



**NORDIC  
MINING**

# INTERIM REPORT

## Per 31 December 2021



### *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 12.7% 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 Euronext Expand Oslo with ticker symbol "NOM".*

## **Group interim report for the quarter ended 31 December 2021**

### **Summary of important events in 2021 and year to date 2022:**

#### **CORPORATE**

##### ***Milestone first part of project financing for the Engebø Rutile and Garnet Project completed***

In January 2022, Nordic Mining completed the first part of the project financing equity for the Engebø Rutile and Garnet Project of NOK 132.5 million from a group of local Sunnfjord investors led by two of the Engineering, Procurement and Construction ("EPC") partners for the Engebø Project.

The equity contribution is structured as a loan with conversion rights to shares in Nordic Mining ASA, with certain obligations on specific terms and milestones as the project development progresses. The convertible loan will upon conversion contribute as part of the equity for the project financing package for the Engebø Project, expected to be around USD 250 million comprising debt, equity and potential hybrid capital or royalty.

The investment was resolved by the Extraordinary General Meeting ("EGM") on 4 February 2022.

##### ***Successful capital raise of NOK 80 million in February 2021***

In February 2021, Nordic Mining completed a private placement with gross proceeds of NOK 80 million. The capital raise enabled the Company to participate in Keliber's equity issue in March/April to retain an ownership of 14.3%. The ownership in Keliber was in September 2021 diluted to 12.7%. See note 3 for further information.

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

##### ***Project Director appointed for the Engebø Rutile and Garnet Project***

Nordic Mining appointed in November 2021 Terje Gundersen as Project Director for the Engebø Rutile and Garnet Project. Mr. Gundersen has extensive experience as Project Director executing large scale oil and gas and infrastructure projects for Aibel and Sweco. Gundersen will manage the integrated Engebø owners' team and will have the overall responsibility for the delivery and execution of the project from detail engineering, through construction and into commissioning of operations.

Kenneth Nakken Angedal, who has had the position as Project Manager for the Project since August 2018, will take the position as Operations Director Engebø, and will continue in the Nordic Mining Group management team reporting to the CEO.

##### ***Lump sum contracts covering 75% of the Engebø Project construction signed with EPC partners***

Nordic Mining has, through its wholly owned subsidiary Nordic Rutile AS, signed lump sum contracts for the Engineering, Procurement and Construction ("EPC") for the Engebø Rutile and Garnet project's selected EPC partners Sunnfjord Industripartner AS, Åsen & Øvrelid AS, Nordic Bulk AS and Normatic AS. The EPC contracts comprise lump sum price for the agreed scope of work agreed in the EPC contracts and cover around 75% of the total plant and mine capital expenditure of USD 203.4 million.

##### ***Full victory for Nordic Rutile***

In October 2021, Oslo District Court ruled in favor of Nordic Rutile on all items in the court case against Artic Mineral Resources ("AMR"). The ruling confirms that Nordic Rutile's extraction rights are valid and that the company has the right to extract and - within the limits of the Norwegian Mining's Act - utilize garnet and all other minerals on the Vevring side of the Engebø deposit, and conversely fully rejects AMR's claim. The ruling was appealed by AMR in November 2021. The appeal mirrors the factual and legal arguments that AMR presented to Oslo City Court, and which the court rejected. The appeal hearing is scheduled to take place 20-30 September 2022 in Borgarting Court of Appeal. Nordic Rutile will continue to defend the case rigorously and maintain that AMR's claims have no merit.

##### ***Updated Definitive Feasibility Study reconfirms Engebø as a world class mineral project***

In May 2021 Nordic Mining ASA completed the Updated Definitive Feasibility study ("UDFS") for the Engebø Rutile and Garnet project. The UDFS is an update of the DFS which was completed in January 2020. The UDFS confirmed Engebø as a sustainable and economically robust mineral project with reduced financing risk, improved financial resilience, and attractive financial returns.

### ***Long-term offtake agreements signed for the full rutile production from Engebø***

In July 2021 Nordic Mining signed term sheets for offtake of rutile with a reputable Japanese trading house and Kronos (US), INC., a globally leading pigment producer and, which subject to the entering into of the final offtake agreement, will secure sales for all the annual production of rutile for the first five years of production.

Nordic Mining is currently in constructive discussions with selected partners for offtake and distribution of garnet to Europe and overseas markets.

### ***Processes ongoing with selected strategic investors related to participation in project financing***

In June 2021, Nordic Mining appointed Clarkson Platou Securities AS ("CPS") and SpareBank 1 Markets AS ("SB1M") to advise on the project financing for the Engebø project. The Company is currently progressing its assessment of several financing structures and targets a financial close in H1 2022.

### ***Implementation of best practice Environmental and Social Management System***

The company is implementing a comprehensive Environmental and Social Management System ("ESMS") prior to construction of the Engebø project. The ESMS is aligned with good international practice, Norwegian permits and regulations, and includes management of stakeholders, energy and emissions, extractive waste, and environmental monitoring programs. A Construction Environmental Management Plan ("CEMP") will be finalized in Q1 2022 to ensure adherence to environmental obligations for owners' team, contractors, and suppliers throughout the construction phase. Potential environmental risks are identified, and actions plans prepared to reduce the risk of environmental accidents and to enhance environmental performance.

Environmental monitoring will commence mid-February to supervise potential effects from construction activities related to airborne dust, vibrations and noise, and risk for emissions to fjord surface water and freshwater bodies.

Nordic Mining has initiated the development of a Biodiversity Plan in collaboration with DNV GL. The aim is to define biodiversity in relation to the project area, assess potential for effects, implement measures to reduce and restore effects and explore options to compensate. Nordic Mining is committed to apply a mitigation hierarchy to protect biodiversity, with the ambition of no net loss.

