



**NORDIC  
MINING**

# **INTERIM REPORT**

## **Per 30 September 2018**



**OAX: NOM**

*Minerals for a sustainable future*

## Group interim report for the quarter ended 30 September 2018

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

*Nordic Mining is undertaking a large-scale project development at Engebø on the west coast of Norway where the Company has rights and permits to a substantial eclogite deposit with rutile and garnet. Permits for the project have been granted by the Norwegian government and the definitive feasibility study was initiated directly following completion of the prefeasibility study in October 2017.*

*Nordic Mining's associated company Keliber completed the definitive feasibility study for its lithium project in Finland in June 2018. Nordic Mining also has rights for exploration and production of high-purity quartz in Kvinnherad in Norway and holds exploration rights at Reinfjord in northern Norway where a prospective area of sulphide mineralisation has been discovered. Nordic Mining is also exploring opportunities related to seabed mineral resources.*

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

### Important events in the third quarter 2018 and year-to-date 2018:

#### Corporate

- **Ongoing rights issue to finance the progressing Engebø definitive feasibility study**  
On 1 November 2018, a rights issue of up to 17,391,304 shares was resolved in an extraordinary general meeting. The subscription period in the rights issue started on 6 November 2018 and will end on 20 November 2018 at 16.30 (CET). The subscription price in the rights issue is NOK 2.30 per share. Tradable subscription rights have been allocated to shareholders of the Company as at the end of 1 November 2018, as registered in VPS as of 5 November 2018.

#### Engebø rutile and garnet project

- **Positive market outlook for rutile and garnet**  
The increasing market price for rutile has continued during third quarter. Continuous strong demand for high-grade feedstock is driven by high capacity utilization in the pigment industry, reduced stockpiles and limited rutile supply. In the third quarter, rutile prices (95% TiO<sub>2</sub>) have been reported around USD 1,050 per tonne.

There is currently no production of garnet in Europe, nor any planned production apart from Engebø. The global supply of high-quality garnet for high-end applications is short of the increasing demand.

Dialogues relating to offtake agreements for rutile and garnet are ongoing. The target is to establish solid long-term arrangements that support the bankability of the project.

- **Site areas green-lighted for construction after archeological surveys**  
In October 2018, the Company received notice from the Directorate for Cultural Heritage, confirming that the archeological surveys pursuant to the approved zoning plan have been completed and that the area has been clarified for construction activities.
- **Agreements with the main landowners at Engebø signed**  
The agreements with the landowners regulate Nordic Mining's acquisition of the area for the planned mineral processing plant, including the existing deep-water harbour facility, and compensation to the landowners for extraction and sale of all mineral products from the Engebø deposit. 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 granted to Nordic Mining also include the adjacent area for the subsequent underground mining, and Nordic Mining has initiated activities also for this phase.
- **Main permits in place; steady progress on infrastructure and local regulatory matters**  
Nordic Mining holds all rights and permits necessary for its current operations related to the Engebø project. This includes extraction permits for rutile (state's mineral) which generally also implies 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.

A process has been initiated with Naustdal municipality regarding detailed regulation of buildings and infrastructure at the processing plant and service areas, as well as for the access and haul roads etc. Further, a zoning plan process for the planned pipeline for process water supply is ongoing.

The Engebø project is developed in accordance with high international standards for environment, health and safety. A comprehensive monitoring program for various environmental aspects is being prepared.

- ***Comprehensive definitive feasibility activities ongoing***

The main purpose of the definitive feasibility study is to qualify the project for construction financing with a combination of debt and equity. The definitive feasibility study is progressing well and targets high-quality assessments and de-risking of all important aspects of the project.

Certain aspects of the mineralogy and texture of the Engebø deposit is complex, and the ongoing process test work is comprehensive and thorough. Several positive clarifications and verifications relating to configuration of the rutile and garnet processing circuits have been achieved. Further improvements are targeted related to garnet yields, particle size distribution etc. The test work activities, including bulk sample testing, are scheduled to continue into the first quarter 2019.

Except for the process flowsheet, engineering and the detailed design activities for most of the other project areas have commenced. The timeline for completion of the definitive feasibility study will be reaffirmed when the process flowsheet has been finalized. The current estimate is completion mid-year 2019.

