>(27 091)</b>	<b>(19 232)</b>
<b>Profit/(loss) attributable to</b>					
Equity holders of parent		(10 174)	(4 910)	(26 907)	(19 114)
Non-controlling interest		(52)	(69)	(184)	(118)
<b>Earnings per share attributable to ordinary shareholders</b>					
<i>(Amounts in NOK)</i>					
Basic and diluted earnings per share		(0,12)	(0,06)	(0,36)	(0,36)

## STATEMENTS OF COMPREHENSIVE INCOME

	2016 01.10-31.12 Unaudited	2015 01.10-31.12 Unaudited	2016 01.01-31.12 Unaudited	2015 01.01-31.12 Audited
<i>(Amounts in NOK thousands)</i>				
<b>Net profit/(loss) for the period</b>	<b>(10 226)</b>	(4 979)	<b>(27 091)</b>	(19 232)
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Currency translation differences	65	812	(623)	355
Reclassification of translation adjustment	-		-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in pension estimates	222	(647)	222	(647)
<b>Other comprehensive income directly against equity</b>	<b>287</b>	165	<b>(401)</b>	(292)
<b>Total comprehensive income for the period</b>	<b>(9 939)</b>	(4 814)	<b>(27 492)</b>	(19 524)
<b>Comprehensive income</b>				
Equity holders of parent	(9 887)	(4 745)	(27 308)	(19 406)
Non-controlling interest	(52)	(69)	(184)	(118)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		<b>31.12.2016</b>	<i>31.12.2015</i>
<i>(Amounts in NOK thousands)</i>	<b>Note</b>	<b>Unaudited</b>	Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Evaluation and exploration assets	3	21 189	9 848
Property, plant & equipment		349	84
Investment in associate	5	15 044	6 182
<b>Total non-current assets</b>		<b>36 582</b>	16 114
<b>Current Assets</b>			
Trade and other receivables		1 285	990
Cash and cash equivalents		66 112	29 809
<b>Total current assets</b>		<b>67 397</b>	30 799
<b>Total assets</b>		<b>103 979</b>	46 913
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	6	55 550	38 550
Share premium		326 045	263 281
Other paid-in capital		14 354	12 924
Retained losses		(300 026)	(273 119)
Other comprehensive income		1 220	1 621
Equity attributable to ordinary shareholders		97 143	43 257
Non-controlling interest		(173)	(97)
<b>Total equity</b>		<b>96 970</b>	43 160
<b>Non-current liabilities</b>			
Other liabilities		1 124	1 898
<b>Total non-current liabilities</b>		<b>1 124</b>	1 898
<b>Current liabilities</b>			
Trade Payables		2 299	798
Other current liabilities		3 586	1 057
<b>Total current liabilities</b>		<b>5 885</b>	1 855
<b>Total liabilities</b>		<b>7 009</b>	3 753
<b>Total shareholders' equity and liabilities</b>		<b>103 979</b>	46 913

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Unaudited**

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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the period ended 31 December

		<b>2016</b>	<b>2015</b>
	<b>Note</b>	<b>01.01-31.12</b>	<b>01.01-31.12</b>
		<b>Unaudited</b>	<b>Audited</b>
<i>(Amounts in NOK thousands)</i>			
<b>Net cash used in operating activities</b>		<b>(16 797)</b>	<b>(11 856)</b>
Investment in exploration and evaluation assets <sup>(1)</sup>	3	<b>(12 567)</b>	(3 078)
Investment in associate	5	<b>(13 725)</b>	(1 320)
Purchases of property, plant and equipment		<b>(372)</b>	(84)
<b>Net cash used in investing activities</b>		<b>(26 664)</b>	<b>(4 482)</b>
Share issuance	6	<b>79 764</b>	31 787
<b>Net cash from financing activities</b>		<b>79 764</b>	<b>31 787</b>
<b>Net change in cash and cash equivalents</b>		<b>36 303</b>	15 449
<b>Cash and cash equivalents at beginning of period</b>		<b>29 809</b>	14 360
<b>Cash and cash equivalents at end of period</b>		<b>66 112</b>	29 809

(1) Investment in exploration and evaluation assets as described in note 3 includes depreciation of exploration related equipment.

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2016

### Note 1 – ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all of the information required for full annual financial reporting, and should be read in conjunction with the consolidated financial statements of Nordic Mining ASA and the Group for the year ended 31 December 2015.

This report was approved by the Board of Directors on 20 February 2017.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2015.

### Note 2 – SEGMENT

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

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

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

The Group uses the segments' profit/(loss) before tax from continuing operations as the basis for the segment results including some allocations of corporate expenses. All the numbers in the table below are in NOK thousands and represent the period 1 January – 31 December.