Minviro, a UK based consultant, has been engaged to carry out a Life Cycle Assessment ("LCA") for the Engebø rutile product to assess global warming potential and environmental impacts. The LCA will include benchmarking against other products in the titanium value chain.

### ***Revised discharge permit confirmed by Ministry of Climate and Environment***

In January 2021, the Environment Agency granted a revised discharge permit implying a substitution of chemicals from the original permit, commenting that the significant reduction in chemical consumption will have lower impact on the environment than the previously planned consumption.

The decision was confirmed by the Ministry of Climate and Environment in November 2021 concluding that the complaints received in relation to the revised discharge permit do not provide any basis to revoke or change the permit. The decision from the Ministry of Climate and Environment is final and cannot be appealed.

### ***Long-term rutile price expectations increase as result of increasing supply uncertainty***

Bulk rutile prices continued to increase in the fourth quarter of 2021 as the pigment market remained strong over the quarter and feedstock demand continuing to exceed supply. The tight supply has limited producers from rebuilding inventories resulting in inventory levels below seasonal norms. The strong demand cycle for pigment is opting producers to maintain high utilization rate. Pigment price are now at ten-year highs after announced price increases of up to USD 280 per tonne announced for Q1 2022, as producers attempt to cover increased energy and raw material cost.

Nordic Mining is continuing to have constructive discussions with potential partners for long-term offtake of garnet. Product samples has been supplied for testing, with results that compare well with industrial reference qualities.

## **KELIBER LITHIUM PROJECT (12.7% ownership)**

### ***Lithium prices have surged in 2021 driven by 160% increase in global EV sales***

Electric vehicle ("EV's") sales are reported to have increased by 160% globally in 2021, with deliveries in China expected to double to over 5 million sales in 2022. This has fueled a continuation of the rally in lithium price

which, with spot lithium hydroxide prices in China reported have surged 25% the first month in 2022 to US\$ 60,000 per tonne as battery manufacturers race to secure long-term supply contracts. In January 2022, the Serbian government revoked the license for Rio Tinto's US\$2.4 billion Jadar lithium project which, if completed, would help make Rio a top 10 lithium producer with planned production to produce enough lithium for 1 million electric vehicle batteries.

#### **Sibanye-Stillwater closes EUR 10 million second tranche of equity investment in Keliber**

In February 2021, Keliber entered into an investment agreement with the leading international mining company Sibanye-Stillwater Limited ("SSW") for an initial phased equity investment of EUR 30 million for approximately 30% shareholding in Keliber. In line with the agreement the second tranche of SSWs initial investment of EUR 10 million was closed in September 2021, making SSW the largest shareholder in Keliber with a shareholding of 26.7%. Following the share issue, Nordic Mining was diluted from 14.3% to 12.7% ownership in Keliber. The first tranche of SSWs initial investment of EUR 15 million was closed in March 2021, and at the same time a share issue of up to 250,000 shares was opened to existing shareholders of Keliber. Nordic Mining was allocated in total 58,975 shares in the share issue at a price of EUR 40 per share corresponding to 23.6% of the share issue.

#### **Reserves of Keliber's largest lithium deposit increased by 30%**

Keliber announced on 15 September 2021 an update of the company's ore reserve estimate, with an effective date as of 31 August 2021. The update is based on the revised mineral resource estimate, published in May 2021. Keliber's total proven and probable ore reserves have increased to 12.30 million tonnes, representing a growth of 32 percent, compared to the previous estimate published in December 2019. Keliber's ore reserve and mineral resource estimates comply with the JORC 2012 code. See Financial Performance and note 3 on fair value assessment of the investment in Keliber as per 31 December 2021.

Keliber is expected to complete an update of the DFS early in 2022.

#### **NORDIC OCEAN RESOURCES (NORA) (100% ownership)**

Nordic Mining has taken pioneering initiatives related to seabed mineral in Norway through the subsidiary Nordic Ocean Resources ("NORA") giving the Company valuable knowledge for business development. NORA participated in the MarMine project on marine mineral resources coordinated by the Norwegian University of Science and Technology ("NTNU"). In 2019, the new Seabed Minerals Act came into force as result of systematic mapping of seabed minerals by the Norwegian Petroleum Directorate.

Nordic Mining have in light of the positive developments on the regulation of seabed minerals, increased the efforts to commercializing the Groups understanding and positioning on seabed minerals developed through the pioneering initiatives of NORA.

#### **FINANCIAL PERFORMANCE IN Q4**

*Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2020.*

The Group is in preparation for construction of the Engebø project and has, so far, no sales revenues from operations. Reported operating loss for the fourth quarter was NOK -15.9 million (NOK -11.7 million) and NOK -60.7 million for the full year 2021 (NOK -42.5 million). The operating result for the year includes NOK 18.0 million in pre-construction work to advance selected Detailed Engineering work originally part of the UDFS construction work, of which most of the work will be deductible towards the Engebø capital expenditure.

In February 2021 Keliber Oy and leading international mining company Sibanye-Stillwater Limited announced that they have entered into an investment agreement for an initial phased equity investment of EUR 30 million at price of EUR 40 per share, of which EUR 25 million had been invested as per the fourth quarter of 2021. The Group have per the fourth quarter of 2021 assessed the fair value of Keliber to EUR 64 per share, corresponding to NOK 190.5 million. The fair value of EUR 64 per share is unchanged from quarter end Q3, and the Group has recognized a loss of NOK -3.4 million on the investment in quarter due to changes in foreign exchange. The fair value assessment considers available information related to the developments in Keliber, the lithium project, and in particular the development of lithium prices and lithium development equities as described above. The Group recognized a fair value loss of NOK -3.4 million on the investment in the fourth quarter of 2021 (NOK 12.5 million), giving an accumulated gain of NOK 66.4 million year-to-date 2021 (NOK 9.3 million). Please see note 3

for further information. Nordic Mining's carrying amount for the investment was NOK 190.5 million as of 31 December 2021 (NOK 100.1 million).