- ***Increased resource estimates***

The Engebø resource model and classifications were updated in June 2018 by Competent Person Adam Wheeler. The limited drilling program in January/February 2018 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% TiO<sub>2</sub>. The average grade of rutile and garnet in the measured and indicated categories is 3.87% and 44.4%, respectively. The ongoing definitive feasibility work is based on the 2018 resource model and estimates.

## **Keliber lithium project**

- ***Definitive feasibility study confirms profitable lithium project***

In June 2018, Keliber (Nordic Mining owns approximately 22%) completed the definitive feasibility study for the lithium project in Finland. The study confirms a profitable business case and outlines the plans for execution of the project. The main results are summarized in the following:

- Strong project financials:
  - Pre-tax net present value (NPV @ 8% discount rate) of EUR 295 million
  - Post tax net present value (NPV @ 8% discount rate) of EUR 225 million
  - Pre-tax internal rate of return (IRR) of 24%
  - Post tax internal rate of return (IRR) 22%
  - Pay-back period: 5.5 years
- Significantly increased mineral resource and ore reserve estimates
- Average battery grade lithium carbonate sales volume of 10,745 tonne/year
- Average lithium carbonate sales price of USD 12,357 per tonne
- 13 years of open pit and underground mining operations followed by 7 years of production based on purchased spodumene concentrate
- Upfront capital cost of EUR 199 million for mines and production facilities; additional capex of EUR 56 million during the production period

- ***Assessments related to offtake and project financing are ongoing***

The definitive feasibility study is expected to provide a solid foundation for project financing required to execute the lithium project. Keliber is actively assessing market options, and dialogues to secure offtake agreements suitable for the project financing are ongoing.

Considerations regarding financing with a combination of debt and equity are carried out with support

from advisors. An important element in this process is to carry out a technical review of the project with professional resources independent of the company and its feasibility study advisor/coordinator, Hatch. The international mining consultancy company SRK has been contracted for this purpose.

- **Permitting process well under way**

Keliber has obtained a special pre-consultation status for its permitting process which implies that the company interacts closely with the authorities throughout the process. The permit application for the Syväjärvi deposit was submitted in May 2018, and a clarification is expected shortly. Applications for the Rapasaari deposit, the Kalavesi concentrator plant and the Kokkola chemical plant are targeted to be submitted before year end. Keliber expects clarification of the remaining permits during the first half of 2019.

- **Strong lithium market and outlook**

Generally, the lithium market is developing on a positive note and contract prices have increased so far in 2018. Going forward, a continued tight market balance is expected. The fastest demand growth for lithium is related to batteries for electric/hybrid vehicles and energy storage. Several initiatives relating to battery production in Europe, including Finland and Sweden, are under development.

Keliber has commenced a pilot plant test program for production of lithium hydroxide in cooperation with Outotec Finland. A successful outcome of the test program will increase Keliber's market flexibility going forward. Keliber expects the test work and the assessments to be completed in Q1 2019.

## Financial performance

*Unless other information is given, numbers in brackets for comparison relate to the corresponding period in 2017.*

The Group is in the definitive feasibility phase of its main mineral projects and has, so far, no sales revenues from its operation. The Group's operating loss in the third quarter was NOK -17.5 million (NOK -8.6 million). Accumulated operating loss was NOK -43.3 million (NOK -27.1 million). The operating losses relate mainly to costs for the Engebø definitive feasibility study which started during the fall of 2017, and general corporate expenses. In the first nine months of 2018, the Group has capitalized costs related to a limited drilling program at the Engebø deposit at a total amount of NOK 2.3 million (NOK 0 million).

The Group's investment in Keliber is classified as shares in an associated company. Nordic Mining's shareholding in Keliber is approximately 22%. Keliber is developing a lithium project in Finland and has, so far, no sales revenue from its operation. Keliber's definitive feasibility study which was completed in June 2018, underscores that the ongoing development activity is contributing attractive values for the Group.