(Amounts in NOK thousands)	Quartz		Titanium		Adjustments and eliminations		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
Revenues	-	-	-	-	-	-	-	-
Segment result	(619)	(453)	(18 550)	(9 758)	(7 922)	(9 021)	(27 091)	(19 232)
Investment in exploration and evaluation assets	237	2 156	12 430	494	-	-	12 667	2 650

### Note 3 – EXPLORATION AND EVALUATION ASSETS

In total, the Group's capitalised drilling costs as per 31 December 2016 were NOK 14.9 million. In addition, the Group has capitalised various license costs at an amount of NOK 6.3 million.

#### *Titanium segment*

A core drilling program was finalised Engebø (Titanium) in April 2016. Subsequent of the drilling, inspection and logging of drill cores as well as analysis and resource modelling have been carried out. In 2016, the Group has capitalised costs related to the Engebø project at an amount of NOK 12.4 million.

#### Quartz segment

In the second half of 2015, the Group carried out a drilling program related to its mineral deposit in Kvinnherad (Quartz). The bulk of the costs related to the program were accounted for in 2015, but costs related to resource estimations and classifications at an amount of NOK 0.2 million have been capitalised in 2016.

#### Reinfjord exploration project

Nordic Mining has put further exploration activities at Reinfjord on hold in order to focus resources on other projects. For the time being, no substantive activities are planned or budgeted in connection with the Reinfjord exploration project. As a consequence, an impairment loss (no cash effect) of NOK 1.3 million related to all previously capitalised drilling costs was recognised in Q2 2016.

In the table below, changes for the Group's exploration and evaluation assets in 2016 are shown.

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

#### **Note 4 – SHARE-BASED PAYMENT**

In February 2016, 2 million options (before reverse share split, ref. note 6) were granted under the share-based incentive program approved by the shareholder meeting in 2014. These options expired in May 2016.

On 18 May 2016, the general meeting approved a share-based incentive program for leading employees and qualified resource persons. The Board was authorised to award options that in total gives the right to subscribe for up to 2,833,333\* new shares in Nordic Mining.

In June 2016, the Board awarded in total 2,696,667\* options to leading employees and resource persons. For 2,096,667\* options, the exercise price is NOK 4.08\* per share. For the remaining 600,000\* options, the exercise price is NOK 8.16\* per share. The options have no vesting requirements and may be exercised until 18 May 2018. As per the date of this report none of the options have been exercised.

In the table below, the number of options and the exercise prices have been updated for the reverse share split reducing the number of outstanding shares by a factor of 6, ref. note 6 below.

	2016	
	Number of options	Weighted average exercise price
<b>Outstanding 1 January</b>	1 791 667	6.66
Granted during the year	3 030 000	5.03
Cancelled during the year	-	-
Exercised during the year	-	-
Expired during the year	(2 125 000)	6.00
<b>Outstanding 31 December</b>	<b>2 696 667</b>	<b>4.99</b>
<b>Exercisable 31 December</b>	<b>2 696 667</b>	<b>4.99</b>

\*) The number of options and the exercise prices have been recalculated to accommodate the reverse share split that was executed in December 2016, ref. note 6.



Average fair value of the options granted in 2016 was NOK 0.48 per share (updated for the reverse share split). The real price of the granted options has been calculated using the Black Scholes model. The weighted average assumptions used, updated for the reverse share split, are as follows:

<b>Weighted-average assumptions</b>	<b>2016</b>
Volatility	68%
Expected life	1.12
Risk free interest	1.12%
Share price	3.16
Exercise price	5.03

Costs related to share-based remuneration (no cash effect), in total approximately NOK 1.4 million are included in the accumulated operating loss per 31 December 2016.

#### **Note 5 – INVESTMENT IN AN ASSOCIATE**

In 2016, Nordic Mining has invested a total amount of approximately NOK 13.7 million in two separate rights issue (March and November) in the associated company Keliber. Total gross proceeds in the two share issue were around EUR 5.9 million. In both share issues, Nordic Mining subscribed in accordance with its shareholding in Keliber. As per 31 December 2016, Nordic Mining owns approximately 25.1% in Keliber.

#### **Note 6 – SHARE CAPITAL**

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

On 5 December 2016, an extraordinary general meeting resolved a reverse share split at a ratio of 6:1; 6 old shares gave 1 new share. The reverse share split was effective on 8 December 2016. Following from the reverse share split, the par value of the Nordic Mining share is NOK 0.60.

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

#### **Note 7 – SUBSEQUENT EVENTS**

##### Share capital

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

##### Engebø project

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

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