Reported net loss in the fourth quarter was NOK -19.3 million (NOK 0.8 million), giving a net profit for the full year of 2021 of NOK 5.4 million (NOK -32.9 million).

Net cash outflow from operating activities was NOK -15.7 million in the quarter (NOK -7.1 million) and NOK -60.0 million for the year (NOK -41.8 million), reflecting the ongoing work to prepare for construction. Net cash flow from the Group's investment activities in the fourth quarter was NOK -0.1 million (NOK -0.1 million) and accumulated NOK -25.9 million for the full year 2021 (NOK -0.4 million), whereof NOK -24.0 million relate to the participation in the Keliber share issue in March/April 2021.

The Group's cash and cash equivalents as of 31 December 2021 was NOK 32.1 million. The Group remains fully funded for the continuation of the Engebø project towards construction, including continuation of pre-construction work, and other Group activities, based on current plans and forecasts.

Nordic Mining's total assets as of 31 December 2021 was NOK 255.3 million (31.12.2020: NOK 173.7 million), and total equity was NOK 245.7 million (31.12.2020: NOK 164.3 million). The Group had no interest-bearing debt.

The Group will require long-term financing to develop its projects towards production. There is no assurance that the Group will be successful in obtaining the required financing, however the Company expects that the significant economic potential of the Engebø flagship project and the ownership in the Keliber lithium project, combined with a solid, debt-free balance sheet, will provide a solid foundation for financing going forward.

For further information relating to the Company's risk assessments, reference is made to the annual report for 2020 which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

## **MAIN PROJECTS AND ACTIVITIES**

### ***Engebø rutile and garnet project (100% ownership)***

#### *World-class mineral resource developed according to world-class standards*

The Engebø deposit is one of the largest unexploited rutile deposits in the world and has among the highest grades of rutile (TiO<sub>2</sub>) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The scale of the mineral resource secures long-term operations.

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

#### *Updated Definitive Feasibility Study reconfirms Engebø as a world class mineral project*

In May 2021 Nordic Mining ASA completed the Updated Definitive Feasibility study ("UDFS") for the Engebø Rutile and Garnet project. The UDFS is an update of the DFS which was completed in January 2020. The updated study confirmed Engebø as a sustainable and economically robust mineral project with reduced financing risk, improved financial resilience, and attractive financial returns. The complete summary report is available at the corporate website, and main improvements and risk-reducing measures in the UDFS are:

- Reduced environmental footprint; 99% reduction in consumption of approved chemicals in the production process (compared with the 2016 environmental permit), around 80% reduction of CO<sub>2</sub> emissions and approximately 40% reduction of the process plant facilities footprint compared with the DFS
- Contract and execution strategy based on EPC partnerships and early vendor engagement

- Stick-build construction methodology and improved ore flow logistics
- Reduced initial investment needed to realize the project from USD 311 million to USD 218 million, maintaining a Run-of-Mine ("ROM") of 1.5 Mtpa
- Reduced process operating cost by more than 25% following from flowsheet optimizations, including reduction in energy costs from use of electrical dryers for drying of minerals
- Improved mining design for open pit and underground focusing on practical and cost-effective operations. Mining schedule in open pit has been optimized for the initial years and the underground mining schedule targets higher grades and a simplified infrastructure
- Reduced market risk based on post-pandemic market forecasts for rutile and garnet, retaining flexibility to increase garnet production in line with increasing demand
- Robust project economics with considerable reductions in market, financing, and execution risks

Key economic figures<sup>1</sup>:

- Pre-tax NPV@8% of USD 355 million
- Pre-tax IRR of 22.5%
- Post-tax NPV@8% of USD 260 million
- Post-tax IRR of 19.8%
- High-margin cash flow and short pay-back support bankability:
  - Initial capital investment of USD 218 million
  - Life of Mine EBITDA of USD 2.1 billion, corresponding to an EBITDA-margin of 68%
  - Life of Mine Operating Cash Flow of USD 1.7 billion
  - Free Cash Flow the first 10 years of full operations of USD 51 million per annum
  - Pay-back period of 4.4 years from start of production
- Optimized schedule and dual mineral production provide competitive strength:
  - Outcropping and geotechnically stable orebody
  - Low stripping ratio (waste to ore ratio) of 0.6 in open pit
  - High-grade rutile and garnet
  - Short distance and gravity supported ore transportation minimize transportation
  - 1st quartile revenue-to-cash cost position for rutile
- Optimized mining plan and scheduling support an initial 39-year Life of Mine:
  - 15 years of open pit mining and high-grade processing, and stockpiling of medium/low-grade ore
  - 19 years underground production
  - 6 years production based on stockpiled ore
  - Extension of Life of Mine expected based on substantial inferred resources
- All main permits granted:
  - Extraction permits for the whole deposit
  - Operational license for open pit and underground mining
  - Landowner agreements for open pit, infrastructure, and process plant areas
  - Detailed zoning plan
  - Environmental permit
- High environmental and social standards in accordance with IFC Performance Standards and relevant Equator Principles

Implementation of best practice Environmental and Social Management System ongoing

The Company is implementing a comprehensive Environmental and Social Management System ("ESMS") for the Engebø project. The ESMS is aligned with good international practice, Norwegian permits and regulations.

