



**NORDIC
MINING**

INTERIM REPORT

Per 30 September 2019



Minerals for a sustainable future

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

Nordic Mining is undertaking a large-scale project development at Engebø on the west coast of Norway where the Company has rights and permits to a substantial eclogite deposit with rutile and garnet. Nordic Mining also holds 18.5% of the shares in Keliber Oy, which is developing a lithium project in Finland to become the first European producer of battery grade lithium hydroxide.

In addition, Nordic Mining holds interests in other initiatives at various stages of development. This includes patented rights for a new technology for production of alumina and exploration of seabed minerals.

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

Group interim report for the quarter ended 30 September 2019

Important events in the third quarter of 2019 and year to date:

ENGEBØ RUTILE AND GARNET PROJECT (100% ownership)

- **Definitive feasibility study close to finalization**

All test-work, mine-planning and engineering has been completed for the definitive feasibility study ("DFS"). The documentation of the work in form of a report is near complete. Additional work relating to assessing and clarifying quotations received from the market has caused minor delays and Nordic Mining will present the main results of the study in January 2020. Based on current status, capex is expected to increase compared to the prefeasibility study ("PFS"), but positive changes in other project variables are expected to offset the impact on valuation.

- **Agreements on offtake and participation in construction financing**

In January, Nordic Mining signed a Heads of Agreement with a Japanese trading house relating to long term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. Offtake on rutile is complementary to the Heads of Agreement previously entered into with the Barton Group relating to offtake in North America and commercial cooperation in Europe for garnet from Engebø. In September, Nordic Mining announced an expansion of the exclusive offtake arrangement of garnet to Barton to additionally include the South-America and Central America regions. Dialogues with both parties are ongoing.

- **Preparations for construction financing ongoing**

Nordic Mining has entered into an agreement with Northcott Capital Ltd for provision of financial advisory services for the debt financing of the Engebø project. Preparations for construction financing is ongoing and lenders' due diligence process has commenced.

- **Detailed regulation plan approved**

In August, Naustdal municipality approved the detailed regulation plan. The process for regulation of the water supply pipeline is ongoing, and a resolution from the municipalities is expected in the near future.

- **Local municipalities support for operating license**

The public hearing process regarding Nordic Mining's application for operating license for the Engebø project has ended and Askvoll and Naustdal municipalities, as well as the new Sunnfjord municipality, supported the application. The Directorate of Mining will consider the application together with the input from the hearing process, and a license approval is expected in the first quarter of 2020. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources.

KELIBER LITHIUM PROJECT (18.5% ownership)

- **Project update**

In November, Keliber presented a project update with a delay in start of construction. Keliber's revised estimate is for construction to commence in 2021 for a duration of over two years. Due to the changes in end-product and production process to lithium hydroxide, additional technical and environmental planning are required. Updated market information for lithium indicates that further optimization of the time schedule is desired. Keliber will continue to advance the lithium project as planned in various fields including further technical planning, permitting, ore potential and financing.

- **Recoveries in minerals processing improved**

In November, Keliber announced the results from a continuous pilot program on the Syvjärvi ore minerals processing which improved the recovery rate to exceed 88 percent compared to the 83.4% from the previous pilot-scale test program conducted in 2016. Keliber expects the whole test program, including the continuous pilot test programs for conversion and LiOH processes and related test run reports, to be completed in the first quarter of 2020.

- **Permitting process**

In June, Keliber received a permit to initiate the preparatory work of the mining operations in Syvjärvi and secured the rights to use the land for the purpose assigned in the mining permit previously granted. Syvjärvi environmental permit was received in early 2019 but is not yet legally forceable due to appeals. Activities related

to the permitting process for the concentrator plant and the chemical plant are ongoing.

- **Increase in resource base**

Over the last years, Keliber has consistently increased the resource base for its project. The most recent resource updates were completed in June and September and increased the estimates for Rapasaari by about 40% and by about 10% for Syväjärvi. Currently, Keliber's estimated resources in the measured and inferred categories total around 11.8 million tonnes at an average Li₂O grade of 1.10%.

- **Optimizing the business case**

Keliber's DFS, which was published in June 2018, confirmed a profitable business case based on production of lithium carbonate. Following an increasing market demand for lithium hydroxide for use in cathodes for lithium-ion batteries in electric vehicles, Keliber completed a test program for production of lithium hydroxide which significantly improves project economics. Keliber published an updated DFS based on lithium hydroxide in February 2019, outlining an increase in post-tax NPV@8% by more than 70% to EUR 384 million and IRR of 24%.

