

Recommendation

Mining and exploration

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Corporate Advice & Research AS

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Nordic Mining

A Nordic based mining company with a world-class TiO₂ deposit.

We initiate coverage of Nordic Mining (NM) with a **Buy**-rating and share price target **NOK 5,0-**. NM has acquired the Engebøfjellet, a TiO₂ deposit with an in-situ value of ca \$10bn. NM also holds the right to one of Europe's potentially largest tungsten deposits in Norway. In addition, NM has economic interest in 4 gold concessions in Ecuador, proprietary EM-technology and 72 claims for titanium, thorium, gold, wolfram and Rare Earth Elements in Norway.

Engebøfjellet, a world-class TiO₂ deposit

The deposit has been subject to extensive exploration by both NGU and DuPont and has a resource of 15,1m tonnes of TiO₂. Former concession holder DuPont calculated a NPV of \$351m for the project. We have assigned a value of NOK 2,80/share for Engebøfjellet.

Målviken, one of Europe's largest tungsten deposits?

NM has a 100% interest in the Målviken tungsten deposit in Norway. The deposit is estimated to contain 2,5m tonnes of ore @ ca 0,7%, resulting in a resource of ca 14,300 tonnes of tungsten. Tungsten prices have skyrocketed by 400% the past 3 years. Our probability weighted DCF model returns a value of NOK 50,0m or 1,7/share.

Gold concessions in Ecuador in the proximity of significant discoveries...

NM has economic interest in 4 gold concessions in Ecuador. 2 of NM's concession are located right next to Dynasty's Zaruma deposit of 2,5m oz @13,9 g/t. Due diligence work conducted by an independent firm assigned a value of NOK 45-70m.

...New developments in a proven technology

EM technology has been used to detect several mineral deposits that today are operating mines. However, the full capacity is far from reached. NM's technology could provide a substantial improvement to the interpretation of EM data for minerals exploration on land.

... And thorium claims in Norway

Norway has the world's third largest reserves of thorium, after Australia and India. Presently, the market for thorium and its value is limited. However, strong efforts have been made in the last decade to achieve a transition from uranium to thorium as a nuclear fuel in reactors. India for example already has a test-reactor. If this transition is implemented, the value of thorium and consequently NM's concessions may increase significantly.

Sum of the parts (SOTP)

Adding up NM's projects, we find a SOTP value of NOK 175,3m or 6,10/share, we set at 6-month target of NOK 5,0/share. Based on 100% probability for Engebø and Målviken we see a blue sky potential of NOK 976,2m or 34/share.

CAR has corporate relations with Nordic Mining, see back-page for additional information.

Capitalisation (NOK)		Share performance			
			1M	3M	6M
Share price	3,5	Absolute	85 %	270 %	208 %
52-week range	1,0-4,0	Relative to OBX	76 %	256 %	182 %
Dividend yield	0 %				
Shares outstanding (m)	28,7				
Shares, fully diluted (m)	32,7	Estimates/valuation	2007E	2008E	2009E
Market cap (m)	100,5	Revenue	-	-	-
Net debt/(cash) (m)	(10,0)	EPS (NOK)	neg.	neg.	neg.
EV (m)	90,5	P/E	n.m.	n.m.	n.m.
Free float	76 %				

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Company Description

Nordic Mining was registered the 8th of May 2006. The company is the result of a de-merger from Rocksource ASA. Rocksource is an innovative technology orientated oil company, listed on the Oslo Stock Exchange. Previously, Rocksource also held the rights to gold concessions in Ecuador and intended to develop their knowledge and expertise to include exploration for minerals as well. To create transparency and visualize the value of their mineral concessions and the use of Electromagnetic (EM) imaging in mineral exploration, Rocksource's minerals operations was de-merged, of which Nordic Mining (NM) is the result.