<sup>1</sup> Please see page 19 for description of Alternative Performance Measures ("APM") used for Engebø Rutile and Garnet.

A Construction Environmental Management Plan ("CEMP") will be finalized in Q1 2022 to ensure adherence to environmental obligations for owners' team, contractors, and suppliers throughout the construction phase. Potential environmental risks are identified, and actions plans prepared to reduce the risk of environmental accidents and to enhance environmental performance.

Environmental monitoring programs have been developed using state of the art technology. Monitoring will commence mid-February to supervise potential effects from construction activities related to airborne dust, vibrations and noise, and risk for emissions to fjord surface water and freshwater bodies. In line with the provisions of the environmental permit, a monitoring program for migrating smolt (juvenile salmon) started in April 2021 in adjacent rivers. The program will cover two migration seasons, 2021 and 2022, and secure valuable information of smolt migration prior to production at Engebø. The aim is to avoid any effects on smolt related to blasting activities at the mine site.

A Waste Management Plan and Closure and Rehabilitation Plan has been developed for the project in collaboration with SRK Consulting ("SRK"). The plans build on the EU Directive for best available techniques for extractive waste management. The aim is to ensure that proper measures and procedures are in place to reduce effects on the environment, and any resultant risks to human health, and for restoration of the mine site.

A Stakeholder Engagement System has been adopted to build strong stakeholder relations prior to construction. The Company will ensure that stakeholders are well informed of the Company plans and have opportunities to engage in environmental monitoring throughout the construction phase and into operational phase. A resource group was established in 2020 consisting of key local stakeholders. The group serves as a platform for stakeholders to participate in the Company's environmental monitoring. Next meeting is planned in Q1 2022 to review the monitoring plans for the construction.

Nordic Mining has initiated the development of a Biodiversity Plan in collaboration with DNV GL to be completed in February. The aim is to define biodiversity in relation to the project area, assess potential effects, implement measures to reduce and restore, and to explore options to compensate. Nordic Mining is committed to apply a mitigation hierarchy to protect biodiversity, with the ambition of no net loss. Additional biodiversity baseline studies will be carried out in Q1 to increase the knowledgebase in certain areas.

#### Main regulatory framework is completed, technical building permits in process

In June 2020, the Directorate of Mining granted the operating license for the Engebø project. The operating license completes the main regulatory framework required for the project, including extraction permits, approved zoning plan for the mining and processing areas and the environmental permit. The operating license is granted for the life of mine of the project which includes an open pit and underground phase, however, with a possibility for revision after 10 years. The license regulates operational scope, methodology and procedures to secure safe and efficient production of the mineral resources and follows the strict regulation practice for Norwegian mining operations which implies high standards for environment, health, and safety.

The Directorate of Mining confirmed in November 2020 that the appeals received in relation to the operating license do not provide any basis to revoke or changes the decision. The matter has been forwarded to the Ministry of Trade, Industry and Fisheries ("NFD") for final decision. The Company is awaiting the final decision from the NFD and is confident that the operating license will be retained as granted in June 2020.

In June 2020, the Company submitted, after extensive test work proving that the consumption of chemicals could be significantly reduced, an application to the Environment Agency for substitution of chemicals from the original environmental permit of 2015. In January 2021, the Agency granted the revised environmental permit, commenting that the significant reduction in chemical consumption will have lower impact on the environment than the previous planned consumption. The decision was confirmed by the Ministry of Climate and Environment in November 2021 concluding that the complaints received in relation to the revised discharge permit do not provide any basis to revoke or change the permit. The decision from the Ministry of Climate and Environment is final and cannot be appealed.

The technical building permit process are ongoing with Sunnfjord municipality. The applications are fully in line with the detailed zoning plan for Engebø and are planned in three steps according to the construction plan.

#### Positive commercial outlook for rutile and garnet

Europe has a significant supply deficit of titanium feedstock, including rutile, and no garnet production. Supply from Engebø represent a substantial opportunity for logistical optimization. The long-term fundamentals are

strong and support a new source of supply in Europe.

Bulk rutile prices continued to increase in the fourth quarter of 2021 as the pigment market remained strong over the quarter and feedstock demand continuing to exceed supply. The tight supply has limited producers from rebuild inventories resulting in inventory levels below seasonal norms. Pigment price are now at ten-year highs after announced price increases of up to USD 280 per tonne announced for Q1 2022, as producers attempt to cover increased energy and raw material cost. The supply-side tightness is exuberated by continued logistics issues and other disruptions in South Africa continue to impact titanium feedstock supply

TZMI revised their 2022 bulk rutile price forecast to over USD 1,400/mt FOB in Q3-2021, corresponding to a price increase of close to 15% compared to the forecasted average bulk price in 2021. Rutile prices for Q4-2021 has been reported to be up close to 9% compared to Q3-2021 to USD 1,350/mt FOB. Real long-term bulk rutile prices are expected to remain in the range USD 1,300-1,320/mt FOB, which is USD 120-140/mt above the long-term rutile price used in the UDFS in May 2021, and below the reported rutile prices for the quarter. TZMI is expected to come out with a new long-term forecast for rutile in Q1-2022.

In July 2021 Nordic Mining signed term sheets for offtake of rutile with a reputable Japanese trading house and Kronos (US), INC., a globally leading pigment producer and, which subject to the entering into of the final offtake agreement, will secure sales for all the annual production of rutile for the first five years of production. The term sheet with the Japanese trading house builds on the Heads of Agreement signed in January 2019 for offtake of rutile and participation in the financing for the Engebø project. The parties will start the process of finalizing the final offtake agreement, which in respect of the Japanese trading house will be negotiated in parallel with negotiating their participation in the financing of the Engebø project.

