# INTERIM REPORT
# Per 31 December 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 31 December 2019

### Important events in the fourth quarter of 2019, in the year 2019 and year to date 2020:

### ENGEBØ RUTILE AND GARNET PROJECT (100% ownership)

- ***Results of the definitive feasibility study published in January 2020***
  In January 2020, the Company published the results of the definitive feasibility study ("DFS") for the Engebø project. The updated study reinforces Engebø as a world class rutile and garnet project and outlines the execution plan for the project. The main results presented in the updated DFS were:

  - Pre-tax NPV@8% USD 450 million
  - Pre-tax IRR 21.9%
  - Post-tax NPV@8% USD 344 million
  - Post-tax IRR 19.8%

  - Average annual free cashflow first 15 years of USD 70 million
  - Net operating cashflow (undiscounted) of USD 2,160 million
  - Initial capex of USD 311 million and deferred capex of USD 25 million (underground)
  - Pay-back period < 5 years

- ***Agreements on offtake and participation in construction 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. Offtake on rutile is complementary to the Heads of Agreement previously entered into with the Barton Group relating to offtake for garnet in North America and commercial cooperation in Europe. In September 2019, 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 progressing***
  In January 2019, Nordic Mining entered into an agreement with Northcott Capital Ltd for provision of financial advisory services for the debt financing of the Engebø project. Lenders' due diligence process has commenced and the activity level relating to construction financing will increase over the next months. The Company has also appointed Clarksons Platou Securities and Sparebank 1 Markets as joint lead managers for construction financing.

- ***Detailed regulation plan approved***
  In August 2019, Naustdal municipality approved the detailed regulation plan. The process for regulation of the water supply pipeline is ongoing, and a resolution from the local municipalities is expected in the first part of 2020.

- ***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 2019, 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. In addition, 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. This also includes activities to improve and optimize the business case which was outlined in the updated DFS published in February 2019.

- ***Recoveries in minerals processing improved***
  In November 2019, Keliber announced the results from a continuous pilot program on the Syväjärvi ore minerals processing which improved the recovery rate to exceed 88% compared to the 83.4% from the previous pilot-scale test program conducted in 2016. In December 2019, Keliber announced that it had reached 96.9% conversion degree in a continuous conversion pilot run using spodumene concentrate produced from Syväjärvi lithium ore. The results exceed the 95% degree applied in the Definite Feasibility Study published by Keliber in February 2019.

- ***Ore reserve estimate for Keliber's Rapasaari lithium deposit increased by 50%***
  In December 2019, Keliber announced that the ore reserve estimate for the Rapasaari lithium deposit had been updated. Following the update, estimated proven and probable ore reserves total 5.280 million tonnes with a grade of 1.07% $Li_2O$. This represents an increase of 50% compared to the previous estimate for Rapasaari. The total JORC 2012 compliant proven and probable lithium ore reserves for Keliber is currently 9.372 million tonnes with a grade of 0.98% $Li_2O$.

- ***Underlying values substantiated***
  In February 2019, 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. During the fourth quarter, Keliber made several positive announcements including increased mineral resources, improved recoveries and increase in reserve estimates. However, it also announced that its lithium project will be delayed by at least one year compared to previous estimates. In addition, and despite a positive long-term outlook, conditions for the global lithium market has softened due to weak spot prices. This has adversely impacted Keliber's progress on securing offtake directly as well as driven down the general market sentiment/valuation. An updated assessment as per 31 December 2019 (ref. note 3) valued Nordic Mining's holding of 18.5% of the outstanding shares in Keliber to NOK 91 million, resulting in an impairment of NOK 25 million in the fourth quarter and a reduction of the gain for the year to NOK 76 million including foreign exchange effects. The gain is not subject to tax.