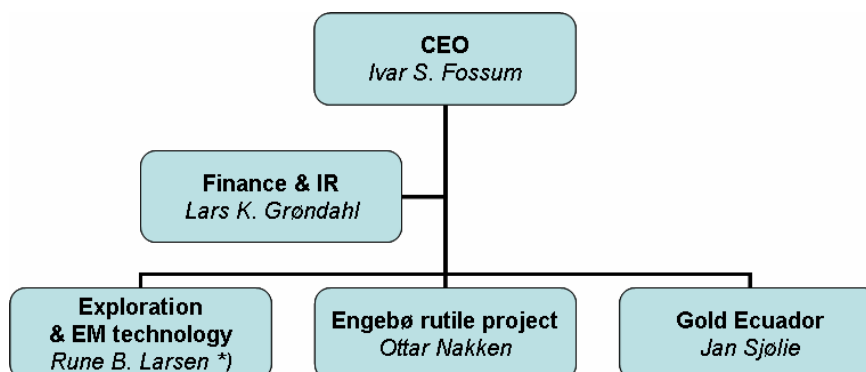
Nordic Mining has retained all ownerships, rights and liabilities concerning the minerals operations that previously were held by Rocksource, including the everlasting and world-wide technological rights to EM for use in mineral exploration.

NM acquired the Engebøfjellet titanium dioxide (TiO₂) deposit from ConocoPhillips Norway on September the 15th last year. The Engebøfjellet contains 382m tonnes of ore at an average grade of 4% titanium dioxide, resulting in ca 15m tonnes of titanium dioxide.

In addition, Nordic Mining has economic interest in 4 gold concessions in Ecuador and 72 claims in Norway for titanium, thorium, gold, wolfram and Rare Earth Elements.

Nordic Mining aims to be a Nordic based technology driven exploration and producing mining company with focus on high-end industrial minerals and metals such as thorium, tungsten and titanium.

Organisational structure



Source: Company information, *consulting (NTNU)

Management, Board and Shareholders

Bernhard Mellbye (48), Chairman: Mr. Mellbye holds a MSc of Business Administration from the Norwegian School of Economics and Business Administration in Bergen, Norway and from INSEAD, France. He has broad experience from various management positions in the food industry such as vice president in Stabburet AS and vice president business development in Orkla Foods AS.

Currently, Mr. Mellbye holds the position as partner and Chief Operating Officer of Strategy House AS, a consultancy company within strategy, market development and internationalisation.

Per Havdal (67), board member: Mr. Havdal holds a MSc in mining engineering from the Norwegian University of Science and Technology in Trondheim (NTNU). He has a long and diversified experience from several management positions in the Norwegian mining industry, such as COO for Rana Gruber. Havdal was for several years a member of the management board of Norsk Jernverk. Furthermore, he has been vice president and COO of Fundia.

Anne Dæhlie (46), board member: Mrs. Dæhlie holds a MSc in chemical engineering from the Norwegian University of Science and Technology in Trondheim, Norway. Dæhlie is Manager of the Department of Strategy in Statkraft, focusing on corporate strategy, business development and M&A activities. Prior to joining Statkraft, Dæhlie was employed by Saga Petroleum for 16 years, having various key positions within field engineering, field development, project management and license administration.

Camilla Fiskevoll (34), board member: Mrs. Fiskevoll is a senior lawyer with the law firm Kluge. She has a degree in law from the University of Oslo, Norway and has experience from practicing law within the areas of taxation, M&A and restructuring.

Ivar Sund Fossum (48), CEO: Mr. Fossum holds a MSc in mechanical engineering from the University of Science and Technology in Trondheim, Norway. Previously, he has held several managerial positions within the oil & gas- and fertilizer industry, such as director of raw materials sourcing and trading in Hydro Agri International, General Manager for Norsk Hydro East Africa Ltd. and CEO of Loke AS. Furthermore, Mr. Fossum has been vice president of projects in Jacobsen Elektro AS. He is also a board member of Henriette AS.

Lars K. Grøndahl (51), CFO: Mr. Grøndahl holds a MBA from the Norwegian School of Economics and Business Administration in Bergen, Norway. Mr. Grøndahl has 17 years of experience from industrial companies, primarily within the international cement industry where he has held several senior managerial positions, such as CFO of Cements AB, Stockholm and Scancem International ANS, Oslo. He has also been senior vice president for strategy, projects and business development of Scancem International/HeidelbergCement Africa and senior vice president business development/COO of Scancem International/HeidelbergCement Africa. Prior to his engagement in the cement industry, Grøndahl was Head of the department in the Norwegian Ministry of Industry. Grøndahl is currently Vice president of Dag Dvergsten AS and his engagement in Nordic Mining is regulated by the management agreement between Nordic Mining and Dag Dvergsten AS. Furthermore, Mr. Grøndahl is a board member of Raffia Holdings Limited, a Mauritius based company engaged in the packaging industry.