The main applications for garnet are in waterjet cutting and sand blasting. Prices vary depending on quality and application. The garnet demand in 2020 was impacted by reduced economic activity and lower oil price. Selling prices in the main markets in Europe and USA have to a large extent been reported to remain unaffected, despite demand having contracted with an estimated 20–25%.

There is currently no production of garnet in Europe and the global supply of high-quality garnet for high-end applications has over the last years been short of the demand. The existing main producers are in Australia, China, India, and South-Africa. Regulatory measures introduced by the Indian government in 2016 continue to affect a substantial part of the Indian garnet production. It is uncertain when and to what extent Indian production will re-enter the market. In the USA, domestic production is significantly short of the demand.

Nordic Mining is continuing to have constructive discussions with potential partners for long-term offtake of garnet. Product samples has been supplied for testing, with results that compare well with industrial reference qualities.

### ***Keliber Oy – Lithium Hydroxide Project (12.7% ownership)***

#### ***Target to become the first European producer of battery-grade lithium hydroxide***

Keliber has mining license for several lithium deposits as well as exploration permits and claims on other deposits in the Central Ostrobothnia region in Finland. Keliber's project development is in accordance with high international standards for environment, health, and safety.

Keliber targets to be the first producer in Europe of battery-grade lithium hydroxide. Lithium hydroxide is important in modern batteries and a vital material for the ongoing electrification of the transport sector to reduce CO<sub>2</sub> emissions.

In February 2021, Keliber entered into an investment agreement with the leading international mining company Sibanye-Stillwater Limited comprising total equity investments of EUR 40 million. In March/April, Keliber completed equity issues of EUR 25 million; EUR 15 million from SSW and EUR 10 million from the company's existing shareholders. In line with the agreement the second tranche of SSWs initial investment of EUR 10 million was closed in September 2021, making SSW the largest shareholder in Keliber with a shareholding of 26.7%. Following the share issue, Nordic Mining was diluted from 14.3% to 12.7% ownership in Keliber.

On a quarterly basis, Keliber presents progress reports to stakeholders. The reports and news releases are available at [www.keliber.fi/en/](http://www.keliber.fi/en/).



### Steadily increasing the resource base

Over the last years, Keliber has consistently increased the resource base for the lithium project. In May 2021, Keliber increased the Measured and Indicated Mineral Resources of the Rapasaari deposit to 8.10 million tonnes. This is an increase of 31% from the previous resource estimate. Including Inferred Mineral Resource, the increase is 17.4%. The total Measured and Indicated Mineral Resources of Keliber now total 13.69 million tonnes (previously 11.77). Including the Inferred Mineral Resources, the total Mineral Resources are 15.62 million tonnes (previously 14.19). The average Li<sub>2</sub>O grade of the Keliber's combined Mineral Resources is 1.05%.

Keliber's Mineral Resource estimates comply with the JORC 2012 code, and are reported at a cut-off grade of 0.50% Li<sub>2</sub>O.

### Optimizing the business case

Keliber continues to advance the lithium project including technical planning, permitting, ore potential, market assessments and financing. The company have decided to increase the production capacity for lithium hydroxide from 12,000 to 15,000 tonnes per year. Further, the concentrator plant will be moved closer to the main spodumene deposits to increase efficiency and reduce environmental footprint. Basic engineering work is ongoing related to the concentrator, tailings disposal solutions and the chemical plant.

In March 2021 Keliber selected Sweco Industry Oy as Engineering, Procurement and Construction Management ("EPCM") partner for the lithium project, with responsibility for the engineering, procurement, and construction management.

Environmental permit applications for all main activities have been submitted. The Environmental Impact Assessment ("EIA") report for the concentrator and main mining areas was submitted to the authorities in November 2020. In June 2021 Keliber submitted applications for environmental and water management permits for the Rapasaari mine and the Päiväneva concentrator, following the Vaasa Administrative Court rejection of the appeals to the permits. The environmental permit application for the Kokkola chemical plant was submitted in December 2020. In June 2021 the ELY Centre for South Ostrobothnia issued a reasoned conclusion on the EIA report for the Kokkola chemical plant stating that the plant does not have a significant environmental impact.

Keliber is progressing activities related to an update of the DFS, with the updated study expected to be completed in early-2022.

### Transition towards greener solutions drives lithium market outlook

In the first part of 2020, lithium prices were under pressure driven by the uncertainties caused by the Covid-pandemic. In the second half of the year, economic activity including electrical vehicle manufacturing has picked up and the market balance for lithium has tightened. The ongoing and expected recovery of economies and the pace of transition towards greener and more sustainable solutions.

In the 2020 list of Critical Raw Materials, the European Union indicated that Europe would need about 60 times more lithium, which is critical for a shift to e-mobility, for EV batteries and energy storage by 2050. The first European battery giga-factories are coming to production in 2021, and with more giga-factories in project phase, including significant battery initiatives in the Nordic countries. In September 2020, both Lithium and Titanium were added to EU's list over critical minerals.

Keliber's targeted position as a low-cost producer and the first producer in Europe of battery-grade lithium hydroxide, combined with high standards and strict regulatory requirements related to environmental, health and safety matters, is expected to be an advantage when it comes to future sales and positioning in the battery value chain.

