



**NORDIC
MINING**

INTERIM REPORT

Per 31 March 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 which are jointly owned with the Institute for Energy Technology. The Group has also taken initiatives related to seabed mineral exploration in Norway and participates in the MarMine research project. Further, the Group is investigating a high-quality quartz deposit in Kvinnherad in western Norway and holds exploration rights for nickel and PGE in a prospective geologic province in Reinford in northern Norway.

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

Group interim report for the quarter ended 31 March 2019

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

- **Optimizing the business case for Keliber lithium**
Keliber's definitive feasibility study ("DFS"), which was published in June 2018, confirmed a profitable business case based on production of lithium carbonate. Following an increasing market pull for lithium hydroxide for use in cathodes for lithium-ion batteries in electric vehicles, Keliber has successfully completed a test program for production of lithium hydroxide which significantly improves project economics. Keliber published an updated executive summary of the DFS in April 2019 outlining an increase in post-tax NPV@8% by more than 70% to EUR 384 million and IRR of 24%.
- **Gain of NOK 98m reflecting increased values in Keliber**
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 is recognized as a gain in the consolidated financial statements for Q1 2019. The gain is not subject to tax. Following the share issue, Nordic Mining's shareholding in Keliber is approximately 18.5%.
- **Definitive feasibility activities progressing well**
All major test work has been completed and the flow sheet is optimized with respect to the dual product combination. Full scale waterjet cutting testing using garnet products from Engebø indicate performance according to expectations for premium quality garnet products for cutting speed, finish as well as for abrasive consumption.
- **Agreement with Japanese trading house on offtake and construction financing**
In January 2019, Nordic Mining signed a Heads of Agreement with a reputable Japanese trading house relating to long term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. The offtake on rutile is complementary to the Heads of Agreement previously entered into with the Barton Group relating to offtake and commercial cooperation for garnet from Engebø. Nordic Mining is in constructive dialogue with both parties and the agreements will be further developed over the next months to secure future cashflows and strengthen the ability to provide financing for the project.
- **Engagement of financial advisor for the Engebø construction financing**
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.
- **Application for operating license filed**
In February 2019, Nordic Mining filed an application for operating licence for the Engebø project with the Norwegian Directorate of Mining. Approval is expected within 12 months. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources. The zoning plan for the mining and processing areas and the environmental permit for the project have already been granted.

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 its main project and has, so far, no sales revenues from its operation. The high activity level on the definitive feasibility study for the Engebø project and related development activities and corporate expenses were the main drivers for the operating loss in the first quarter of NOK -15.2 million (NOK -12.1 million). Payroll cost increased from NOK 1.9 million in the first quarter of 2018 to NOK 4.3 million in the first quarter of 2019 largely due to increase in headcount to accommodate for the increased activity level as the Engebø project is progressing towards construction, but also due to capitalized cost in relation to a drilling program in 2018.

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, Nordic Mining was diluted from 22% to 18.5% ownership and the Group has consequently 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 ("FVTPL Method"). The reclassification resulted in recognition of a gain on investments of NOK 97.9 million during the first quarter of 2019. The gain is not subject to tax. Under the FVTPL method, any subsequent changes in fair value will be recognized in the profit or loss statement in the period in which it occurs.

The total net result for the Group in the first quarter was NOK 81.9 million (NOK -13.7 million).

Cash flow from the Group's operating activities in the first quarter was NOK -14.4 million (NOK -10.0 million). Net cash used in investment activities was NOK -0.1 million (NOK -2.4 million). The Group's investments in 2019 relate to licence 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 was NOK 0.0 million (NOK 55.4 million arising from share issues).

The Group's cash balance at 31 March 2019 amounted to NOK 35.3 million (NOK 64.6 million). The Group has a capital requirement to complete the Engebø DFS of approx. NOK 40m. The Company is working on concrete opportunities to secure the near-term funding. The completion of the DFS represents a key milestone for de-risking of the Engebø project and will form the basis for further financing. The Group has a capital requirement of approx. NOK 50m through the FEED phase to construction. The Company will continue to work with strategies for further financing to attract new working capital for its operation, development activities and construction capex. In January 2019, the Company entered into an agreement with Northcott Capital Ltd for provision of financial advisory services relating to debt financing of the Engebø project. However, there is no assurance that the Group will be successful in obtaining the required financing for its prioritized projects. In such case, the Group may adjust project progress accordingly. For further information relating to the Company's risk assessments, please see the annual report for 2018 which is available on the Company's webpage www.nordicmining.com.