Jan Sjølie (48), Executive Vice President: Mr. Sjølie holds a MBA from the Norwegian School of Economics and Business Administration in Bergen. Prior to his commitment to Nordic Mining, Mr. Sjølie has held several positions within the finance industry, such as head of corporate finance at Platou Securities, head of shipping & offshore corporate finance at DnB Markets and head of the shipping department in Bergen Bank (now DnB NOR). Furthermore, he has been a member of the strategy committee at Focus Bank.

Ottar Nakken (52), Executive Vice President, board member: Mr. Nakken holds a MSc in social economy and business administration from the University of Copenhagen, Denmark. Nakken was employed under the management agreement with Dvergsten on the 1/1 -07 as Executive Vice President.

According to management, Mr. Nakken will likely leave his position as board member in the near future. Previously, he has also been the COO of Jebsen Shipping and has 18 years experience from various management positions in Norsk Hydro such as vice president for Hydro Agri North America and Hydro Agri International. Nakken has experience from several board positions at several companies as well as member of several committees in Norway and internationally.

Top 20 shareholders, as at 29.01.2007

Shareholders	Shares, M	%
DAG DVERGSTEN AS	3,70	12,9 %
DNO INVEST AS	1,81	6,3 %
JAN SJØLIE	1,54	5,4 %
LARS KRISTIAN GRØNDAHL	1,15	4,0 %
DEXIA BANQUE INTERNATIONALE	1,00	3,5 %
BALANCED ROCK AS	0,90	3,1 %
ØYSTEIN MADSEN	0,90	3,1 %
JONNY HESTHAMMER AS	0,76	2,7 %
KJELL ØIVIND HANSEN	0,50	1,7 %
SKEIE GROUP AS	0,50	1,7 %
OTTAR NAKKEN	0,45	1,6 %
INVENTOR AS	0,42	1,5 %
THOMAS ARTHUR COLLINS	0,42	1,5 %
REIDAR JARL HANSEN	0,35	1,2 %
ARVE JOHNSEN	0,34	1,2 %
GOLDMAN SACHS INTERNATIONAL	0,33	1,1 %
JO TORSMYR	0,30	1,0 %
SVEND OTTO REMØE	0,29	1,0 %
NORDEA SECURITIES AB*	0,28	1,0 %
SYDBANK SEGREGATED ACCOUNT	0,26	0,9 %
Subtotal top 20 shareholders	16,20	56,4 %
Others	12,52	43,6 %
Total	28,72	100,0 %

Source: Company information

The high ownership exposure by the board and management is a key strength of the shareholder structure. As at 29.01.2007, management and board holds ca 3,1m shares or 10,9%. In addition the management agent DDAS is the largest shareholder with 12,9%.

In total there are 4m options outstanding with a strike price of NOK 6,97 and settlement in June 2008. This gives 32,718,140 fully diluted shares if exercised.

Engebøfjellet, Rutile (TiO₂)**Resource**

Ore, tonnes, m	Rutile %	Rutile, tonnes, m
382	3,96 %	15,1

Source: Company information

Nordic Mining acquired 100% of the Engebøfjellet in Naustdal municipality in Sogn and Fjordane, Norway on September the 15th 2006 and the concession was granted in January 2007.

While constructing a tunnel through the mountain in the 1970s, it was discovered that the rock contained rutile.

Elkem started testing the ore of the Engebøfjellet in 1973 and NGU (the geological Survey of Norway) continued the exploration with start in 1978.

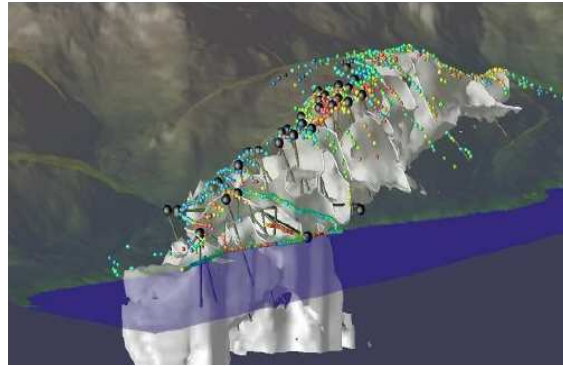
In 1989, DuPont (the world's largest pigment producer, pigment producers consume 94% of the TiO₂ supply) started cooperating with NGU to prospect for rutile in Norway. The objective was to locate high-grade ore in order to reduce waste disposal costs and environmental risks at DuPont chlorination process pigment plants. NGU recommended the Engebøfjellet to DuPont.