## **Strategic assets and initiatives**

### Alumina technology development

Nordic Mining has since 2009 been engaged in development of a new technology for alumina production as a sustainable alternative to the current production. The technology has successfully been developed together with Institute for Energy Technology ("IFE") and has been patented in several countries including Norway, Russia, USA, Canada and with the European Patent Office. In June 2019, the Company announced that the EU's Horizon

2020 program has granted EUR 5.9 million for the AISiCal project to further develop the patented technology. AISiCal is an ambitious research and innovation project to further research, develop and de-risk the technology. The technology, named the Aranda-Mastin technology ("AM technology"), is a low waste and low carbon footprint alternative, to the current alumina production which is mainly based on bauxite resources refined through the Bayer process. Bauxite mining and processing is known to have substantial environmental impact due to production of toxic waste, substantial carbon emissions and extensive land use. The new technology is an innovative alternative based on alumina/calcium-rich rocks such as anorthosite. Anorthosite is an alumina-rich feldspar rock with approximately 30% alumina. With the new technology, anorthosite can be close to fully utilized to produce alumina together with silica and calcium carbonate by-products. The technology includes a carbon consumption process-step allowing for a low carbon footprint.

The production process is based on leaching with hydrochloric acid at moderate temperature and pressure. Aluminum is extracted through a sparging process and subsequently calcined to form alumina. Precipitated calcium carbonate ("PCC") is produced as a by-product by integrating CO<sub>2</sub> utilization in the process. Silica forms a residue in the leaching process and is also extracted as a by-product. PCC is a commodity used as filler in paper, plastics and paint, and silica is used as filler in tires and plastics, and in the production of cement. The process can potentially consume close to 500,000 tonnes of CO<sub>2</sub> per million tonne of alumina which corresponds to the emission from a medium sized oil and gas platform. The CO<sub>2</sub> can either be stored safely or utilized as part of the production of PCC. The process aims at being waste free since nearly all the components of the anorthosite are expected to be saleable products.

With the granting of the AISiCal project an ambitious 4-year work plan is in place to further develop the patented technology. The AISiCal Project consortium comprise of 16 international partners from 9 countries. The aim of the project is to further research and de-risk the technology and assess the technical and economic feasibility. The project has a goal of developing the technology towards a zero-carbon emission production process by including integrated CO<sub>2</sub> capture. Nordic Mining is actively participating in the project, leading one of the work packages focused on raw material sources and leaching optimization.

### Seabed minerals

Nordic Mining has taken pioneering initiatives related to seabed mineral exploration and knowledge building in Norway through the fully owned subsidiary Nordic Ocean Resources. 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 participated in the MarMine project on marine mineral resources which was concluded in 2020. The project was coordinated by the Norwegian University of Science and Technology. The Norwegian Research Council granted NOK 25 million to the project which had a strong industrial basis and participation, with an exploration cruise including mineral sampling and assessments related to seabed mineral operations having been executed in selected areas along the Mid-Atlantic Ridge.

In 2019, the new Seabed Minerals Act came into force as result of systematic mapping of seabed minerals by the Norwegian Petroleum Directorate. Prior to opening for seabed mineral extraction, an environmental impact assessment must be carried out and in January 2021 the Ministry of Petroleum and Energy on sent out a proposal for an impact assessment program.

Nordic Mining have, in light of the positive developments on the regulation of seabed minerals, and increased focus on how the Norwegian mining industry can play an important role on seabed minerals to support the green transition, increased the efforts to commercializing the Groups understanding and positioning on seabed minerals developed through the pioneering initiatives of NORA.

Oslo, 7 February 2022  
The Board of Directors of Nordic Mining ASA

## CONSOLIDATED INCOME STATEMENT

	Note	2021	2020	2021	2020
		01.10-31.12	01.10-31.12	01.01-31.12	01.01-31.12
<i>(Amounts in NOK thousands)</i>					
		Unaudited	Unaudited	Unaudited	Audited
Other income		-	-	188	-
Payroll and related costs		(3 757)	(4 218)	(16 220)	(14 413)
Depreciation and amortization		(34)	(64)	(138)	(241)
Other operating expenses		(12 131)	(7 458)	(44 504)	(27 874)
<b>Operating profit/(loss)</b>		<b>(15 922)</b>	<b>(11 740)</b>	<b>(60 674)</b>	<b>(42 528)</b>
Fair value gains/losses on investments	3	(3 360)	12 546	66 374	9 336
Financial income		62	35	127	500
Financial costs		(80)	(80)	(456)	(240)
<b>Profit/(loss) before tax</b>		<b>(19 300)</b>	<b>761</b>	<b>5 371</b>	<b>(32 932)</b>
Income tax		-	-	-	-
<b>Profit/(loss) for the period</b>		<b>(19 300)</b>	<b>761</b>	<b>5 371</b>	<b>(32 932)</b>
<b>Earnings per share</b>					
<i>(Amounts in NOK)</i>					
Basic and diluted earnings per share		(0.08)	0.00	0.02	(0.17)

## STATEMENTS OF COMPREHENSIVE INCOME

	2021		2021	
	01.10-31.12	01.10-31.12	01.01-31.12	01.01-31.12
<i>(Amounts in NOK thousands)</i>	Unaudited	Unaudited	Unaudited	Audited
<b>Net profit/(loss) for the period</b>	<b>(19 300)</b>	761	<b>5 371</b>	(32 932)
<b>Other comprehensive income:</b>				
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Changes in pension estimates	(100)	(808)	(100)	(808)
<b>Other comprehensive income directly against equity</b>	<b>(100)</b>	(808)	<b>(100)</b>	(808)
<b>Total comprehensive income/(loss) for the period</b>	<b>(19 400)</b>	(47)	<b>5 271</b>	(33 740)