## CORPORATE

- ***Equity issues completed***
  In January 2020, Nordic Mining completed an equity issue with gross proceeds of NOK 57.4 million (ref. note 6). The Company also called for an extraordinary general meeting to resolve on a subsequent share issue of up to 10 million new shares directed towards existing shareholders. The proceeds will primarily be used to finance the Engebø project until the construction financing has been secured. This includes all activities relating to front-end engineering and design (FEED) and to secure a financing package.

  In May and October 2019, Nordic Mining completed equity issues with combined gross proceeds of NOK 62.5 million (ref. note 5). In total, approximately 38 million shares were issued. The use of proceeds was primarily for 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 fourth quarter of NOK -15.7 million (NOK -21.0 million). Accumulated operating loss was NOK -72.8 million (NOK -64.2 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 share issue price of EUR 49 was considered an appropriate reference of Keliber's value and the EUR share value applied as basis for the valuation of the investment as of 30 June and 30 September 2019 was not changed. Since 30 September 2019, Keliber has made several positive announcements including increased mineral resources, improved recoveries and increase in reserve estimates. However, it has also announced that its lithium project will be delayed by at least one year compared to previous estimates. In addition, and despite a positive long-term outlook, conditions for the global lithium market has softened due to weak spot prices. This has adversely impacted Keliber's progress on securing offtake directly as well as driven down the general market sentiment/valuation. The Company considers the long-term outlook for lithium to be positive despite the pressure on spot-prices. An updated assessment as per 31 December 2019, valued the shares in Keliber to EUR 38.5 per share which implies a total value of Keliber of EUR 49.7 million (NOK 90.8 million for the Group's share). Consequently, the Company made a write-down of NOK 25.1 million in the fourth quarter of 2019. Net gain for the year 2019 relating to the investment in Keliber amounted to NOK 75.5 million. The investment is under the tax exemption and no tax is therefore calculated.

In the fourth quarter of 2018, Nordic Mining's share of result from Keliber as an associated company (the accounting method for Keliber at the time) was NOK -2.5 million (NOK -8.0 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 fourth quarter was NOK -40.9 million (NOK -23.6 million). Accumulated net gain was NOK 1.4 million (loss of NOK 72.3 million).

Cash flow from the Group's operating activities in the fourth quarter was NOK -18.3 million (NOK -16.3 million) and accumulated NOK -75.6 million (NOK -57.0 million). Net cash used in investment activities in the fourth quarter was NOK -0.1 million (NOK -0.1 million) and accumulated NOK -0.8 million (NOK -6.6 million). The Group's investments in 2019 relate to license costs for the Engebø deposit. The Group's investments in 2018 also comprise capitalized drilling expense relating to the Engebø deposit. Net cash flow from financing activities in the fourth quarter was NOK 32.0 million (NOK 36.6 million) and accumulated NOK 57.1 million (NOK 92.0 million) arising from share issues.

The Group's cash balance at 31 December 2019 amounted to NOK 30.6 million (NOK 49.9 million). In January 2020, Nordic Mining completed an equity issue with gross proceeds of NOK 57.4 million (ref. note 6). In January, the Company also called for an extraordinary general meeting to be held on 25 February 2020 to resolve on a subsequent share issue of up to 10 million new shares directed towards existing shareholders. On the basis of the current cash balance and additional funding from the contemplated subsequent share issue, the Board considers the cash position as sufficient until start of construction for the Engebø project which is scheduled to commence in the fourth quarter of 2020. The capital requirement for the construction project is intended funded through a combination of debt, offtake financing and equity raised in the market. The Board is pleased about the results of the Engebø DFS as announced in January 2020 and expects that it will represent a solid basis for successful construction financing. The Company will continue the work with its advisors and finance partners to complete construction financing.

Nordic Mining's total assets as of 31 December 2019 were NOK 152.2 million (NOK 99.6 million), and the Group's total equity amounted to NOK 143.8 million (NOK 89.5 million). The Group has no interest-bearing debt and an equity ratio of approximately 95% (90%).