- **Gain of NOK 98m reflecting increased values in Keliber**

In February, Keliber raised EUR 10 million from existing shareholders to finance ongoing development work and other pre-construction activities. The implied value in the capital raise exceeded the book value recorded by Nordic Mining by NOK 98 million which was recognized as a gain in the consolidated financial statements for the first quarter of 2019. The gain is not subject to tax. Following the share issue in Keliber, Nordic Mining's shareholding in Keliber is approximately 18.5% with a current book value of NOK 116 million.

CORPORATE

- **Equity issues completed**

In May and October, Nordic Mining completed equity issues with combined gross proceeds of NOK 62.5 million. In total, approximately 38 million shares were issued. The proceeds will primarily be used to finance the continued development of the Engebø rutile and garnet project through the completion of the DFS and into the Front-End Engineering and Design (FEED) phase.

FINANCIAL PERFORMANCE

Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2018.

The Group is in the definitive feasibility phase of the Engebø project and has, so far, no sales revenues from its operation. The high activity level on the DFS and related development activities were the main drivers for the operating loss in the third quarter of NOK -21.3 million (NOK -14.3 million). Accumulated operating loss was NOK -57.2 million (NOK -43.3 million).

In February 2019, Keliber Oy completed a share issue directed towards existing shareholders with total gross proceeds of EUR 10 million at a subscription price of EUR 49 per share which implies a post-money value of Keliber of EUR 63 million. Following the share issue, Nordic Mining was diluted from 22% to 18.5% ownership and the Group reclassified the investment in Keliber from an Associate to a Financial Asset Measured at Fair Value Through Profit and Loss under IFRS 9 ("FVTPL Method"). Fair value was estimated based on the subscription price which resulted in a recognized gain of NOK 97.9 million in the first quarter of 2019. The EUR share value applied as basis for the valuation as of 30 September 2019 was not changed and the gain of NOK 2.4 million recognized in the third quarter relates to currency effects. The accumulated gain of NOK 100.6 million is not subject to tax. In the third quarter of 2018, Nordic Mining's share of result from the associated company was NOK -1.7 million (NOK -5.5 million accumulated in 2018) reflecting the pro-rata share of Keliber's costs related to the DFS, the environmental permitting process and general corporate expenses.

The total net result for the Group in the third quarter was NOK -19.1 million (NOK -19.2 million). Accumulated net gain was NOK 42.3 million (loss of NOK 48.7 million).

Cash flow from the Group's operating activities in the third quarter was NOK -25.0 million (NOK -15.4 million) and accumulated NOK -57.3 million (NOK -40.7 million). Net cash used in investment activities in the third quarter was NOK -0.2 million (NOK 3.1 million) and accumulated NOK -0.4 million (NOK -6.5 million). The Group's investments in 2019 relate to license costs for the Engebø deposit. The Group's investments in 2018 also

comprised capitalized drilling expense relating to the Engebø deposit. Net cash flow from financing activities in the third quarter was NOK 0 million (NOK 0 million) and accumulated NOK 25.1 million (NOK 55.4 million) arising from share issues.

The Group's cash balance at 30 September 2019 amounted to NOK 17.3 million (NOK 29.8 million). In October, Nordic Mining completed a rights issue with gross proceeds of NOK 35.0 million (ref. note 6). The Board considers that the completion of the DFS will represent a key milestone for de-risking of the Engebø project and form a good basis for further financing. The Company is working on strategies to secure pre-construction funding as well as construction financing.

On a general note, there is no assurance that the Group will be successful in obtaining the required financing for its prioritized projects. In such case, the Group may adjust project progress accordingly. For further information relating to the Company's risk assessments, reference is made to the annual report for 2018 which is available on the Company's webpage www.nordicmining.com.

Nordic Mining's total assets as of 30 September 2019 were NOK 162.7 million (NOK 84.9 million), and the Group's total equity amounted to NOK 152.6 million (NOK 75.8 million). The Group has no interest-bearing debt. This gives an equity ratio of approximately 94% (89%).

MAIN PROJECTS AND ACTIVITIES

Engebø rutile and garnet project (100% ownership)

General project information

The Engebø deposit is one of the largest unexploited rutile deposits in the world and has among the highest grades of rutile (TiO₂) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The PFS of the project which was completed in October 2017 indicated profitable and robust project financials.

The DFS is close to finalization, and Nordic Mining targets to present the main results of the study in January 2020. The main purpose of the study is to qualify the project for construction financing. This implies that the quality of the technical assessments and financial analysis will be further increased from the PFS. The DFS targets high-quality assessments and de-risking of important aspects of the project.