In the period 1995-1997, DuPont launched a drilling campaign totaling 15,000m over 49 diamond drilling cores and 4,959 drillhole samples complemented by 1,129 surface samples.

Furthermore, gravimetric and seismic studies have also been performed and confirmed the ore body.

DuPont's and NGU's exploration resulted in a resource of 382m tonnes of ore containing 3,96% of rutile (the resource is not NI 43-101 or JORC compliant, it is according NGU's geologists), or a total of 15,1m tonnes of rutile at 3,0% cut off.

Overview of the deposit, core drillings and surface samples



Source: Company information

In addition, DuPont has also conducted test work and financial modeling with detailed studies of CAPEX and OPEX.

DuPont's study utilized a process facility capable of processing 10m tonnes of ore annually, resulting in a production of 200k tonnes of rutile. Processing 10m tonnes of ore annually with a content of 200k tonnes of rutile also implies that there is 9,8m tonnes of tailings that has to be disposed. Based on the perimeters utilized in DuPont's model, the NPV of the project was calculated to \$351m, with an I.R.R. of 24%.

The solution of the tailings (the remaining proceeds when the metal/mineral has been extracted) is the key to start production of rutile at the Engebøfjellet. DuPont's studies advocated that the waste should be disposed in a deep subsea deposit in the Førdefjord, located in the immediate proximity of the Engebøfjellet.

The Engebøfjellet and the tunnel



Source: Company information

As of today there are several companies in Norway that has been granted approval for subsea disposals. Rana Gruber, North Cape Minerals and Norwegian Crystallites all utilize subsea deposits. In addition Gexco AB, a Swedish gold exploration company with a gold deposit in Bindal, Norway also advocates subsea depositing and believes that they will be granted a license for this.

Furthermore, there is also an EU directive promoting subsea deposits vs. onshore deposits from an environmental perspective.

Titania AS is a Norwegian ilmenite producer with a production facility in Hauge in Sokndal County.

Titania started the production of ilmenite at Tellnes in 1960 and disposed the tailings in two surrounding fjords for nearly 35 years, until a governmental resolution, after strong lobbying from Norwegian environmentalists, forced them to alter to land deposition in 1994.

Studies conducted since the subsea deposition halted, suggest that the decision might not have been optimal from an environmental perspective.

Titania and others, with reference to the studies conducted on the former subsea deposit since it halted in 1994, now claims that subsea deposits are more environmentally friendly than land deposition. Titania has nearly 35 year of experience of subsea deposits and studies of the deposits has been conducted since 1994, i.e. they now have more than 10 years of experience of land deposition to refer to.

Studies of the subsea deposit demonstrate that only after a couple of years the fjord has returned to its natural habitat with a normal animal- and plant life.

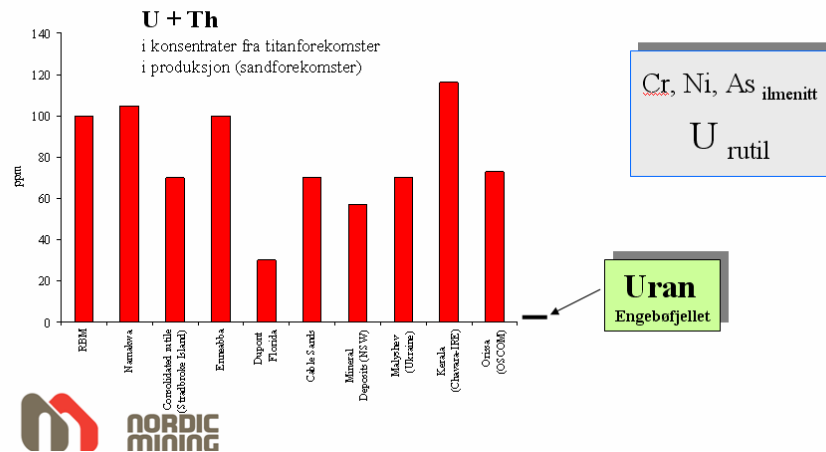
The depositing of mining tailings on land has at several mine sites proved more difficult. At Titania's mine site, Sandbeck and Lundetjern heavy metals have leaked to surrounding waters and polluted these. At Sandbeck these leakages have continued 50 years after the depositing halted.