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	<b>31.12.2021</b> <i>Unaudited</i>	31.12.2020 <i>Audited</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Evaluation and exploration assets		<b>28 800</b>	28 349
Property, plant and equipment		<b>200</b>	374
Right-of-use assets		<b>239</b>	377
Financial investments	3	<b>190 519</b>	100 114
<b>Total non-current assets</b>		<b>219 758</b>	129 214
<b>Current assets</b>			
Trade and other receivables		<b>3 444</b>	2 215
Cash and cash equivalents		<b>32 086</b>	42 223
<b>Total current assets</b>		<b>35 530</b>	44 438
<b>Total assets</b>		<b>255 288</b>	173 652
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital		<b>137 695</b>	118 495
Share premium		<b>529 491</b>	472 824
Other paid-in capital		<b>16 038</b>	15 804
Retained losses		<b>(434 339)</b>	(439 711)
Other comprehensive income		<b>(3 223)</b>	(3 124)
<b>Total equity</b>		<b>245 662</b>	164 288
<b>Non-current liabilities</b>			
Lease liabilities		<b>113</b>	218
Pension liabilities		<b>1 062</b>	1 368
<b>Total non-current liabilities</b>		<b>1 175</b>	1 586
<b>Current liabilities</b>			
Trade payables		<b>3 093</b>	1 668
Other current liabilities		<b>5 358</b>	6 110
<b>Total current liabilities</b>		<b>8 451</b>	7 778
<b>Total liabilities</b>		<b>9 626</b>	9 364
<b>Total shareholders' equity and liabilities</b>		<b>255 288</b>	173 652

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Unaudited

Attributed to equity holders of the parent						
<i>(Amounts in NOK thousands)</i>	Share capital	Share premium	Other-paid-in capital	Other comprehensive income	Accumulated losses	Total equity
<b>Equity 1 January 2020</b>	<b>101 275</b>	<b>436 074</b>	<b>15 578</b>	<b>(2 316)</b>	<b>(406 779)</b>	<b>143 832</b>
Profit for the period	-	-	-	-	(32 932)	(32 932)
Other comprehensive income	-	-	-	(808)	-	(808)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(808)</b>	<b>(32 932)</b>	<b>(33 740)</b>
Share issue	17 220	40 180	-	-	-	57 400
Transaction costs	-	(3 430)	-	-	-	(3 430)
Share-based compensation	-	-	226	-	-	226
<b>Equity 31 December 2020</b>	<b>118 495</b>	<b>472 824</b>	<b>15 804</b>	<b>(3 124)</b>	<b>(439 711)</b>	<b>164 288</b>
<b>Equity 1 January 2021</b>	<b>118 495</b>	<b>472 824</b>	<b>15 804</b>	<b>(3 124)</b>	<b>(439 711)</b>	<b>164 288</b>
Loss for the period	-	-	-	-	5 371	5 371
Other comprehensive income	-	-	-	(100)	-	(100)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100)</b>	<b>5 371</b>	<b>5 271</b>
Share issue	19 200	60 800	-	-	-	80 000
Transaction costs	-	(4 133)	-	-	-	(4 133)
Share-based compensation	-	-	234	-	-	234
<b>Equity 31 December 2021</b>	<b>137 695</b>	<b>529 491</b>	<b>16 038</b>	<b>(3 223)</b>	<b>(434 339)</b>	<b>245 662</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

		2021	2020
	Note	01.01-31.12 Unaudited	01.01-31.12 Audited
<i>(Amounts in NOK thousands)</i>			
<b>Operating activities:</b>			
<b>Net cash used in operating activities</b>		<b>(59 970)</b>	(41 764)
<b>Investing activities:</b>			
Acquisition of licenses and properties		(2 211)	(449)
Financial investments	3	(24 030)	-
Sale of property, plant and equipment		363	-
<b>Net cash used in investing activities</b>		<b>(25 879)</b>	(449)
<b>Financing activities:</b>			
Share issuance	4	80 000	57 400
Transaction costs, share issue	4	(4 133)	(3 430)
Payment of lease liabilities		(156)	(153)
<b>Net cash from financing activities</b>		<b>75 711</b>	53 817
<b>Net change in cash and cash equivalents</b>		<b>(10 137)</b>	11 604
<b>Cash and cash equivalents at beginning of period</b>		<b>42 223</b>	30 619
<b>Cash and cash equivalents at end of period</b>		<b>32 086</b>	42 223

## **NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 December 2021**

### **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 2020.

This report was authorized for issue by the Board of Directors on 7 February 2022.

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 2020. New standards, amendments and interpretations to existing standards effective from 1 January 2021 did not have any significant impact on the financial statements.

In the first quarter of 2021, the Group sold a vehicle to its Senior Advisor, Lars K. Grøndahl, for NOK 363,000, which represented the estimated market value.

### **Note 2 – SEGMENTS**

The Group presents segments based on the Group's mineral projects. The only reportable segment of the Group is the Titanium and Garnet segment. These are the minerals 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, and the operating license for the project was granted in June 2020. The Definitive Feasibility Study was presented in January 2020 and an Updated Feasibility Study was presented in May 2021.

For further information relating to the Company's risk assessments, reference is made to the annual report for 2020 which is available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

### **Note 3 - FINANCIAL INVESTMENTS**

#### **Keliber Oy**

The Group's only financial investment is the holding of shares in the Finnish mining company Keliber Oy. The investment is measured at Fair Value Through Profit and Loss under IFRS 9 ("FVPL Method"). The valuation as per 31 December 2021 has been based on level 3 inputs in the fair value hierarchy.