Nordic Mining's total assets as of 31 March 2019 were NOK 177.2 million (NOK 119.8 million), and the Group's total equity amounted to NOK 166.5 million (NOK 111.3 million). The Group has no interest-bearing debt. This gives an equity ratio of approximately 94% (93%).

Main projects and activities

Engerbø rutile and garnet project (100%)

General project information

The Engerbø deposit is one of the largest unexploited rutile deposits in the world and has among the highest grades of rutile (TiO₂) compared to existing producers and other projects under development. The deposit also contains significant quantities of high-quality garnet. The prefeasibility study of the project was completed in October 2017 and the definitive feasibility study is expected completed in the second half of 2019. The main results presented in the prefeasibility study are:

• Pre-tax net present value (NPV@8%):	USD 332 million
• Post-tax net present value (NPV@6.8%):	USD 305 million
• Pre-tax internal rate of return (IRR):	24%
• Post-tax internal rate of return (IRR):	21%
• Pay-back period:	< 5 years
• Capital cost for mines and production facilities:	USD 207 million

The Engerbø project will be developed in accordance with high international standards for environment, health and safety. The deposit has a favorable location at tidal waters, next to a deep-water quay and with smooth shipping and advantageous logistics to European and overseas markets which will limit the project's physical footprint and reduce adverse environmental effects. In addition, regional hydro power will supply the process plant with renewable energy.

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

Resource estimates

Following the completion of the prefeasibility study, an additional drilling program was carried out with the aim of increasing the knowledge of the ore body and verifying geotechnical parameters for the open pit mining methods. The drilling program resulted in an increase of the estimated mineral resources in the measured and indicated categories (JORC Code 2012) by around 5%, to approximately 98 million tonnes, based on a cut-off of 3% TiO₂. The average grade of rutile and garnet in the measured and indicated categories is 3.87% and 44.4%, respectively. The tables below provide an overview of the updated resource estimates at 2% and 3% TiO₂ cut-off grade, respectively, as presented by Competent Person Adam Wheeler in June 2018. The ongoing definitive feasibility work is based on the updated resource model and estimates.

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

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

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

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

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

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

Definitive feasibility study and other ongoing development activities progressing

Based on the positive prefeasibility results, the definitive feasibility study was initiated during the fall of 2017. The main purpose of the definitive feasibility study is to qualify the project for construction financing. This implies that the quality of the technical assessments and financial analysis will be further increased from the prefeasibility study. The definitive feasibility study targets high-quality assessments and de-risking of all-important aspects of the project.

The definitive feasibility test work program is divided in three stages: process optimization, repeatability verifications and ore variability testing. Optimal crushing and grinding, as well as maximizing recovery are important to secure stable output volumes and consistent product qualities. All major test work has now been completed and the flow sheet is optimized with respect to the dual product combination.

Nordic Mining has, together with the Barton Group, performed waterjet cutting testing using garnet products from Engebø. The test results are positive and indicate performance according to expectations for premium quality garnet products for cutting speed, finish as well as for abrasive consumption.

Detailed design and engineering activities are progressing and requests for quotations have been issued to a number of national and international vendors.

Various infrastructure activities are ongoing, including planning activities related to sourcing of process water through a dedicated pipeline and sourcing of electrical power, as well as preparations for re-direction of the county road currently passing through the designated process area. Further, a comprehensive environmental monitoring program for various environmental aspects is under development. The framework for the program was filed to the Norwegian Environment Agency in December 2018.

Nordic Mining intends to secure well-structured and effective work programs for all key preparatory issues and is dedicated to retaining good communication with Naustdal municipality and other authorities, landowners and other stakeholders.

Agreements with landowners

Agreements which regulate Nordic Mining's acquisition of the area for the planned mineral processing plant, including the existing deep-water harbor facility, and compensation to the landowners for extraction and sale of all mineral products from the deposit were entered into with the main landowners in 2018. The mining area comprised by the agreements covers the open pit production phase as well as the service and rock storage areas. The extraction permits also include the adjacent area for the subsequent underground mining, and related activities have been initiated.

Permits and local planning

Nordic Mining holds all rights and permits necessary for its current operations related to the Engebø project. This includes extraction permits for rutile (state mineral) which, generally, also imply the right to extract garnet and possible other minerals (landowners' minerals) in connection with the rutile extraction. The zoning plan for the mining and processing areas and the environmental permit for the project are fully granted.

In February 2019, Nordic Mining filed an application for operating license for the Engebø rutile and garnet project with the Norwegian Directorate of Mining. Approval is expected within 12 months. The operating license will regulate operational scope, methodology and procedures to secure safe and efficient production of the mineral resources.