This has caused Titania and others to question the transition from subsea- to land deposits as the minerals actually are more stable in water and it is a cheaper option.

Titania has now brought up the question again and advocates a return to subsea depositing. The disadvantage of Titania's tailings is that it contains rather high values of heavy metals, which if an accident occurred or likewise could pollute the water.

In the case of Engebøfjellet, the ore has an advantage as it is completely inert with low values of heavy metals. The project has a strong local support and the local authorities support the planning of a subsea deposit.

Uranium content of Engebøfjellet ore compared to other TiO₂ deposits.



Source: Company information

The project economics is strongly dependent upon the approval of a subsea deposit. However, based on the outcome of the comparative studies by Titania and that other Norwegian companies have been granted approval, the low values of heavy metals of the waste at Engebøfjellet and the strong local support we believe there is a fair chance that Nordic Mining will be granted an approval of subsea depositing and thereby will be able to start production of rutile at the Engebøfjellet.

DuPont's model and the forecast of the project is large-scale open pit mining. DuPont's model utilized an annual extraction of 13m tonnes of rock, containing 10m tonnes of ore and 3m tonnes of waste rock, resulting in an annual production of 200k tonnes of rutile.

Rutile has so far been recovered from rutile beach sand where it occurs freely but in smaller concentrations, sand deposits often contain ca 1% TiO₂ vs. Engebøfjellet's 4% grade.

As of today we have not identified any other hard-rock rutile deposits in production but according to management there are small scale hard-rock rutile mining in China and previously also in Russia. In addition, the NASDAQ listed White Mountain Titanium Corporation (symbol WMTM) has identified a rutile deposit of 116m tonnes of ore @ 2,1%, or 2,4mt of rutile, in Chile that they aim to bring in production in the coming years. WMTM today has a market capitalization of \$9,8m or ca NOK 61,5m. WMTM has no other assets and thus NOK 61,5m is the implied valuation of their 2,4m tonnes rutile deposit.

NM intends to supply both the pigment industry and the metal industry with rutile concentrate from Engebø.

Project development 2007/2008

Work program 2007/2008

- Environmental Impact Assessment, including alternatives for tailings to sea bed
- Processing studies and tests
- Mining model
- Market study
- Direct market approach
- Preparation for additional drilling program



Source: Company information

The environmental study is expected to be completed in ca 2 years, a Bankable Feasibility Study in ca 4 years and production in maximum 7-8 years, i.e. latest in 2014-2015 according to the current plans.

Målviken, tungsten (W), One of Europe's largest tungsten deposits?

Historical resource

Ore, tonnes, m	Grade	WO ₃ , tonnes	WO ₃ /W * W, tonnes	W, tonnes
2,51	0,90 %	22 581	0,79	17 907
2,51	0,72 %	18 065	0,79	14 325
2,51	0,70 %	17 563	0,79	13 927

Source: Company information, * W=tungsten, 1kg WO₃=0,793kg tungsten.

NM holds the title to 6 tungsten claims including the previously explored Målviken project in Brønnøy Komune, Nordland, Norway. The area is known to be mineral prolific from the Nordland Program (a local program initiated to locate potential new mines in the area) and is located in the proximity of Gexco's gold project in Kolsvik and IGE's Joma deposit (mined by Outokumpo 1972-1988).

The tungsten occurrence was discovered at the end of the sixties when the Norwegian Geological Survey (NGU) went through their collections with an UV-lamp. Since, Falconbridge Ltd. has carried out exploration and several reports, a Ph.D. thesis has been written on the deposit and the recovery of the ore has been tested by flotation. 4 diamond drillings were also performed, however the written report of these results is missing but reportedly $\frac{3}{4}$ encountered ore.