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

The Engebø project will be developed with sustainability at the core of the Group's strategy. High standards in work ethics, health and safety, community engagement and environmental performance will be emphasized. The Group's goal is to build a corner stone company in Sunnfjord, with a positive impact on people's livelihood and flourishing in education and work opportunities. Active engagement with the community and project stakeholders, built on transparency, respect and responsiveness, will be prioritized in all project phases.

The mining industry is particularly challenged by its waste production, as it often produces large quantities of waste during resource extraction. The Group will work to minimize its footprint on the marine and terrestrial environment, by focusing on reducing waste production, emphasize rehabilitation and seek alternative usage of waste products.

As part of the DFS, a comprehensive plan has been made to develop an environmental and social management system ("ESMS") to ensure environmental and social issues are managed in accordance with the Group's standards, permits and Norwegian regulations. ESMS and supporting programs, will be developed and adapted as part of the operational readiness work. Advanced environmental monitoring programs, using state of the art technologies, will be put in place to ensure adherence to permits and to mitigate environmental effects.

The Engebø deposit will be developed as a dual mineral operation with production and sale of high-quality rutile and garnet. The business concept provides efficient resource utilization, risk reduction, attractive and robust economics, and valuable future expansion opportunities. The substantial inferred mineral resource highlights the

potential for expansion and/or extension of project mine life.

Resource estimates

Following completion of the PFS, an additional drilling program was carried out with the aim of increasing the knowledge of the ore body and verifying geotechnical parameters for the open pit mining methods. The drilling program resulted in an increase of the estimated mineral resources in the measured and indicated categories (JORC Code 2012) by around 5%, to approximately 98 million tonnes, illustrated with a cut-off grade 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 below provide an overview of the updated resource estimates illustrated with 2% and 3% TiO₂ cut-off grade, respectively, as presented by Competent Person Adam Wheeler in June 2018. In connection with the ongoing DFS, the resource model which will be basis for the DFS mine plan and financial analysis has been further optimized.

*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) ***

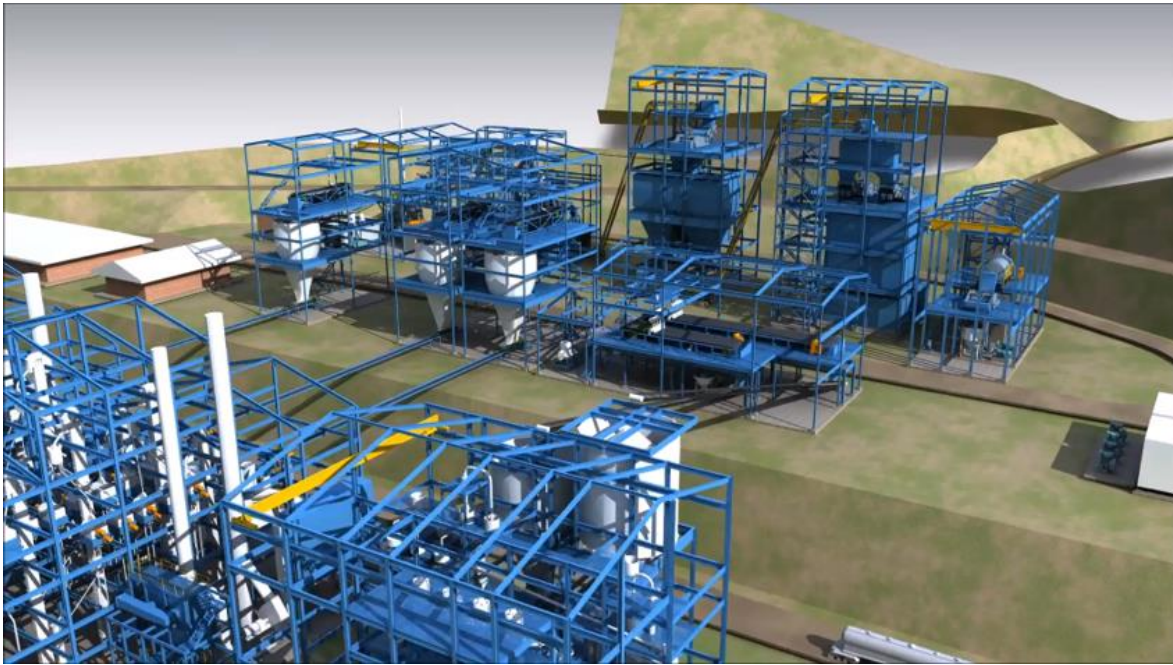
Resource class	Tonnage Mt	TiO ₂ %	Garnet%
Measured	22	3.95	44.9
Indicated	75	3.85	44.2
Measured & Indicated	98	3.87	44.4
Inferred	132	3.82	42.5

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

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

Definitive feasibility study close to finalization

All test-work, mine-planning and engineering has been completed for the DFS. The documentation of the work in form of a report is near complete. Additional work relating to assessing and clarifying quotations received from the market has caused minor delays and Nordic Mining will present the main results of the study in January 2020. Based on current status, capex is expected to increase compared to the PFS, but positive changes in other project variables are expected to offset the impact on valuation.