Nordic Mining's share of result from the associated company in the third quarter was NOK -1.7 million (NOK -1.8 million) reflecting the pro-rata share of Keliber's costs related to the completed definitive feasibility study, the ongoing permitting process and general corporate expenses. The accumulated result related to Keliber was NOK -5.5 million (profit of NOK 2.4 million). The accumulated profit in the first nine months of 2017 included, in addition to the accumulated pro-rata share of result from Keliber, also the reversal of previous impairment at an amount of NOK 5.1 million, and a profit at an amount of NOK 7.1 million following from a deemed disposal related to Nordic Mining's reduced shareholding in Keliber in the first quarter 2017. The reversal of impairment and the profit resulting from the deemed disposal followed from the positive development work in Keliber, e.g. the completed prefeasibility study in 2016 indicating an economic viable lithium project, and the value appraisal following from an equity issue to new investors in the first quarter 2017.

The carrying amount for Nordic Mining's investment in Keliber as per 30 September 2018 is NOK 22.8 million (31 December 2017: NOK 29.3 million). Share issue prices of equity transactions in Keliber in 2017 indicate a fair value of the company well above the Group's carrying amount of the investment.

The total net loss for the Group in the third quarter was NOK -19.2 million (NOK -10.2 million). The Group's accumulated total net loss was NOK -48.7 million (NOK -24.6 million).

Cash flow from the Group's operating activities in the first nine months was NOK -40.7 million (NOK -30.7 million). Accumulated net cash used in investment activities was NOK -6.5 million (NOK -11.8 million). The Group's investments relate to capitalized drilling costs and licence costs for the Engebø deposit. Net cash flow from financing activities was NOK 55.4 million (NOK 6.5 million) arising from the share issues in January and

February 2018.

The Group's cash balance at 30 September 2018 amounted to NOK 29.8 million which is estimated to be sufficient until year end of 2018 based on current activity plans. The rights issue which was resolved by an extraordinary general meeting on 1 November 2018 is targeted to increase the Group's financial flexibility, primarily to progress the Engebø definitive feasibility study. The Company will continue to work to attract new working capital for its operation. The Company may explore several options in respect of funding for the remaining Engebø pre-construction activities, hereunder divestment of non-core assets and share capital increases.

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 2017 and the prospectus for the rights issue dated 2 November 2018; both documents are available on the Company's webpage [www.nordicmining.com](http://www.nordicmining.com).

Nordic Mining's total assets as of 30 September 2018 were NOK 84.9 million (31 December 2017: NOK 77.1 million), and the Group's total equity amounted to NOK 75.8 million (31 December 2017: NOK 70.2 million). This gives an equity ratio of approximately 89% (31 December 2017: 91%).

## **Main projects and activities**

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

#### *General project information*

The Engebø deposit is one of the largest unexploited rutile deposits in the world and has among the highest in situ grade of rutile (TiO<sub>2</sub>) compared to existing producers and development projects. 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 ongoing.

Nordic Mining holds all rights and permits necessary for its current operations related to the project. The zoning plan for the mining and processing areas and the environmental permit for the project are fully granted. The Engebø project is 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 port and with smooth shipping and advantageous logistics to European and overseas markets.

#### *Increased resource estimates*

A limited drilling program was carried out at Engebø from mid-January to mid-February 2018. In total, 1,581 meters was drilled in 10 drill holes. The aim of the drilling was to increase the knowledge of the ore body and the geotechnical conditions in the open pit.

The tables below provide an overview of the updated resource estimates at 2% and 3% TiO<sub>2</sub> cut-off grade, respectively, as presented by the Competent Person, Adam Wheeler in June 2018. The ongoing definitive feasibility work is based on the 2018 resource model and estimates.

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

Resource class	Tonnage Mt	TiO <sub>2</sub> %	Garnet%
Measured	30	3.61	43.5
Indicated	102	3.49	42.8
<b>Measured &amp; Indicated</b>	<b>132</b>	<b>3.51</b>	<b>42.9</b>
Inferred	256	3.15	40.1

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

Resource class	Tonnage Mt	TiO <sub>2</sub> %	Garnet%
Measured	22	3.95	44.9
Indicated	75	3.85	44.2
<b>Measured &amp; Indicated</b>	<b>98</b>	<b>3.87</b>	<b>44.4</b>
Inferred	132	3.82	42.5

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

\*\* 2%/3% cut-off grade means that only ore with TiO<sub>2</sub> content of 2%/3% or more is included in the resource estimates.