Location of the Målviken deposit

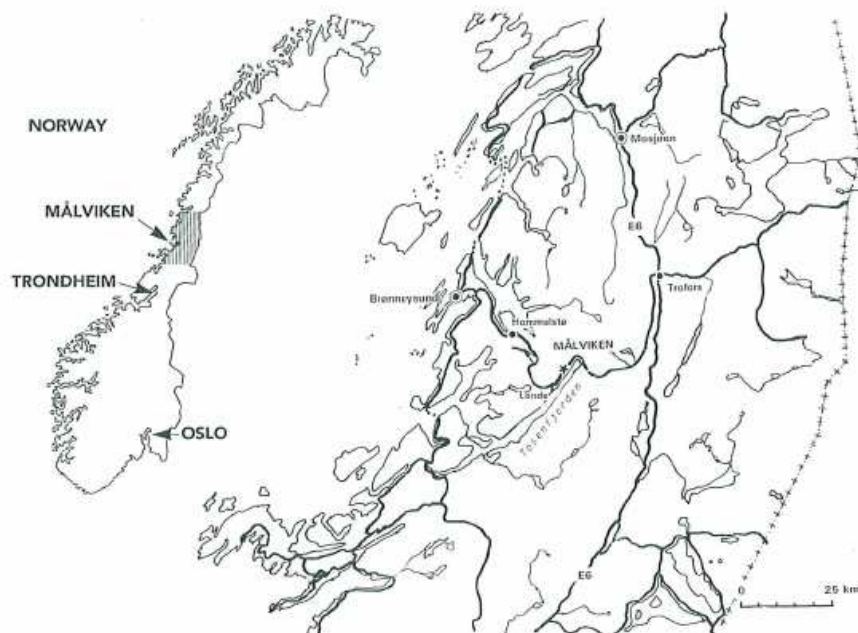


Fig. 1. Location of the Målviken occurrence

Source: Company information

In the 1990s, 2 private Norwegian prospectors continued the exploration after advise by Ingvar Lindahl (Head Master of the Nordland program). The private prospectors received financial support from the local authorities and performed mapping and sampling of the deposit 1995-1997. However, the real evidence of the occurrence of a tungsten deposit was found by simply hacking and removing earth in cross sections which identified 89 exposures of good and excellent mineralizations in 13 bands of skarn.

The area of those 13 zones is 1,898m².

In 1983 Falconbridge analysed 19 samples to asses the grade of the deposit, the highest grade encountered was 1,53% WO₃ and the second highest was 0,39%. 1995 the private prospectors analysed 12 samples, each of 10kg representing 1m or 120kg all together. The later grade assessment highest grade was 1,38% WO₃ and 0,43% for the second highest. The weighted average grade for the two analysis is 0,9% WO₃.

Based on the assumption that the mineralization continues 100m to the depth, a total resource of at least 2,5m tonnes of ore @ 0,7-0,9% WO₃ has been estimated, which results in

a resource of 17,563 tonnes of WO_3 or 13,927 tonnes of W (tungsten) (1kg WO_3 equals 0,793kg W) @ 0,7% and 22,581 tonnes of WO_3 or 17,907 tonnes of W @ 0,9%.

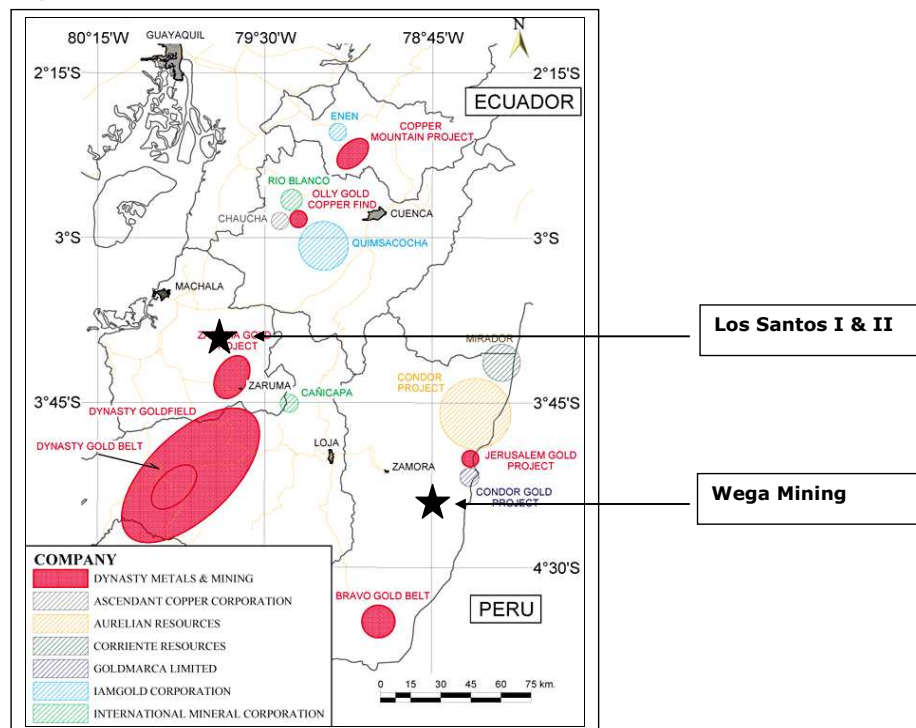
At a grade of 0,9% WO_3 , Målviken would be, according to a study conducted in 1983, the largest tungsten deposit in Europe and no. 21 in the world. For reasons in the section "Market Overview" under the heading "Tungsten", basically no investments in exploration or production facilities have been made since and the list is thus view to be viable today as well. However, Tiberon Minerals have developed a very large resource of 122,333 tonnes of WO_3 at their Nui Phao deposit in Vietnam since and is thus larger. In Europe however, Målviken still appears to be among or the largest tungsten deposit.