The detailed regulation plan for the mine and process site is currently on public hearing at Naustdal municipality. This includes buildings and infrastructure at the processing plant and service areas, as well as for the mining area, access and haul roads etc. Further, a regulation plan for water and power supply is on public hearing in Naustdal and Askvoll municipalities. The public hearing processes are scheduled to end in Q2 2019. Detail engineering work is ongoing for re-routing of the county road through the process area as well as preparations for strengthening of the regional power grid.

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

Offtake and participation in project financing

In January 2019, Nordic Mining signed a Heads of Agreement with a reputable Japanese trading house relating to long term offtake for rutile and participation with a substantial portion of the construction financing for the Engebø project. The offtake on rutile is complementary to the Heads of Agreement previously entered into with the Barton Group relating to offtake and commercial cooperation for garnet, as well as participation in the project financing. The Barton Group is a family-owned company that has produced the world's highest-quality garnet abrasives for seven generations. Nordic Mining is in constructive dialogue with both parties and the agreements will be further developed over the next months to secure future cashflows and strengthen the ability to provide financing for the project.

Commercial outlook for rutile and garnet remains positive

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

High capacity utilization in the pigment industry, reduced stockpiles and limited supply are key market drivers for the strong demand for high-grade feedstock. In the coming years, rutile production from current producers is expected to be further reduced due to depletion of operating deposits and limited new capacity in near-term pipeline. Further, the ongoing restructuring of the Chinese pigment industry with closures of smaller plants due to environmental regulations and increased capacity in modern technology plants will increase the demand for rutile as a high-grade titanium feedstock. For the prefeasibility study, the Australian consultancy company TZMI estimated a long-term FOB price for rutile (95% TiO₂) around USD 1,070 per tonne. In February 2019, TZMI increased its long-term price estimate to USD 1,118 per tonne. Recent rutile prices have been reported in excess of USD 1,100 per tonne.

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 high-quality garnet for high-end applications is short of the increasing demand. To a large extent, this is due to regulatory measures introduced by the Indian government, affecting a substantial part of the garnet production in India. It is uncertain when and to what extent Indian production will re-enter the market. For the prefeasibility study, TAK Industrial Mineral Consultancy indicated a basket price around USD 250 per tonne for the garnet qualities which will be produced at Engebø. Recent prices for high-quality products have been reported above this level.

Updated market assessments for rutile and garnet will be included in the definitive feasibility study.



Process testing of Engebø ore

Keliber Oy (18.5%) – lithium hydroxide project

General project information

Keliber Oy is a Finnish mining company with an objective of producing battery grade lithium hydroxide for the battery industry. The company has a valid mining licence for the Syväjärvi and Länttä deposits, as well as several exploration permits and claims on other lithium deposits in the Central Ostrobothnia lithium province. The Central Ostrobothnia area shows great potential for increasing the company's resource base and discovering additional deposits.

Keliber published the results of an updated definitive feasibility study for the lithium project based on production of lithium hydroxide in February 2019 and permitting is progressing according to plan.

Resource estimates

Over the last years, Keliber has consistently increased the resource base for its project. The mineral resource estimates*, using a 0.50% Li₂O cut-off grade, as presented in May 2018 are shown in the table below:

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

* Resource estimates prepared by Competent Persons Markku Meriläinen (MAusIMM) and Pekka Lovén (MAusIMM) (JORC Code 2012 edition)

Subsequent to the above resource estimates, which was the basis for the definitive feasibility study, Keliber has carried out substantial drilling (approx. 22,000 meters) and targets to provide an update of the resource estimates in Q2 2019.

Optimising business case for financing and execution

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

However, recent market observations indicate that future lithium demand, especially relating to battery cathode chemicals, is expected to be focused on lithium hydroxide. As a response to this development, Keliber commenced a test program relating to production of lithium hydroxide together with Outotec Finland in the fall of 2018. The program was completed in December 2018 and demonstrated successful production of battery-grade lithium hydroxide in laboratory and pilot scales. The subsequent optimization of process flowsheet and technical and economic assessments resulted in an updated definitive feasibility study for the project based on production of lithium hydroxide. Key figures from the updated definitive feasibility study were presented in February 2019 and show a significant improvement in project economics compared to previous assessments. The main results presented in the updated study are:

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

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

Preparations for construction financing are ongoing. In February 2019, Keliber appointed Carnegie Investment Bank AB and Nordea Bank Abp as advisors for the equity financing of the lithium project. Keliber and the advisors will explore different financing options, including an initial public offering.