The international mining consultancy company SRK has carried out geotechnical, hydrogeological and structural logging and modelling based on drill hole data. SRK's recommendations on slope angles and stability conditions confirm important and improved parameters for the open pit design and mining schedules, including ore and waste rock tonnages. The mine and scheduling plans are at an advanced stage and will be completed when rutile and garnet recovery factors have been determined in connection with the final process flowsheet assessments.

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 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.

*Definitive feasibility study and other ongoing development activities*

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 with a combination of debt and equity. This implies that the quality of the technical assessments and financial analysis will be further increased from the prefeasibility study. The definitive feasibility study is progressing well targeting 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 demonstrations and ore variability testing. Optimal crushing and grinding, as well as maximizing recovery is important to secure stable output volumes and consistent product qualities. The process optimization test work is well under way. Tests carried out have resulted in cost optimization and confirmation of critical process parameters. Certain aspects of the mineralogy and texture of the Engebø deposit is, however, complex, and consequently the optimization test work is thorough. Further improvements are targeted related to coarse and finer garnet yields, particle size distribution etc. A bulk sample test program was started early October and scheduled to continue into the first quarter 2019, including adjustment testing following from application feedback.

The Company has engaged a Senior Process Engineer who will service the Engebø project with effect from September 2018. Further strengthening of the project team is considered on a continuous basis.

Except for the process flowsheet, engineering and the detailed design activities have started for most of the other project areas. This includes mining, crushing and storage, administration office, water and power supply and other infrastructure elements for the project. The timeline for completion of the definitive feasibility study will be reaffirmed when the process flowsheet has been finalized. The current estimate is completion mid-year 2019.

Supplementary to the definitive feasibility study, various infrastructure activities have been initiated. These include regulatory work for 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 being prepared and will be reviewed in dialogue with the relevant authorities.

Nordic Mining intends to secure a 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 the main landowners signed

The agreements 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. 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 activities related to this phase has been initiated.

#### Permits granted and local regulatory processes progressing

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.

A process has been initiated with Naustdal municipality regarding detailed regulation of buildings and infrastructure at the processing plant and service areas, as well as for the access and haul roads etc. A hearing process has been carried out, and the municipality administration is in the process of summarizing the feedback. Further, a zoning plan process for the planned pipeline for process water supply is ongoing. Engineering work is ongoing for re-routing of a public road in the process area as well as preparations for strengthening of the regional power grid.

#### Positive commercial outlook for rutile and garnet

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.

Rutile prices (95% TiO<sub>2</sub>) have continued to increase in third quarter and have recently been reported around USD 1,050 per tonne. The main market drivers which are expected to continue, are a strong demand for high-grade feedstock following from high capacity utilization in the pigment industry, reduced stockpiles and limited rutile supply. 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 price for rutile around USD 1,070 per tonne. In May 2018, TZMI's long-term price estimate was adjusted to USD 1,092 per tonne.

Nordic Mining is in dialogue with potential customers and will seek to clarify offtake arrangements for rutile prior to the completion of the definitive feasibility study. The Company is experiencing positive interest from potential customers both in the pigment industry and in the titanium metal industry.

The main applications for garnet are in waterjet cutting, sand blasting and for various abrasives. Prices vary depending on quality and application. There is currently no production of garnet in Europe. 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.

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

#### Strategic partnership with the Barton Group

In November 2017, Nordic Mining signed a Heads of Agreement with the Barton Group related to offtake and commercial cooperation for garnet from Engebø. Barton is a leading US garnet producer and distributor with a strong foothold, particularly in the North American markets. Barton intends to be an industrial anchor investor in the construction financing to establish the Engebø operation. Technical meetings with Barton on garnet processing provide valuable knowledge for the ongoing feasibility test work.

#### **Keliber lithium project**

##### General project information

The associated company Keliber in Finland (Nordic Mining owns approximately 22%) has several deposits of high quality lithium mineral suitable for extraction and production of high-purity lithium carbonate. Lithium carbonate has a variety of applications, e.g. for batteries which takes up an increasing share of the total global lithium consumption. Keliber completed the definitive feasibility study for the lithium project with positive results in June 2018.