Engebø – Illustration of module engineering

Permits and local planning

Nordic Mining holds all rights and permits necessary for its current operations related to the Engebø project. This includes extraction permits for rutile (state 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 August, Naustdal municipality approved the detailed regulation plan which includes buildings and infrastructure at the processing plant and service areas, as well as for the mining area, access and haul roads etc. The process for regulation of the water supply pipeline is ongoing, and a resolution from the municipalities is expected in the near future

In February, Nordic Mining filed an application for operating license for the Engebø project with the Norwegian Directorate of Mining. The public hearing process has ended and Askvoll and Naustdal municipalities, as well as the new Sunnfjord municipality, supported the application. The Directorate of Mining will consider the application together with the input from the hearing process, and a license approval is expected in the first quarter of 2020. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources.

Detail engineering work for re-routing of the county road through the process area as well as preparations for strengthening of the regional power grid has been completed.

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.

Offtake and participation in project financing

In January 2019, Nordic Mining signed a Heads of Agreement with a 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 relating to offtake in North America and commercial cooperation in Europe for garnet, as well as participation in the project financing. The Barton Group is a family-owned company that has produced the world's highest-quality garnet abrasives for seven generations. In September, Nordic Mining announced an expansion of the exclusive offtake arrangement of garnet to Barton to additionally include the South-America and Central America regions. Dialogues with both parties are ongoing.

Commercial outlook for rutile and garnet remains positive

Europe has a significant supply deficit of titanium feedstock, including rutile, and no garnet production. Supplies from Engebø represent a long-term strategic and logistical opportunity in both product markets.

High capacity utilization in the pigment and titanium metal industries, 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 significantly reduced due to depletion of operating deposits and limited new capacity in 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 high-grade feedstock. Also, an expected increasing demand for titanium metal will increase the demand for rutile as a high-grade feedstock.

For the PFS, the Australian consultancy company TZMI estimated a long-term FOB price for rutile (95% TiO₂) around USD 1,070 per tonne. In February 2019, TZMI increased its long-term price estimate to USD 1,118 per tonne. Rutile prices continues to increase, and recent prices have been reported in excess of USD 1,150 per tonne with expectation of further increase.

The main applications for garnet are in waterjet cutting, sand blasting and various abrasives. Prices vary depending on quality and application. There is currently no production of garnet in Europe, and the global supply of garnet for high-end applications is still impacted by the regulatory measures introduced by the Indian government. It is uncertain when and to what extent Indian production will re-enter the market.

For the PFS, 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.

Updated market assessments for rutile and garnet will be included in the DFS.

Keliber Oy (18.5% ownership) – lithium hydroxide project

General project information

Keliber Oy is a Finnish company targeting to be the first producer in Europe of battery grade lithium hydroxide for the battery industry. The company has a mining license for the Syväjärvi and Länttä deposits, as well as exploration permits and claims on other lithium deposits in the Central Ostrobothnia lithium province.

In 2016, Keliber completed the PFS for the project, and in 2018 the DFS. The studies were based on production of lithium carbonate and indicated profitable and robust project financials.

Market observations indicates 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 completed a test program relating to production of lithium hydroxide together with Outotec Finland in the fall of 2018. The program 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 DFS for the project in February 2019 based on production of lithium hydroxide.

Keliber's project development is in accordance with high international standards for environment, health and safety. Lithium hydroxide is important in modern batteries and a vital material for the ongoing electrification of the transport sector to reduce CO₂ emissions.

In February, Keliber appointed Carnegie Investment Bank AB and Nordea Bank Abp as advisors for the equity financing of the lithium project. Keliber has also appointed Northcott Capital Ltd. as the coordinator of the debt financing of the project. To ensure sufficient and optimal financing and an appropriate progress of the project, Keliber continues to evaluate and prepare potential financing options, including an initial public offering.

Resource estimates

Over the last years, Keliber has consistently increased the resource base for its project. The most recent updates were completed in June and September and increased the estimates for Rapasaari by about 40% and by about 10% for Syväjärvi.