#### 2021:

On 23 February 2021 Keliber Oy and leading international mining company Sibanye-Stillwater Limited announced that they had entered into an investment agreement for an initial phased equity investment of EUR 30 million for approximately 30% shareholding in Keliber.

In March 2021 the first tranche of the initial investment was closed with SSW subscribing for shares for EUR 15 million, and at the same time a share issue of up to 250,000 shares was opened to existing shareholders of Keliber. In the share issue, which was closed March/April 2021, Nordic Mining was allocated in total 58,975 shares at an issue price of EUR 40 per share, to retain an ownership of 14.3% of the shares in Keliber. In line with the agreement the second tranche of SSW's initial investment of EUR 10 million was closed in September 2021, making SSW the largest shareholder in Keliber with a shareholding of 26.7%. Following the share issue, Nordic Mining was diluted from 14.3% to 12.7% ownership in Keliber.

At quarter end Q2 the investment was valued at EUR 40 per share, in line with the pricing in the share issues as described above.

At quarter end Q4 the Group has assessed the fair value of Keliber to EUR 64 per share, corresponding to NOK 190.5 million. The fair value of EUR 64 per share is unchanged from quarter end Q3, and the Group has recognized a loss of NOK -3.4 million on the investment in fourth quarter due to changes in foreign exchange.

The fair value assessment is based on comparable valuation analysis using industry practice P/NAV and EV/Resource multiples from a peer-group of lithium developers at PFS/DFS levels at similar levels of commercial development and risk profiles as Keliber's lithium project. The multiples are modified to account for lack of marketability of shares in Keliber. Net Asset Value ("NAV"), which is the post-tax NPV of expected future cash



flows from Keliber's lithium project, is derived from the investor material provided by Keliber in relation the investment by SSW in Q2 2021. The fair value indications from the P/NAV and EV/Resource multiples are averaged to give the final fair value measurement. The assessment considers available information related to the developments in Keliber, the lithium project, and in particular the development of lithium prices and lithium development equities as described above.

The Group recognized a fair value loss of NOK -3.4 million on the investment in the fourth quarter of 2021 (2020: gain NOK 12.5 million), giving an accumulated gain of NOK 66.4 million year-to-date 2021 (2020: NOK 9.3 million).

Significant unobservable input	Estimate of the input	Sensitivity of the fair value measurement to input
P/NAV multiple, Peers	0.5x	Increase (or decrease) of P/NAV multiple by 10 percentage point would change the fair value by NOK 20 million. Increase in EV/Resource multiple by 10 percentage point would change the fair value by NOK 19 million.
EV/Resources multiple, Peers (US\$m/Kilotonne Resource LCE)	0.3x	

The assessment is made from the perspective of a hypothetical informed market participant, as required by IFRS 13, Fair Value Measurement, and may differ from the Group's own internal assessment. Expected future cash flows used in discounted cash flow models are inherently uncertain and could materially change over time, i.e., from changes in projected capital expenditure, commodity prices, operating costs, exchange rates and discount rates. Keliber is expected to complete an update of the DFS early in 2022.

#### 2020:

On 20 March 2020, Keliber completed a share issue directed towards existing shareholders with total gross proceeds of EUR 5.8 million at a subscription price of EUR 33 per share which implies a post-money value of Keliber of EUR 48.4 million. Following the share issue in Keliber, Nordic Mining was diluted from 18.5% to 16.3% ownership.

As per 31 December 2020, the Group has assessed the market value of Keliber at EUR 40 per share. The assessment considered available information related to the positive developments in Keliber, the lithium project, and in particular the lithium market, which has started to recover after significant increase in demand from global battery producers, and Keliber's ongoing discussions with investors for a contemplated EUR 30 million financing.

#### **Note 4 – SHARE CAPITAL**

In February 2021, Nordic Mining completed a private placement with gross proceeds of NOK 80 million pursuant the authorization to the Board to increase the share capital granted by the general meeting on 14 May 2020. Following registration of the new share capital Nordic Mining's share capital has increased by NOK 19,200,000 to NOK 137,695,063.20 divided into 229,491,772 shares, each with a par value of NOK 0.60.

#### **Note 5 – EVENTS AFTER BALANCE SHEET DATE**

On 10 January 2022, Nordic Mining entered into a NOK 132.5 convertible loan agreement with a group of local Sunnfjord investors led by two of the engineering, procurement and construction partners for the Engebø project, and their shareholders, together with other local investors. This transaction is the first step in the project financing of the Engebø project. The convertible loan will upon conversion contribute as part of the equity for the project financing package, expected to be around USD 250 million comprising debt, equity and potential hybrid capital or royalty. The Company is currently progressing its assessment of several financing structures and targets a financial close in H1 2022.

## **Definitions**

### **Alternative Performance Measures**

Nordic Mining's financial information is prepared in accordance with International Financial Reporting standards ("IFRS"). In addition, the Group use selected Alternative Performance Measures ("APMs") intended to enhance the understanding and comparability of the project economics of the Engebø Rutile and Garnet Project toward peers. Nordic Mining's experience is that these APMs are used by analysts, investors, and other parties. The Alternative Performance Measures presented may be determined or calculated differently by other companies.

The main APMs used are the following:

- EBITDA: Projected revenues minus projected operating costs and royalties
- EBITDA-margin: Projected EBITDA divided by total projected revenues
- Free Cash Flow (Unlevered): Projected operating cash flow minus net cash flow from investing activities
- IRR: Projected Internal Rate of Return ("IRR") derived from the Free Cash Flow
- NPV: Net Present Value ("NPV") of the Free Cash Flow discounted using a real discount rate of 8%
- Operating Cash Flow (Unlevered): Projected EBITDA minus projected corporate income tax and changes in net operating working capital