## 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 ($TiO_2$) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The Company published the results of the definitive feasibility study for the Engebø project in January 2020. The study reinforces Engebø as a world class rutile and garnet project and outlines the plans for execution of the project. The main results presented in the updated DFS were:

- Pre-tax NPV@8% USD 450 million
- Pre-tax IRR 21.9%
- Post-tax NPV@8% USD 344 million
- Post-tax IRR 19.8%

- Average annual free cashflow first 15 years of USD 70 million
- Net Project operating cashflow (undiscounted) of USD 2,160 million
- Initial capex of USD 311 million and deferred capex of USD 25 million (underground)
- Pay-back period < 5 years

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 flourishment 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.

*Mineral resource and ore reserve estimates*

The following tables provide an overview of the mineral resource and ore reserves estimates respectively, both at 2% TiO2 cut-off grade and the ore reserves as presented in the DFS by Competent Person Adam Wheeler.

**Mineral resource estimate**

| $TiO_2$ Cut-off | Classification | Tonnes (Mt) | Total $TiO_2$ (%) | Garnet (%) |
|---|---|---|---|---|
| 2% | Measured | 29.2 | 3.60 | 44.5 |
| | Indicated | 104.0 | 3.48 | 43.9 |
| | **Total – Measured and Indicated** | **133.2** | **3.51** | **44.0** |
| | Inferred | 254.1 | 3.15 | 41.3 |

**Ore reserve estimate**

| Open Pit | Tonnes (Mt) | $TiO_2$ Grade (%) | Garnet Grade (%) |
|---|---|---|---|
| Proven | 21.07 | 3.54 | 43.8 |
| Probable | 13.18 | 3.29 | 43.3 |
| **Total Open Pit** | **34.26** | **3.45** | **43.6** |
| **Underground** | | | |
| Proven | 2.35 | 3.34 | 39.2 |
| Probable | 26.49 | 3.21 | 38.7 |
| **Total Underground** | **28.85** | **3.22** | **38.7** |
| **Grand Total** | **63.10** | **3.34** | **41.4** |

*Definitive feasibility study completed*

The results of the definitive feasibility study was published in January 2020. The complete summary report is available at the corporate website, and the key results may be summarized as follows:

- Dual-mineral production of rutile and garnet in a combined, optimized process provides profitable and robust project financials:
  - Pre-tax $NPV_{@8\%}$ USD 450 million
  - Pre-tax IRR 21.9%
  - Post-tax $NPV_{@8\%}$ USD 344 million
  - Post-tax IRR 19.8%
- Strong cashflow and short payback support bankability:
  - Average annual free cashflow first 15 years of USD 70 million
  - Net operating cashflow (undiscounted) of USD 2,160 million
  - Initial capex of USD 311 million and deferred capex of USD 25 million (underground)
  - Pay-back period < 5 years
- Low production cost provides competitive strength:
  - Outcropping and geotechnically stable orebody
  - Low stripping ratio
  - High-grade rutile and garnet
  - Short distance and gravity driven ore transportation minimize transportation
  - Short distance and favourable logistics to main markets
  - 1st quartile revenue-to-cost position for rutile
- Optimized mining plan supports an initial 42 years project life with 1.5 mtpa Run of Mine (ROM) operation:
  - 15 years of open pit mining and high-grade processing, and stockpiling of medium/low-grade ore