Keliber's mineral resource estimates as per September 2019 are shown in the table below:

(Mill. tonnes)	Länttä*	Syväjärvi**	Outovesi*	Rapasaari**	Leviäkangas*	Emmes*	Total
Resource category:							
Measured	0.42	1.54	-	2.01	-	-	3.98
Indicated	0.91	1.17	0.28	4.17	0.19	1.08	7.79
Sub-Total	1.33	2.71	0.28	6.18	0.19	1.08	11.77
Ore grade (Li ₂ O %)	1.04	1.22	1.43	1.02	1.14	1.22	1.10
Inferred	-	0.12	-	2.03	0.28	-	2.43

* Resource estimates prepared by Competent Persons Markku Meriläinen (MAusIMM) and Pekka Lovén (MAusIMM) (JORC Code 2012). Cut-off grade for the estimates is 0.50% Li₂O.

** Resource estimates prepared by Competent Person Paul Payne (MAusIMM), Payne Geological Services Pty Ltd (JORC Code 2012). Cut-off grade for the estimates is 0.50% Li₂O.

Keliber's exploration activities continue, and further updates on resources are expected.

Updated time schedule

In November, Keliber presented an update of various aspects of the lithium project. Due to the changes in end-product and production process to lithium hydroxide, additional technical and environmental assessment and planning are required. Further, updated market information for lithium indicates that further optimization of the time schedule is desired. Therefore, preparatory construction works will not commence in 2019 as initially planned. Keliber's revised estimate is for construction to commence in 2021 for a duration of over two years. Keliber will continue to advance the lithium project as planned in various fields including further technical planning, permitting, ore potential and financing.

Permitting process

In June, Keliber received a permit to initiate the preparatory work of the mining operations in Syväjärvi and secured the rights to use the land for the purpose assigned in the mining permit previously granted by the Finnish Safety and Chemicals Agency. Syväjärvi environmental permit was received in early 2019 but is not yet legally forceable due to appeals which are being considered in a court process.

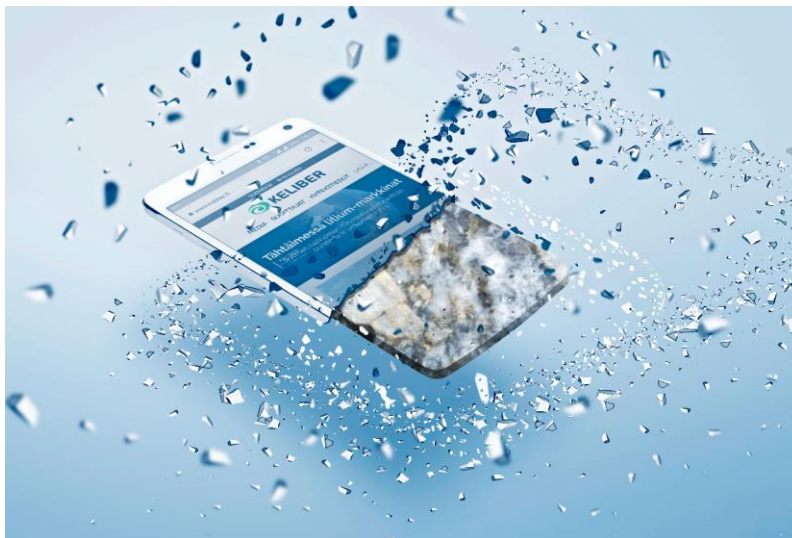
The environmental permit application for the concentrator plant was submitted in December 2018 and the application for the Rapasaari deposit was submitted in March 2019. Permit decisions are expected in 2020. Keliber targets to submit the environmental permit application for the chemical plant in Kokkola Industrial Park in the first half of 2020.

Optimizing business case

Key figures from the updated DFS were presented in February 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%):	EUR 510 million
• Post-tax net present value (NPV@8%):	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

In November, Keliber announced the results from a continuous pilot program on the Syväjärvi ore minerals processing which improved the recovery rate to exceed 88 percent compared to the 83.4% from the previous pilot-scale test program conducted in 2016. A total of 89 tonnes of spodumene ore from Syväjärvi was processed during the minerals processing pilot program and a total of 10 tonnes of spodumene concentrate (Li₂O of over 4.5%) was produced for further processing. The company expects the whole test program, including the continuous pilot test programs for conversion and LiOH processes and related test run reports, to be completed in the first quarter of 2020. Together with the increased resource base, the improved recovery rate is expected to strengthen project financials and robustness.



Source: Keliber

Softer short-term markets - long term fundamentals remain strong

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. Significant European initiatives related to battery chemicals and battery production are under development.