##### Increased resource estimates

Keliber carried out extensive drilling programs in 2017 and the first part of 2018. In total, around 11.4 km has been drilled in the Rapasaari, Syväjärvi and Emmes deposit areas. As a result of the drilling program, the total mineral resource estimate for the measured and indicated categories in accordance with the JORC code 2012 has increased by 1.4 million tonnes (17%) compared with the June 2017 estimate. The most significant increase, around 1.0 million tonne, is in the Rapasaari deposit. Including the inferred mineral resources, Keliber's total mineral resources are 10 million tonnes.

Keliber's mineral resource estimates\*, using a 0.50% Li<sub>2</sub>O cut-off grade, as presented in May 2018 are shown in the table below. The estimates were basis for the definitive feasibility study which was completed in June 2018:

(Mill. tonnes)	<b>Länttä</b>	<b>Syväjärvi</b>	<b>Outovesi</b>	<b>Rapasaari</b>	<b>Leviäkangas</b>	<b>Emmes</b>	<b>Total</b>
Resource category:							
Measured	0.42	0.79	-	-	-	-	1.21
Indicated	0.91	1.38	0.28	4.43	0.19	1.08	8.26
<b>Sub-Total</b>	<b>1.33</b>	<b>2.17</b>	<b>0.28</b>	<b>4.43</b>	<b>0.19</b>	<b>1.08</b>	<b>9.47</b>
Ore grade (Li <sub>2</sub> 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 the Competent Persons Markku Meriläinen (MAusIMM) and Pekka Lovén (MAusIMM) in accordance with the JORC Code (2012 edition)

Keliber has carried out substantial drilling subsequent of the last resource update, and the drilling program is scheduled to continue during winter season and into 2019. An update of the resource estimates is targeted in the second quarter of 2019.

#### Positive definitive feasibility study published in June 2018

The study confirms a profitable business case and outlines the plans for execution of the project. The main results presented in the definitive feasibility study are:

- Strong project financials:
  - Pre-tax net present value (NPV @ 8% discount rate) of EUR 295 million
  - Post tax net present value (NPV @ 8% discount rate) of EUR 225 million
  - Pre-tax internal rate of return (IRR) of 24%
  - Post tax internal rate of return (IRR) 22%
- Pay-back period: 5.5 years
- Significantly increased mineral resource and ore reserve estimates



- Average battery grade lithium carbonate sales volume of 10,745 tonne/year
- Average lithium carbonate sales price of USD 12,357 per tonne
- 13 years of open pit and underground mining operations followed by 7 years of production based on purchased spodumene concentrate
- Upfront capital cost of EUR 199 million for mines and production facilities; additional capex of EUR 56 million during the production period

The definitive feasibility study is expected to provide a solid foundation for project financing required to execute the lithium project. Keliber is actively assessing market options, and dialogues to secure offtake agreements suitable for the project financing are ongoing.

Considerations regarding financing with a combination of debt and equity are carried out with support from advisors. An important element in this process is to carry out a technical review of the project with professional resources independent of the company and its feasibility study advisor/coordinator, Hatch. The international mining consultancy company SRK has been contracted for this purpose.

### Strong lithium market and outlook

Contract prices for lithium carbonate doubled in 2017 compared to 2016. Generally, the lithium market is developing on a positive note and contract prices have further increased so far in 2018. Going forward, a continued tight market balance is expected. The fastest demand growth for lithium is related to batteries for electric/hybrid vehicles and energy storage. Several initiatives are being developed related to battery production in Europe including also Finland and Sweden.

The battery grade lithium carbonate (>99.5% Li<sub>2</sub>CO<sub>3</sub>) is used in the cathode part of the batteries. Lithium carbonate of ≥99.9% purity is used in the manufacturing of electrolyte solutions for lithium-ion batteries. Lithium-ion batteries are used in electric and hybrid vehicles and electronics like tablets, mobile phones and laptops. Lithium-ion batteries are to an increasing extent also being used for energy storage, mainly related to production of renewable energy, e.g. solar, wind etc. Lithium is also used in more traditional applications, i.a. in the manufacturing of glass, ceramics, lubricants and other industrial processes. The average demand growth for lithium used in traditional applications is expected to be on par with the global economic growth (as measured through GDP).