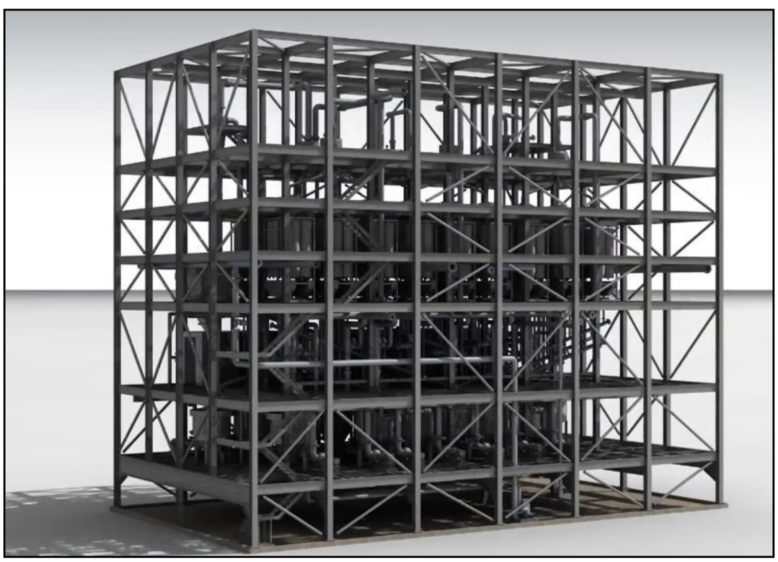
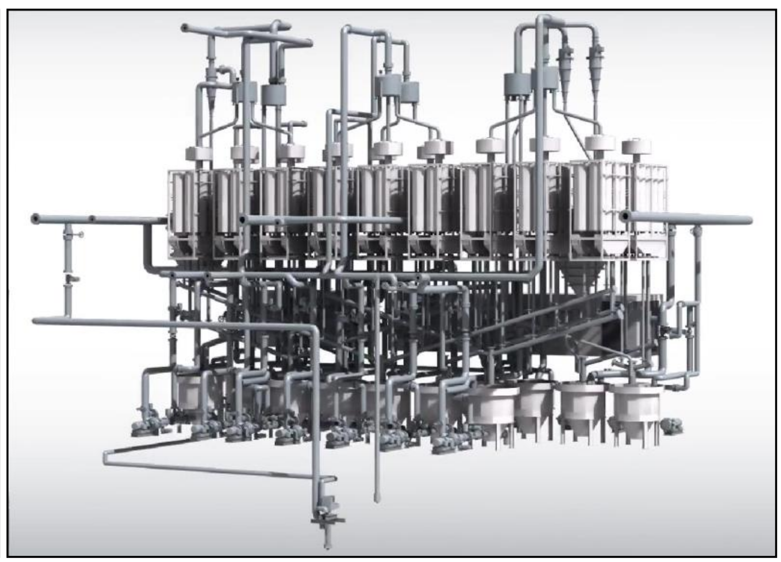
    - 19 years underground production
    - 8 years production with no mining costs based on stockpiled ore
    - Further project life extension possible based on substantial inferred resources

- Main permits granted; remaining regulatory permits in process:

    - Granted permits:
        - Extraction permits for the whole deposit
        - Landowner agreements for open pit, infrastructure and process plant areas
        - Detailed zoning plan for all operations for the life of mine
        - Environmental permit
    - Permits in process:
        - Operational license
        - Zoning plan for freshwater pipeline

- High environmental and social standards in accordance with IFC Guidelines and Equator Principles:

    - Environmental:
        - Low carbon footprint and limited land use due to tight project infrastructure, minimal internal transportation and accessible sea freight for transport to market
        - Renewable hydroelectric power as the main source of energy
        - Clean mining operation with no acid drainage and inert minerals
    - Social:
        - Cornerstone operation with 105 full-time employees
        - Substantial regional indirect benefits for supplier and services industries
        - Positive impacts on people's livelihood, education and work opportunities and cultural flourishment
        - Stakeholder engagement to ensure good dialogue with neighbours, communities and other interest groups

*Engebø – Illustration of module engineering*

<u>*Permits and local planning*</u>

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 2019, 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 first part of 2020.

In February 2019, 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, support 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.

*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 of garnet in North America and commercial cooperation in Europe, 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. Supply from Engebø represents 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.

The price assumption applied in the DFS was based on long-term FOB price estimates from the Australian consultancy company, TZMI, and amounted to USD 1,142 per tonne rutile (real 2019).