The global lithium market is still in a ramp-up phase and is currently experiencing softness. In addition, changes in Chinese New Energy Vehicle (NEV) subsidies pressure spot prices of lithium. However, the situation is expected to be temporary and prices are projected to recover by the early to mid-2020s. The long-term general market outlook for lithium hydroxide remains positive and growth of lithium hydroxide demand is strongest among the lithium products as the battery chemical industry is moving towards nickel-rich cathode chemicals. Overall, growth in the lithium market is expected to continue in double digits for a long time.

Keliber targets to be the first producer in Europe of battery-grade lithium hydroxide and is currently in dialogue with potential customers to secure offtake agreements suitable for project financing.

Strategic assets and initiatives

Alumina technology development

Nordic Mining has been engaged in development of a new and more environmentally sound technology for alumina production for several years. Bauxite, mostly found in the southern hemisphere, is currently the main source of aluminum globally, and is linked to large environmental challenges due to toxic waste and land use.

Anorthosite, an alumina rich feldspar rock with about 30% alumina, can be an alternative source with close to zero waste and emissions.

In June 2019, the Company announced that EU's Horizon 2020 program has granted the AISiCal project EUR 5.9 million in funding for continued development of the patented alumina technology owned by Nordic Mining and Institute for Energy Technology (IFE). The registered Norwegian patent relates to technology for extraction of alumina from aluminium/calcium-rich minerals is in the process of being expanded to selected countries and patents have been granted in Norway, USA, Russia, Denmark, Greenland and the EPO (European Patent Office) and is pending in Canada.

The AISiCal project is an ambitious research and innovation project established to assess and develop the patented Aranda-Mastin Technology (AM Technology) with the purpose of making the minerals and metals industry more sustainable and environmentally sound. The AISiCal project consortium comprises 16 international partners from 9 countries and is led by IFE in Norway. The AM Technology, which is owned by Nordic Mining and IFE, enables the co-production of three essential raw materials; alumina, silica and precipitated calcium carbonate (PCC), by using new resources with no bauxite residue and using carbon dioxide (CO₂) during production. The AISiCal project will innovate and develop the AM Technology towards zero CO₂ emission from production.

Kvinnherad quartz project

The Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. Nordic Mining is investigating alternative options to establish a basis for progressing the project.

Seabed minerals

Nordic Mining has taken pioneering initiatives related to seabed mineral exploration in Norway. Research assessments indicate an attractive potential for discovery of metallic ore deposits with possible significant economic values within Norway's exclusive economic zone.

Nordic Mining participates in the ongoing MarMine project on marine mineral resources. The project is coordinated by the Norwegian University of Science and Technology (NTNU). The Norwegian Research Council has granted NOK 25 million to the project which has a strong industrial basis and participation. An exploration cruise including mineral sampling and assessments related to seabed mineral operations has been executed in selected areas along the Mid-Atlantic Ridge.

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

Oslo, 21 November 2019
The Board of Directors of Nordic Mining ASA

CONSOLIDATED INCOME STATEMENT

		2019	2018	2019	2018	2018
	Note	01.07-30.09	01.07-30.09	01.01-30.09	01.01-30.09	01.01-31.12
<i>(Amounts in NOK thousands)</i>		Unaudited	Unaudited	Unaudited	Unaudited	Audited
Payroll and related costs		(4 187)	(3 124)	(11 432)	(7 739)	(11 773)
Depreciation and amortization		-	(38)	(115)	(114)	(152)
Impairment of exploration and evaluation assets		-	-	-	-	(2 393)
Other operating expenses		(17 104)	(14 330)	(45 610)	(35 401)	(49 916)
Operating profit/(loss)		(21 291)	(17 492)	(57 157)	(43 254)	(64 234)
Share of loss in associate	3	-	(1 668)	(759)	(5 453)	(7 988)
Gains/losses on investments	3	2 361	-	100 634	-	-
Financial income		188	105	226	288	476
Financial costs		(384)	(102)	(661)	(294)	(566)
Profit/(loss) before tax		(19 126)	(19 157)	42 283	(48 713)	(72 312)
Income Tax		-	-	-	-	-
Profit/(loss) for the period		(19 126)	(19 157)	42 283	(48 713)	(72 312)
Profit/(loss) attributable to						
Equity holders of parent		(19 126)	(19 157)	42 283	(48 713)	(72 312)
Non-controlling interest		-	-	-	-	-
Earnings per share attributable to ordinary shareholders						
<i>(Amounts in NOK)</i>						
Basic and diluted earnings per share		(0,13)	(0,17)	0,31	(0,43)	(0,63)