Keliber has also appointed Northcott Capital Ltd. as the coordinator of the debt financing of the project. Initial contact has been established with relevant banks and other potential sources of debt financing.

Strong market fundamentals

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

Significant European initiatives related to battery chemicals and battery production are under development. Lithium is fundamental for most relevant battery formulas currently developed and recent contract prices for lithium remain strong.

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



Electric vehicle charging (Source: Keliber)

Strategic assets and initiatives

Kvinnherad quartz project

An independent preliminary evaluation ("Scoping Study") was carried out by Dorfner Anzaplan for the quartz project in 2012 which outlines the potential for a profitable industrial project. Supplementary processing tests based on drill core samples was latest completed in Q4 2018. The results confirm previous test results indicating that high-purity products can be produced from the Kvinnherad deposit.

The Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit expired in April 2019. Nordic Mining continues a constructive dialogue with the landowners and is proceeding commercial dialogues to establish a broader basis for progressing the project.

Seabed minerals

Nordic Mining has taken initiatives related to seabed mineral exploration in Norway and has applied for mineral exploration rights in promising areas within the Norwegian jurisdiction. Research assessments indicate an attractive potential for discovery of metallic ore deposits with possible significant economic values within Norway's exclusive economic zone.

The Norwegian Research Council has granted NOK 25 million to MarMine, an ongoing research project on marine mineral resources. Nordic Mining participates in the project which is coordinated by the Norwegian University of Science and Technology (NTNU) and 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 will be implemented in Norway and provide a legal framework for exploration and extraction of seabed minerals.

Alumina technology development

The registered Norwegian patent related to technology for extraction of alumina from aluminium/calcium-rich minerals is in the process of being expanded to selected countries. Patent has been granted in Denmark, Russia and the USA with patents pending in Canada and EPO (European Patent Office).

Together with the 50/50 patent-partner IFE ("Norsk Institutt for Energiteknikk") and other Norwegian and international industrial companies and knowledge institutions, Nordic Mining is assessing schemes for possible external financing of further development work related to alumina technology.

Oslo, 10 May 2019

The Board of Directors of Nordic Mining ASA

CONSOLIDATED INCOME STATEMENT

		2019	2018	2018
		01.01-31.03	01.01-31.03	01.01-31.12
		Unaudited	Unaudited	Audited
<i>(Amounts in NOK thousands)</i>				
Payroll and related costs	4	(4 261)	(1 946)	(11 773)
Depreciation and amortization		(73)	(38)	(152)
Impairment of exploration and evaluation assets		-	-	(2 393)
Other operating expenses		(10 858)	(10 138)	(49 916)
Operating profit/(loss)		(15 192)	(12 122)	(64 234)
Share of loss in associate		(759)	(1 489)	(7 988)
Gains/losses on investments	3	97 865	-	-
Financial income		11	56	476
Financial costs		(55)	(116)	(566)
Profit/(loss) before tax		81 870	(13 671)	(72 312)
Income tax		-	-	
Loss for the period		81 870	(13 671)	(72 312)
Profit/(loss) attributable to				
Equity holders of parent		81 870	(13 671)	(72 312)
Non-controlling interest		-	-	-
Earnings per share attributable to ordinary shareholders				
<i>(Amounts in NOK)</i>				
Basic and diluted earnings per share		0,63	(0,12)	(0,63)

STATEMENTS OF COMPREHENSIVE INCOME

	2019 01.01-31.03 Unaudited	2018 01.01-31.03 Unaudited	2018 01.01-31.12 Audited
<i>(Amounts in NOK thousands)</i>			
Net loss for the period	81 870	(13 671)	(72 312)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences	(385)	(590)	29
Currency translation reclassified to profit and loss	(4 880)	-	-
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Changes in pension estimates	-	-	(478)
Other comprehensive income directly against equity	(5 265)	(590)	(449)
Total comprehensive income for the period	76 605	(14 261)	(72 761)
Allocation of comprehensive income			
Equity holders of parent	76 605	(14 261)	(72 761)
Non-controlling interest	-	-	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	31.03.2019 Unaudited	31.12.2018 Audited
ASSETS		
Non-current assets		
Evaluation and exploration assets	25 696	25 607
Property, plant & equipment	207	245
Right-of-use assets	1 228	-
Financial assets	3 113 137	-
Investment in associate	-	21 296
Total non-current assets	139 268	47 148
Current assets		
Trade and other receivables	2 631	2 514
Cash and cash equivalents	35 338	49 902
Total current assets	37 969	52 416
Total assets	177 237	99 564
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity		
Share capital	78 505	78 505
Share premium	401 597	401 597
Other paid-in capital	14 883	14 502
Retained losses	(326 300)	(408 170)
Other comprehensive income	(2 170)	3 095
Total equity	166 515	89 529
Non-current liabilities		
Other liabilities	842	834
Lease liabilities	1 218	-
Total non-current liabilities	1 060	834
Current liabilities		
Trade payables	4 614	2 787
Other current liabilities	5 048	6 414
Total current liabilities	9 662	9 201
Total liabilities	10 722	10 035
Total shareholders' equity and liabilities	177 237	99 564