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.

The price assumption applied in the DFS was based on price estimates from the Australian consultancy company, TZMI, and amounted to an average of USD 248 per tonne garnet (real 2019).

***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 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 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 $CO_2$ emissions.

*Updated ore reserve*

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. In December 2019, Keliber announced that the ore reserve estimate for the Rapasaari lithium deposit had been updated. Following the update, estimated proven and probable ore reserves totals 5.280 million tonnes with a grade of 1.07% $Li_2O$. This represents an increase of 50% compared to the previous estimated for Rapasaari. The total JORC 2012 compliant total proven and probable lithium ore reserves for Keliber is currently 9.372 million tonnes with a grade of 0.98% $Li_2O$.

Keliber's ore reserve estimates as per December 2019 are shown in the following table:

| Ore Reserves Keliber Oy (JORC 2012) | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Syväjärvi | | Rapasaari | | Länttä | | Outovesi | | Emmes | | Total | |
| **Open pit** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** |
| Proven | 1.433 | 1.18 | 1.440 | 1.07 | 0.168 | 1.09 | | | | | 3.041 | 1.12 |
| Probable | 0.491 | 0.97 | 2.730 | 0.90 | 0.096 | 0.93 | 0.222 | 1.06 | | | 3.539 | 0.92 |
| **Open pit total** | **1.924** | **1.13** | **4.170** | **0.96** | **0.263** | **1.03** | **0.222** | **1.06** | | | **6.579** | **1.01** |
| **Underground** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** |
| Proven | | | 0.340 | 0.89 | 0.243 | 0.83 | | | | | 0.583 | 0.86 |
| Probable | | | 0.770 | 0.86 | 0.583 | 0.85 | | | 0.856 | 1.01 | 2.209 | 0.92 |
| **Underground total** | | | **1.110** | **0.87** | **0.826** | **0.85** | | | **0.856** | **1.01** | **2.792** | **0.90** |
| **Ore Reserves total** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** | **Mt** | **$Li_2O$%** |
| Proven | 1.433 | 1.18 | 1.780 | 1.04 | 0.411 | 0.94 | | | | | 3.624 | 1.08 |
| Probable | 0.491 | 0.97 | 3.500 | 0.89 | 0.679 | 0.86 | 0.222 | 1.06 | 0.856 | 1.01 | 5.748 | 0.92 |
| **Grand total** | **1.924** | **1.13** | **5.280** | **0.94** | **1.090** | **0.89** | **0.222** | **1.06** | **0.856** | **1.01** | **9.372** | **0.98** |

Keliber's exploration activities continue, and further updates will be provided in due course.

*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. Further clarifications regarding permits 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 the business case*

In November 2019, 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 indicated that further optimization of the time schedule was desired. Keliber's revised plan 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.

In November 2019, Keliber announced the results from a continuous pilot program on the Syväjärvi ore minerals processing which improved the recovery rate to exceed 88% 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 ($Li_2O$ of over 4.5%) was produced for further processing. In December 2019, Keliber announced that it had reached 96.9% conversion degree in a continuous conversion pilot run using spodumene concentrate produced from Syväjärvi lithium ore. The results exceed the 95% degree applied in the Definite Feasibility Study published by Keliber in February 2019. The increased resource base and improved recovery rate strengthens project financials and robustness further.

*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, 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 in dialogue with potential customers to secure offtake agreements suitable for project financing.


*Source: Keliber*

***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 AlSiCal 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 AlSiCal 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 AlSiCal 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 ($CO_2$) during production. The AlSiCal project will innovate and develop the AM Technology towards zero $CO_2$ emission from production.