STATEMENTS OF COMPREHENSIVE INCOME

<i>(Amounts in NOK thousands)</i>	2019 01.07-30.09 Unaudited	2018 01.07-30.09 Unaudited	2019 01.01-30.09 Unaudited	2018 01.01-30.09 Unaudited	2018 01.01-31.12 Audited
Net profit/(loss) for the period	(19 126)	(19 157)	42 283	(48 713)	(72 312)
Other comprehensive income:					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences	-	(96)	(385)	(1 045)	29
Currency translation reclassified to profit and loss	-	-	(4 880)	-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Changes in pension estimates	-	-	-	-	(478)
Other comprehensive income directly against equity	-	(96)	(5 265)	(1 045)	(449)
Total comprehensive income for the period	(19 126)	(19 253)	37 018	(49 758)	(72 761)
Allocation of comprehensive income					
Equity holders of parent	(19 126)	(19 253)	37 018	(49 758)	(72 761)
Non-controlling interest	-	-	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	30.09.2019 Unaudited	31.12.2018 Audited
ASSETS			
Non-current assets			
Evaluation and exploration assets		26 032	25 607
Property, plant & equipment		200	245
Right-of-use assets		193	-
Financial assets	3	115 905	-
Investment in associate		-	21 296
Total non-current assets		142 330	47 148
Current assets			
Trade and other receivables		3 078	2 514
Cash and cash equivalents *	6	17 311	49 902
Total current assets		20 389	52 416
Total assets		162 719	99 564
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital *	6	86 275	78 505
Share premium*	6	418 991	401 597
Other paid-in capital		15 421	14 502
Retained losses		(365 887)	(408 170)
Other comprehensive income		(2 170)	3 095
Total equity		152 630	89 529
Non-current liabilities			
Other liabilities		590	834
Lease liabilities		183	-
Total non-current liabilities		773	834
Current liabilities			
Trade payables		5 685	2 787
Other current liabilities		3 631	6 414
Total current liabilities		9 316	9 201
Total liabilities		10 089	10 035
Total shareholders' equity and liabilities		162 719	99 564

* Subsequent to balance sheet date, the Company completed a rights issue with gross proceeds of NOK 35 million (ref. note 6).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Attributed to equity holders of the parent						
(Amounts in NOK thousands)	Share capital	Share premium	Other-paid-in capital	Other comprehensive income	Accumulated losses	Total equity
Equity 1 January 2018	56 895	331 223	14 354	3 544	(335 858)	70 158
Loss for the period	-	-	-	-	(48 713)	(48 713)
Other comprehensive income	-	-	-	(1 045)	-	(1 045)
Total comprehensive income	-	-	-	(1 045)	(48 713)	(49 758)
Share issue	11 175	48 425	-	-	-	59 600
Transaction costs	-	(4 157)	-	-	-	(4 157)
Equity 30 September 2018	68 070	375 491	14 354	2 499	(384 571)	75 843
Equity 1 January 2019	78 505	401 597	14 502	3 095	(408 170)	89 529
Loss for the period	-	-	-	-	42 283	42 283
Other comprehensive income	-	-	-	(5 265)	-	(5 265)
Total comprehensive income	-	-	-	(5 265)	42 283	37 018
Share issue	7 770	19 749	-	-	-	27 519
Transaction costs	-	(2 355)	-	-	-	(2 355)
Share-based compensation	-	-	919	-	-	919
Equity 30 September 2019 *	86 275	418 991	15 421	(2 170)	(365 887)	152 630

* Subsequent to balance sheet date, the Company completed a rights issue with gross proceeds of NOK 35 million (ref. note 6).

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2019 01.01-30.09 Unaudited	2018 01.01-30.09 <i>Unaudited</i>
<i>(Amounts in NOK thousands)</i>		
Operating activities:		
Net cash used in operating activities	(57 256)	(40 726)
Investing activities:		
Acquisition of licenses and properties	(425)	(4 018)
Investment in other exploration and evaluation assets	-	(2 272)
Investment in property, plant and equipment	-	(200)
Net cash used in investing activities	(425)	(6 490)
Financing activities:		
Share issuance	27 519	59 600
Transaction costs, share issue	(2 355)	(4 157)
Payment of lease liabilities	(74)	-
Net cash from financing activities	25 090	55 443
Net change in cash and cash equivalents	(32 591)	8 227
Cash and cash equivalents at beginning of period	49 902	21 547
Cash and cash equivalents at end of period *	17 311	29 774

* Subsequent to balance sheet date, the Company completed a rights issue with gross proceeds of NOK 35 million (ref. note 6).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

Note 1 – ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting". They do not include all the information required for full annual financial reporting and should be read in conjunction with the consolidated financial statements of Nordic Mining ASA and the Group for the year ended 31 December 2018.

This report was authorized for issue by the Board of Directors on 21 November 2019.