Keliber has commenced a pilot plant test program for production of lithium hydroxide. The program which is carried out in cooperation with Outotec Finland, includes various technical test work based on Keliber's spodumene concentrate. To an increasing extent lithium hydroxide is used in cathodes for lithium-ion batteries in electric vehicles, and a successful outcome of the test program will increase Keliber's market flexibility going forward. Keliber expects the test work and the assessments to be completed in Q1 2019.

### Environmental permitting

Keliber has obtained a special pre-consultation status for its permitting process which implies that the company interacts closely with the authorities during the process. The purpose is to streamline the work and secure a time-efficient process with the involved parties.

Keliber has a mining license for the Länttä lithium deposit and permits for mining, operation and waste disposal for Länttä and for production at the Kalavesi plant area.

The permit application for the Syväjärvi deposit was submitted in May 2018, and a clarification is expected shortly. Applications for the Rapasaari deposit, the Kalavesi concentrator plant and the Kokkola chemical plant are targeted to be submitted before year end. Keliber expects clarification of the remaining permits during the first half of 2019.

A supplement to the environmental impact assessment program for the Kokkola chemical plant has been submitted to cater for a possible future capacity expansion to 24,000 tonnes of lithium carbonate per year. The purpose of the supplement is to have strategic flexibility utilising combinations of domestic raw materials and overseas supply.

## ***Strategic assets and initiatives***

### *Kvinnherad quartz project*

Nordic Mining has exclusive rights for the investigation and development of a quartz deposit in Kvinnherad municipality in Norway. Studies and tests show that the quartz has a low content of contaminants and therefore can be regarded as a high-purity type of quartz.

An independent resource assessment in accordance with the JORC Code has been made based the results from core drilling and exploration. A quartz-containing mineral resource of 2.92 million tonnes in the indicated category and 1.34 million tonnes in the inferred category has been estimated. The quartz content of the deposit is on average 65%.

A work program has been established with the purpose to progress the quartz project. This includes supplementary processing test work based on drill core samples to assess homogeneity of the deposit, commercial dialogues, and preparation of regulatory issues for the project. Nordic Mining has a long-term strategy to develop the Kvinnherad quartz deposit towards production, either as a wholly owned project or in cooperation with an industrial partner.

### *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 4-year 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.

### *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 and the USA with patents pending in Canada, Russia and EPO (European Patent Office).

Oslo, 7 November 2018

The Board of Directors of Nordic Mining ASA

## CONSOLIDATED INCOME STATEMENTS

	<b>2018</b>	2017	<b>2018</b>	2017	2017
	<b>01.07-30.09</b>	01.07-30.09	<b>01.01-30.09</b>	01.01-30.09	01.01-31.12
<i>(Amounts in NOK thousands)</i>	<b>Unaudited</b>	Unaudited	<b>Unaudited</b>	Unaudited	Audited
Payroll and related costs	<b>(3 124)</b>	(1 806)	<b>(7 739)</b>	(8 144)	(10 879)
Depreciation and amortisation	<b>(38)</b>	(38)	<b>(114)</b>	(114)	(152)
Other operating expenses	<b>(14 330)</b>	(6 721)	<b>(35 401)</b>	(18 815)	(25 175)
<b>Operating profit/(loss)</b>	<b>(17 492)</b>	(8 565)	<b>(43 254)</b>	(27 073)	(36 206)
Share of result of an associate	<b>(1 668)</b>	(1 825)	<b>(5 453)</b>	2 403	542
Financial income	<b>105</b>	178	<b>288</b>	198	268
Financial costs	<b>(102)</b>	(14)	<b>(294)</b>	(88)	(177)
<b>Profit/(loss) before tax</b>	<b>(19 157)</b>	(10 226)	<b>(48 713)</b>	(24 560)	(35 573)
Income tax	-	-	-	-	-
<b>Loss for the period</b>	<b>(19 157)</b>	(10 226)	<b>(48 713)</b>	(24 560)	(35 573)
<b>Profit/(loss) attributable to</b>					
Equity holders of parent	<b>(19 157)</b>	(10 226)	<b>(48 713)</b>	(24 517)	(35 530)
Non-controlling interest	-	-	-	(43)	(43)
<b>Earnings per share attributable to ordinary shareholders</b>					
<i>(Amounts in NOK)</i>					
Basic and diluted earnings per share	<b>(0,17)</b>	(0,11)	<b>(0,43)</b>	(0,26)	(0,37)