*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, 11 February 2020
The Board of Directors of Nordic Mining ASA

## CONSOLIDATED INCOME STATEMENT

| *(Amounts in NOK thousands)* | Note | **2019 01.10-31.12 Unaudited** | 2018 01.10-31.12 Unaudited | **2019 01.01-31.12 Unaudited** | 2018 01.01-31.12 Audited |
|---|---|---|---|---|---|
| Payroll and related costs | | **(4 023)** | (4 034) | **(15 455)** | (11 773) |
| Depreciation and amortization | | **(87)** | (38) | **(202)** | (152) |
| Impairment of exploration and evaluation assets | | **-** | (2 393) | **-** | (2 393) |
| Other operating expenses | | **(11 544)** | (14 515) | **(57 154)** | (49 916) |
| **Operating profit/(loss)** | | **(15 654)** | (20 980) | **(72 811)** | (64 234) |
| Share of loss in associate | 3 | **-** | (2 535) | **(759)** | (7 988) |
| Gains/losses on investments | 3 | **(25 127)** | - | **75 507** | - |
| Financial income | | **326** | 188 | **552** | 476 |
| Financial costs | | **(437)** | (272) | **(1 098)** | (566) |
| **Profit/(loss) before tax** | | **(40 892)** | (23 599) | **1 391** | (72 312) |
| Income Tax | | **-** | - | **-** | - |
| **Profit/(loss) for the period** | | **(40 892)** | (23 599) | **1 391** | (72 312) |
| **Profit/(loss) attributable to** | | | | | |
| Equity holders of parent | | **(40 892)** | (23 599) | **1 391** | (72 312) |
| Non-controlling interest | | - | - | - | - |
| **Earnings per share attributable to ordinary shareholders** *(Amounts in NOK)* | | | | | |
| Basic and diluted earnings per share | | **(0,25)** | (0,20) | **0,01** | (0,63) |

## STATEMENTS OF COMPREHENSIVE INCOME

| (Amounts in NOK thousands) | **2019 01.10-31.12 Unaudited** | 2018 01.10-31.12 Unaudited | **2019 01.01-31.12 Unaudited** | 2018 01.01-31.12 Audited |
|---|---|---|---|---|
| **Net profit/(loss) for the period** | **(40 892)** | (23 599) | **1 391** | (72 312) |
| **Other comprehensive income:** | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | |
| Currency translation differences | **-** | 1 074 | **(385)** | 29 |
| Currency translation reclassified to profit and loss | **-** | - | **(4 880)** | - |
| *Items that will not be reclassified subsequently to profit or loss:* | | | | |
| Changes in pension estimates | **(146)** | (478) | **(146)** | (478) |
| **Other comprehensive income directly against equity** | **(146)** | 596 | **(5 411)** | (449) |
| **Total comprehensive income/(loss) for the period** | **(41 038)** | (23 003) | **(4 020)** | (72 761) |
| **Alllocation of comprehensive income** | | | | |
| Equity holders of parent | **(41 038)** | (23 003) | **(4 020)** | (72 761) |
| Non-controlling interest | **-** | - | **-** | - |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(Amounts in NOK thousands)* | Note | ***31.12.2019 Unaudited*** | *31.12.2018 Audited* |
|---|---|---|---|
| ***ASSETS*** | | | |
| **Non-current assets** | | | |
| Evaluation and exploration assets | | **26 140** | 25 607 |
| Property, plant & equipment | | **469** | 245 |
| Right-of-use assets | | **123** | - |
| Financial assets | 3 | **90 778** | - |
| Investment in associate | | **-** | 21 296 |
| **Total non-current assets** | | **117 510** | 47 148 |
| | | | |
| **Current assets** | | | |
| Trade and other receivables | | **4 039** | 2 514 |
| Cash and cash equivalents * | 6 | **30 619** | 49 902 |
| **Total current assets** | | **34 658** | 52 416 |
| | | | |
| **Total assets** | | **152 168** | 99 564 |
| | | | |
| ***SHAREHOLDERS' EQUITY & LIABILITIES*** | | | |
| **Shareholders' equity** | | | |
| Share capital | 6 | **101 275** | 78 505 |
| Share premium | 6 | **436 074** | 401 597 |
| Other paid-in capital | | **15 578** | 14 502 |
| Retained losses | | **(406 779)** | (408 170) |
| Other comprehensive income | | **(2 316)** | 3 095 |
| **Total equity** | | **143 832** | 89 529 |
| | | | |
| **Non-current liabilities** | | | |
| Other liabilities | | **586** | 834 |
| Lease liabilities | | **114** | - |
| **Total non-current liabilities** | | **700** | 834 |
| | | | |
| **Current liabilities** | | | |
| Trade payables | | **3 142** | 2 787 |
| Other current liabilities | | **4 494** | 6 414 |
| **Total current liabilities** | | **7 636** | 9 201 |
| **Total liabilities** | | **8 336** | 10 035 |
| | | | |
| **Total shareholders' equity and liabilities** | | **152 168** | 99 564 |