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 2018, except for the new principles described below.

IFRS 16:

The Group adopted *IFRS 16 - Leases* for reporting periods beginning on and after 1 January 2019. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosures of leases and replaces IAS 17 and other previous guidance on lease accounting within IFRS.

IFRS 16 defines a lease as a contract that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For each contract that meets this definition, IFRS 16 requires lessees to recognize a right-of-use asset and a lease liability in the balance sheet with certain exemptions for short term and low value leases. Lease payments are to be reflected as interest expense and a reduction of lease liabilities, while the right-of-use assets are to be depreciated over the shorter of the lease term and the assets' useful life. The portion of lease payments representing payments of lease liabilities shall be classified as cash flows used in financing activities in the statement of cash flows.

Implementation options:

The Group used the modified retrospective method on implementation, which involves adjusting opening equity 1 January 2019 with the cumulative implementation effect ("the modified retrospective method"). The Group used some of the implementation expedencies of IFRS 16. Lease liabilities are measured at the present value of remaining lease payments, discounted using the incremental borrowing rate 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted for prepaid lease payments.

On recognition of IFRS 16, 1 January 2019, the Group recognized right-of-use assets of NOK 264 thousand and lease liabilities of NOK 251 thousand. The difference related to prepaid lease amounts so there was no impact on opening equity upon implementation.

Financial assets:

Initial recognition and measurement:

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

Financial assets at fair value through profit or loss:

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss.

Note 2 – SEGMENTS

The Group presents segments on the basis of the mineral projects. The two reportable segments are:

- *Titanium and garnet* which can be produced from the mineral deposit at Engebø. The zoning plan and the discharge permit for the project are approved and final, without possibility for appeals. The PFS for the project was completed in October 2017 and the DFS is close to finalization.
- The *Other* segment consists of the Group's activities in the subsidiaries Nordic Quartz and Nordic Ocean Resources. Following the expiration of the Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit April 2019, the Company decided to merge the quartz segment to other activities. Nordic Mining is investigating alternative options to establish a basis for progressing the 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 – 30 September.

(Amounts in NOK thousands)	Titanium & Garnet		Other		Adjustments and eliminations		Consolidated	
	2019	2018	2019	2018	2019 (*)	2018	2019	2018
Revenues	-	-	-	-	-	-	-	-
Segment result	(48 354)	(38 418)	(660)	(840)	91 297	(9 455)	42 283	(48 713)
Investment in exploration and evaluation assets	425	6 290	-	-	-	-	425	6 290

(*) Adjustments and other eliminations in 2019 include gain of NOK 100.6 million resulting from the change in classification of the investment in Keliber from an investment in associate to a financial asset at fair value through profit or loss (ref. Note 3).

Note 3 – FINANCIAL ASSETS

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 subscription 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 assessed that it no longer imposes significant influence and reclassified 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 assessment was based on the reduced ownership combined with a change in Board composition. At the annual general meeting in April, a new Board was elected, where Nordic Mining's representation was reduced from two to one Director. The new Board comprise six Directors.

On 15 February, the Group derecognized the investment in associate and recognized the financial asset at estimated fair value. A gain was recognized on the difference between the carrying amount of the investment in associate on derecognition and the fair value of the financial asset on the same date. Currency translation adjustments on 15 February relating to Keliber was reclassified from other comprehensive income to the income statement and included in the recognized gain.

Fair value was estimated based on the subscription price of EUR 49 in the share issue described above which resulted in a recognized gain of NOK 97.9 million in the first quarter of 2019. The EUR share value applied as a basis for the valuation is unchanged as of 30 September 2019 and the gain of NOK 2.4 million recognized in the third quarter of 2019 relates to currency effects. Accumulated gain was NOK 100.6 million.

Note 4 – SHARE-BASED COMPENSATION

The Group recognized a share-based expense of NOK 919 thousand in YTD Q3-2019 (2018: 0) in relation to the Group's option program. No new options have been awarded in 2019.

Note 5 – SHARE CAPITAL

On 29 May 2019, the Company completed a private placement of 12 950 000 shares with gross proceeds of NOK 27.5 million. As per 30 September 2019, the Company's share capital was NOK 86,275,063.20 divided into 143,791,772 shares, each with a nominal value of NOK 0.60. See also note 6.

Note 6 – EVENTS AFTER BALANCE SHEET DATE

On 3 October 2019, the Company completed a rights issue of 25 000 000 shares with gross proceeds of NOK 35 million. Following registration of the share capital increase, and at the date of this report, the Company has a share capital of NOK 101,275,063.20 divided into 168,791,772 shares, each with a nominal value of NOK 0.60.