## STATEMENTS OF COMPREHENSIVE INCOME

	<b>2018</b> <b>01.07-30.09</b> <b>Unaudited</b>	2017 01.07-30.09 Unaudited	<b>2018</b> <b>01.01-30.09</b> <b>Unaudited</b>	2017 01.01-30.09 Unaudited	2017 01.01-31.12 Audited
<i>(Amounts in NOK thousands)</i>					
<b>Net profit/(loss) for the period</b>	<b>(19 157)</b>	(10 226)	<b>(48 713)</b>	(24 560)	(35 573)
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Currency translation differences	<b>(96)</b>	(546)	<b>(1 045)</b>	1 222	2 533
Currency translation reclassified to profit and loss	-	-	-	(410)	(410)
<i>Items that will not be reclassified subsequently to profit or loss:</i>					
Changes in pension estimates	-	-	-	-	201
<b>Other comprehensive income directly against equity</b>	<b>(96)</b>	(546)	<b>(1 045)</b>	812	2 324
<b>Total comprehensive income for the period</b>	<b>(19 253)</b>	(10 772)	<b>(49 758)</b>	(23 748)	(33 249)
<b>Comprehensive income</b>					
Equity holders of parent	<b>(19 253)</b>	(10 772)	<b>(49 758)</b>	(23 705)	(33 206)
Non-controlling interest	-	-	-	(43)	(43)

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>(Amounts in NOK thousands)</i>	Note	<b>30.09.2018</b> <b>Unaudited</b>	<i>31.12.2017</i> Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Evaluation and exploration assets	3	<b>27 909</b>	21 619
Property, plant and equipment		<b>283</b>	197
Investment in associate		<b>22 756</b>	29 254
<b>Total non-current assets</b>		<b>50 948</b>	51 070
<b>Current Assets</b>			
Trade and other receivables		<b>4 135</b>	4 516
Cash and cash equivalents		<b>29 774</b>	21 547
<b>Total current assets</b>		<b>33 909</b>	26 063
<b>Total assets</b>		<b>84 857</b>	77 133
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	4	<b>68 070</b>	56 895
Share premium	4	<b>375 491</b>	331 223
Other paid-in capital		<b>14 354</b>	14 354
Retained losses		<b>(384 571)</b>	(335 858)
Other comprehensive income		<b>2 499</b>	3 544
<b>Total equity</b>		<b>75 843</b>	70 158
<b>Non-current liabilities</b>			
Other liabilities		<b>360</b>	603
<b>Total non-current liabilities</b>		<b>360</b>	603
<b>Current liabilities</b>			
Trade payables		<b>3 004</b>	3 200
Other current liabilities		<b>5 650</b>	3 172
<b>Total current liabilities</b>		<b>8 654</b>	6 372
<b>Total liabilities</b>		<b>9 014</b>	6 975
<b>Total shareholders' equity and liabilities</b>		<b>84 857</b>	77 133