** Subsequent to balance sheet date, the Company completed an equity issue with gross proceeds of NOK 57.4 million (ref. note 6). The Company has also called for an extraordinary general meeting to resolve on a subsequent share issue of up to 10 million new shares directed towards existing shareholders.*

# 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 | - | - | - | - | (72 312) | (72 312) |
| Other comprehensive income | - | - | - | (449) | - | (449) |
| **Total comprehensive income** | - | - | - | **(449)** | **(72 312)** | **(72 761)** |
| Share issue | 21 610 | 77 990 | - | - | - | 99 600 |
| Transaction costs | - | (7 616) | - | - | - | (7 616) |
| Share-based compensation | - | - | 148 | - | - | 148 |
| **Equity 31 December 2018** | **78 505** | **401 597** | **14 502** | **3 095** | **(408 170)** | **89 529** |
| | | | | | | |
| **Equity 1 January 2019** | **78 505** | **401 597** | **14 502** | **3 095** | **(408 170)** | **89 529** |
| Loss for the period | - | - | - | - | 1 391 | 1 391 |
| Other comprehensive income | - | - | - | (5 411) | - | (5 411) |
| **Total comprehensive income** | - | - | - | **(5 411)** | **1 391** | **(4 020)** |
| Share issue | 22 770 | 39 749 | - | - | - | 62 519 |
| Transaction costs | - | (5 272) | - | - | - | (5 272) |
| Share-based compensation | - | - | 1 076 | - | - | 1 076 |
| **Equity 31 December 2019** | **101 275** | **436 074** | **15 578** | **(2 316)** | **(406 779)** | **143 832** |

** Subsequent to balance sheet date, the Company completed an equity issue with gross proceeds of NOK 57.4 million (ref. note 6). The Company has also called for an extraordinary general meeting to resolve on a subsequent share issue of up to 10 million new shares directed towards existing shareholders.*

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT*

| (Amounts in NOK thousands) | **2019**<br>**01.01-31.12**<br>***Unaudited*** | 2018<br>01.01-31.12<br>*Audited* |
|---|---|---|
| ***Operating activities:*** | | |
| **Net cash used in operating activites** | **(75 564)** | (57 048) |
| | | |
| ***Investing activities:*** | | |
| Acquisition of licenses and properties | **(533)** | (4 109) |
| Investment in other exploration and evalutation assets | **-** | (2 272) |
| Investment in property, plant and equipment | **(285)** | (200) |
| **Net cash used in investing activities** | **(818)** | (6 581) |
| | | |
| ***Financing activities:*** | | |
| Share issuance | **62 519** | 99 600 |
| Transaction costs, share issue | **(5 272)** | (7 616) |
| Payment of lease liabilities | **(148)** | - |
| **Net cash from financing activities** | **57 099** | 91 984 |
| | | |
| **Net change in cash and cash equivalents** | **(19 283)** | 28 355 |
| **Cash and cash equivalents at beginning of period** | **49 902** | 21 547 |
| **Cash and cash equivalents at end of period** | **30 619** | 49 902 |

** Subsequent to balance sheet date, the Company completed an equity issue with gross proceeds of NOK 57.4 million (ref. note 6). The Company has also called for an extraordinary general meeting to resolve on a subsequent share issue of up to 10 million new shares directed towards existing shareholders.*

# NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 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 11 February 2020.