Ecuador, gold

Nordic Mining has economic interests in 4 concessions in the southern part of Ecuador: Los Santos I, Los Santos II, Canicapa and Celen.

The Canicapa and Celen concessions have been optioned out to International Mining Corporation (IMC), IMC has to pay an annual fee of \$10,000 for the option. Should IMC start production, Nordic Mining will receive a sum of \$500,000 and an annual royalty of 2,5%, limited to a total of \$5m.

Map of Ecuador



Source: Dynasty metals and mining Inc., company information, CAR Analyse

The Canicapa concession covers an area of 3,900 hectares (ca 39km²) and is located ca 50km from Loja, which is the main city in the south of Ecuador. Infrastructure in the area is good; there is vehicle access to within 500m of the main mineralized zone, 8km away a high-way is connected. The Canicapa concession hosts a high-sulfidation epithermal mineralization (most likely type of mineralization to host high-grade "bonanza"-type discoveries).

Exploration was carried out by Ecuator (current Rocksource) in 1997-98 but the initial results were disappointing. During 2003, IMC established a joint-venture (JV) with IAMGOLD and Gold Fields Chile Ltd. for the exploration of the Canicapa concession. Gold Fields and

IAMGOLD initiated a 3,000m drilling program in 2003 but the results were generally low-grade and they chose to withdraw their interest in the JV. IMC now has the sole responsibility to develop Canicapa and Celen.

Should IMC terminate the option, Nordic Mining holds the exclusive rights to Canicapa and Celen concessions. Even though initial exploration has been disappointing, future exploration may prove their predecessor wrong.

NM holds a 100% interest in the Los Santos I and II. Presently there exploration work conducted so far is rather limited. However, artisanal mine workings have been identified on the project.

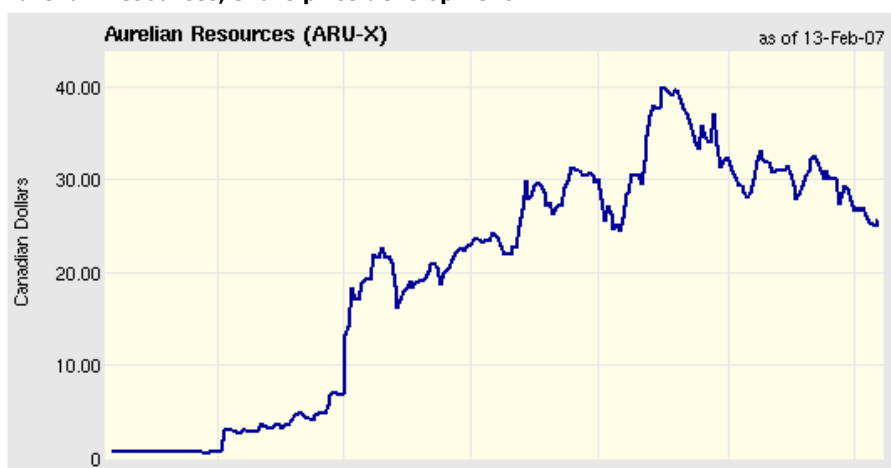
In 2000, Newmont leased the Los Santos I and II as well as Odin Mining's neighbouring Cangrejos concession. Odin concluded from Newmont's exploration work (Newmont later left Ecuador and all their projects there) a presence of porphyry copper-gold mineralization at Cangrejos, the best intersection was 192m @ 1,6 g/t Au and 0,2% Cu. Odin also recovered 69,000oz of Au from alluvial operations 1988-1995 in the area. Newmont suggested that the porphyry copper-gold mineralization easily could extend into the Los Santos area.