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### Unaudited

	Attributed to equity holders of the parent						Non - controlling interest	Total equity	
	Note	Share capital	Share premium	Other-paid- in capital	Other comprehensive income	Accumulate d losses			Total
<i>(Amounts in NOK thousands)</i>									
<b>Equity 1 January 2017</b>		<b>55 550</b>	<b>326 045</b>	<b>14 354</b>	<b>1 220</b>	<b>(300 026)</b>	<b>97 143</b>	<b>(173)</b>	<b>96 970</b>
Loss for the period		-	-	-		(24 517)	(24 517)	(44)	(24 561)
Other comprehensive income		-	-	-	812	-	812	-	812
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>812</b>	<b>(24 517)</b>	<b>(23 705)</b>	<b>(44)</b>	<b>(23 749)</b>
Acquisition of non-controlling interest		-	-	-	-	(302)	(302)	217	(85)
Share issue		1 345	5 603	-	-	-	6 948	-	6 948
Transaction costs		-	(425)	-	-	-	(425)	-	(425)
<b>Equity 30 September 2017</b>		<b>56 895</b>	<b>331 223</b>	<b>14 354</b>	<b>2 032</b>	<b>(324 845)</b>	<b>79 659</b>	<b>-</b>	<b>79 659</b>
<b>Equity 1 January 2018</b>		<b>56 895</b>	<b>331 223</b>	<b>14 354</b>	<b>3 544</b>	<b>(335 858)</b>	<b>70 158</b>	<b>-</b>	<b>70 158</b>
Loss for the period		-	-	-	-	(48 713)	(48 713)	-	(48 713)
Other comprehensive income		-	-	-	(1 045)	-	(1 045)	-	(1 045)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1 045)</b>	<b>(48 713)</b>	<b>(49 758)</b>	<b>-</b>	<b>(49 758)</b>
Share issue		11 175	48 425	-	-	-	59 600	-	59 600
Transaction costs		-	(4 157)	-	-	-	(4 157)	-	(4 157)
<b>Equity 30 September 2018</b>		<b>68 070</b>	<b>375 491</b>	<b>14 354</b>	<b>2 499</b>	<b>(384 571)</b>	<b>75 843</b>	<b>-</b>	<b>75 843</b>

## CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

For the period ended 30 September

	2018	2017
	01.01-30.09	01.01-30.09
<i>(Amounts in NOK thousands)</i>	<i>Unaudited</i>	<i>Unaudited</i>
<b><i>Operating activities:</i></b>		
<b>Net cash used in operating activities</b>	<b>(40 726)</b>	<b>(30 722)</b>
<b><i>Investing activities:</i></b>		
Acquisition of licences and properties	<b>(4 018)</b>	(259)
Investment in other exploration and evaluation assets	<b>(2 272)</b>	-
Investment in property, plant and equipment	<b>(200)</b>	-
Investment in associate	-	(11 544)
<b>Net cash used in investing activities</b>	<b>(6 490)</b>	<b>(11 803)</b>
<b><i>Financing activities:</i></b>		
Share issuance	<b>59 600</b>	6 948
Transaction costs, share issue	<b>(4 157)</b>	(425)
<b>Net cash from financing activities</b>	<b>55 443</b>	<b>6 523</b>
<b>Net change in cash and cash equivalents</b>	<b>8 227</b>	<b>(36 002)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>21 547</b>	<b>66 112</b>
<b>Cash and cash equivalents at end of period</b>	<b>29 774</b>	<b>30 110</b>

## NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018

### 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 2017.

This report was approved by the Board of Directors on 7 November 2018.

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 2017.

### Note 2 – SEGMENT

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.
- Quartz which can be produced from the quartz deposit in Kvinnherad. A scoping study outlines the potential for a profitable industrial quartz project.

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

The Group uses the segments’ profit/(loss) before tax from continuing operations as the basis for the segment results including some allocations of corporate expenses. All the numbers in the table below are in NOK thousands and represent the period 1 January – 30 September.

(Amounts in NOK thousands)	Quartz		Titanium & Garnet		Adjustments and eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
Revenues	-	-	-	-	-	-	-	-
Segment result	(492)	(447)	(38 418)	(24 292)	(9 803)	179	(48 713)	(24 560)
Investment in exploration and evaluation assets	-	-	6 290	259	-	-	6 290	259

### Note 3 – EXPLORATION AND EVALUATION ASSETS

In the first part of 2018, the Group has completed additional exploratory drilling at Engebø (the Titanium & Garnet segment). The Group capitalized NOK 2.3 million of drilling cost in the nine months period. The Group’s total capitalized drilling cost at 30 September 2018 was NOK 17.3 million.

### Note 4 – SHARE CAPITAL

On 14 December 2017, Nordic Mining executed a private placement of 15,625,000 shares at a subscription price of NOK 3.20 per share. The private placement was approved in an extraordinary general meeting on 8 January 2018. The gross proceeds were NOK 50.0 million. A subsequent offering of 3,000,000 shares at a subscription price of NOK 3.20 per share were executed 30 January 2018 with gross proceeds of NOK 9.6 million. Net proceeds from the share issues of NOK 55.4 million were received in January and February 2018.

As per the date of this report, the Company’s share capital is NOK 68,070,280.80 divided into 113,450,468 shares, each with a par value of NOK 0.60.