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 expediencies 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 key results from the DFS was published in January 2020.
- The *Other* segment consists of the Group's activities in the subsidiaries Nordic Quartz AS and Nordic Ocean Resources AS. 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.

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 – 12 December.

| | **Titanium & Garnet** | | **Other** | | **Adjustments and eliminations** | | **Consolidated** | |
|---|---|---|---|---|---|---|---|---|
| (Amounts in NOK thousands) | **2019** | **2018** | **2019** | **2018** | **2019 (*)** | **2018** | **2019** | **2018** |
| Revenues | - | - | - | - | - | - | - | - |
| Segment result | **(62 513)** | (53 478) | **(941)** | (5 270) | **64 845** | (13 564) | **1 391** | (72 312) |
| Investment in exploration and evaluation assets | **533** | 6 290 | - | - | - | - | **533** | 6 290 |

(*) Adjustments and other eliminations in 2019 include gain of NOK 75.5 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 share issue price of EUR 49 was considered an appropriate reference of Keliber's value and the EUR share value applied as basis for the valuation of the investment as of 30 June and 30 September 2019 was not changed. However, due to currency effects, the accumulated gain at the end of the third quarter of 2019 was NOK 100.6 million. Balance sheet value was NOK 115.9 million.

Following 30 September 2019, Keliber has made several positive announcements including increased mineral resources, improved recoveries and increase in reserve estimates. However, it has also announced that its lithium project will be delayed by at least one year compared to previous estimates. In addition, and despite a positive long-term outlook, conditions for the global lithium market has softened due to weak spot prices. This has adversely impacted Keliber's progress on securing offtake directly as well as driven down the general market sentiment/valuation.

Due to the complexity in estimating the impact of the news flow in the updated fair value calculation of the investment, the Company engaged a reputable independent valuation expert with significant experience within the mining industry. The valuation is based on estimates and assumptions regarding future commodity prices as well as transactions in comparable assets and valuation of similar listed entities.

The Company considers the long-term outlook for lithium to be positive despite the pressure on spot-prices. The Company assessed the external valuation, which provided a range, and narrowed it down to the mid-range of EUR 38.5 per share which implies a total value of Keliber of EUR 49.7 million (NOK 90.8 million for the Group's share) as per 31 December 2019. The resulting implications was an impairment in the fourth quarter of 2019 of NOK 25.1 million and a net gain for 2019 of NOK 75.5 million. The investment is under the tax exemption and no tax is therefore calculated.

**Note 4 – SHARE-BASED COMPENSATION**

The Group recognized a share-based expense of NOK 1,076 thousand in 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.

On 3 October 2019, the Company completed a rights issue of 25 000 000 shares with gross proceeds of NOK 35 million. As per 31 December 2019, the Company's share capital amounted to NOK 101,275,063.20 divided into 168,791,772 shares, each with a nominal value of NOK 0.60.

Reference is made to note 6 for information on changes in the share capital subsequent to balance sheet date.

**Note 6 – EVENTS AFTER BALANCE SHEET DATE**

On 28 January 2020, Nordic Mining completed a private placement with gross proceeds of NOK 57.4 million. Following registration of the share capital increase, and at the date of this report, the Company has a share capital of NOK NOK 118,495,063.20 divided into 197,491,772 shares, each with a nominal value of NOK 0.60. The Company has also called for an extraordinary general meeting to be held on 25 February 2020 to resolve on a subsequent share issue of up to 10 million new shares directed towards existing shareholders.