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Unaudited

Attributed to equity holders of the parent							
(Amounts in NOK thousands)	Note	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		-	-	-	-	(13 671)	(13 671)
Other comprehensive income		-	-	-	(590)	-	(590)
Total comprehensive income		-	-	-	(590)	(13 671)	(14 261)
Share issue		11 175	48 425	-	-	-	59 600
Transaction costs		-	(4 157)	-	-	-	(4 157)
Equity 31 March 2018		68 070	375 491	14 354	2 954	(349 529)	111 340
Equity 1 January 2019		78 505	401 597	14 502	3 095	(408 170)	89 529
Loss for the period		-	-	-	-	81 870	81 870
Other comprehensive income		-	-	-	(5 265)	-	(5 265)
Total comprehensive income		-	-	-	(5 265)	81 870	76 605
Share-based compensation		-	-	381	-	-	381
Equity 31 March 2019		78 505	401 597	14 883	(2 170)	(326 300)	166 515

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	2019	2018
	01.01-31.03	01.01-31.03
<i>(Amounts in NOK thousands)</i>	Unaudited	<i>Unaudited</i>
<i>Operating activities:</i>		
Net cash used in operating activities	(14,441)	(10,006)
<i>Investing activities:</i>		
Acquisition of licenses and properties	(89)	-
Investment in other exploration and evaluation assets	-	(2,417)
Net cash used in investing activities	(89)	(2,417)
<i>Financing activities:</i>		
Share issuance	-	59,600
Transaction costs, share issue	-	(4,157)
Payment of lease liabilities	(34)	-
Net cash from financing activities	(34)	55,443
Net change in cash and cash equivalents	(14,564)	43,020
Cash and cash equivalents at beginning of period	49,902	21,547
Cash and cash equivalents at end of period	35,338	64,567

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 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 approved by the Board of Directors on 10 May 2019.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2018, except for the new principles described below.

IFRS 16:

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

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

Implementation options:

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

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

Financial assets:

Initial recognition and measurement:

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

Financial assets at fair value through profit or loss:

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

Note 2 – SEGMENTS

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

- Titanium and garnet which can be produced from the mineral deposit at Engebø. The zoning plan and the discharge permit for the project are approved and final, without possibility for appeals. The prefeasibility study for the project was completed in October 2017 and the definitive feasibility study is ongoing.
- Other segments: Consists of the Group's activities in the subsidiaries Nordic Quartz and Nordic Ocean Resources. Following the expiration of the Group's exclusive rights for investigation and development of the Kvinnherad quartz deposit April 2019, the Company decided to merge the quartz segment to other activities. Nordic Mining continues a constructive dialogue with the landowners and is proceeding commercial dialogues to establish a broader basis for progressing the project.

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

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

(Amounts in NOK thousands)	Titanium & Garnet		Other		Adjustments and eliminations		Consolidated	
	2019	2018	2019	2018	2019 ⁽¹⁾	2018	2019	2018
Revenues	-	-	-	-	-	-	-	-
Segment result	(12,630)	(10,493)	(273)	(243)	94,774	(2,935)	81,870	(13,671)
Investment in exploration and evaluation assets	89	2,417	-	-	-	-	89	2,417

- 1) Adjustments and other eliminations in 2019 include the gain of NOK 97,865 thousand 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 has assessed that it no longer imposes significant influence and will reclassify the investment in Keliber from an Associate to a Financial Asset Measured at Fair Value Through Profit and Loss under IFRS 9 ("FVPL Method"). The assessment is based on the reduced ownership combined with a change in Board composition. In the first quarter of 2019, Keliber started the work to nominate a new Board of Directors to prepare for project financing. At the annual general meeting in April, a new Board was elected, where Nordic Mining's representation was reduced from two to one Directors. 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 related 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.

Note 4 – SHARE-BASED COMPENSATION

The Group recognized a share-based expense of NOK 381 thousand in the first quarter of 2019 (2018: 0) in relation to the Group's option program. There were no new awards of options in the first quarter of 2019.