Companies such as BHP Billiton and Rio Tinto have shown an interest in the Los Cangrejos project.

Dynasty Metals & Mining's (DMM) Zaruma gold project is located right next to Los Santos I & II. At Zaruma, DMM has identified a M&I resource of 1,1m oz @ an average grade of 13,9 g/t and an inferred resource of 1,4m oz or a total resource of 2,5m oz. According to DMM, the Portovelo mining district where Zaruma and Los Santos are located, has historically produced 5m oz of Au and 12m oz of Ag. The immediate proximity of Los Santos to the Zaruma project significantly enhances the possibility of a gold mineralization there.

Aurelian Resources' has recently encountered an intersection of 189m @24,0 g/t at their condor project and has had an adventurous development in their share price.

Aurelian Resources, share price development



Source: tsx.com

Ecuador has a similar geology to that of its mineral-rich neighbours Peru and Colombia. Colombia is a major producer and the world's largest emeralds producer; in addition it is the only platinum producing country in Latin-America. Peru is a major mining nation with mining export sales of \$3,2bn in 2001 and produced some 5,5m oz of gold in 2003. (infomine.com)

Proactive government: The government of Ecuador has since the beginning of the -90s pursued a very proactive mining policy and in 2001 the final reformation of the Ecuadorian

mining act was enacted, which included the abolishing of the 3% royalty, concessions to last for 30 years and 100% ownership foreign ownership allowed etc. Furthermore, the border dispute between Ecuador and Peru has now been settled. (Aurelian Resources)

Prior to the settlement of these issues, international mining and exploration companies have not been largely present in Ecuador. Since, applications have been filed for exploration of 18m of Ecuador's approximately 26m hectares, or nearly 70 % of the area. (infomine.com)

Electromagnetic imaging (EM)

Electromagnetic imaging is capable of distinguishing between conductive and resistive bodies. The technology is based upon the knowledge that an electromagnetic field induced in a conductive subsurface is affected by the geological structure's disparity in resistivity (oil, coal, metals, water, rock etc.) The electromagnetic energy bounces back to the surface where it is recorded by receivers. Due to the variance of resistivity of various geological structures, EM is capable of distinguishing between different geological structures. Thus, it should be viewed as a powerful exploration risk management tool.

EM has been used in the mining industry since the 1930s when Falconbridge's chief geologist developed the first ground electromagnetic system for the detection of electrically conductive ore bodies. Since, the technology has been developed to even be able to conduct EM surveys from airplanes.

Although already a proven technology for detecting hydrocarbons and various minerals, the full potential is far from reached. By integrating EM with various other exploration tools such as seismic, magnetic surveys and other sources of input regarding the geological environment, it's possible to render a detailed 3D image of the hydrocarbon/mineralization structure.

One of the obstacles still to be overcome is the disturbance of the electromagnetic energy by external noise. When recording the electromagnetic energy, natural noise (the earth's own magnetic field) is always present, in addition the equipment used for recording is also transmitting noise. To overcome this it is crucial to obtain a very detailed know-how of how the energy moves in the subsurface. Advanced algorithms are needed to interpret the recorded data. If this proves successful, EM will not only be capable of detecting hydrocarbons and mineralizations as of today, but also their structure. EM could then be used as a reservoir and mine modeling tool in order to optimize production.

Rocksource is one of few companies that have developed software algorithms for the interpretation of the data acquired from the offshore EM surveys and has the know-how to interpret and incorporate it with other sources of input. The technology has been developed in close collaboration with Prof. Michael Zhdanov, University of Utah, USA, recognized as one of the world's leading experts regarding the application of EM to the mining industry. Rocksource has verified their interpretations against wells and seismic data of several oil deposits around the world and is confident that their software works.

It is this software interpretation that Nordic Mining has been granted the rights to and aims to modify and apply to mineral exploration on land. The initial aim is to prove that the software can identify coal, since coal (carbon) has a very similar molecular structure to oil and gas (hydrocarbons).

Due to the high resistivity of coal compared to the surrounding geology (soft rock) it is often located in, Nordic Mining believes that their integrated approach of EM technology will be able to identify both the *coal seam* and its structure. This means EM could be used for exploration purposes as well as production optimization and mine design (reservoir modeling).

Another feature of coal is that the industry targets seams that are often located at a few hundred meters depth. This makes it possible to utilize a higher frequency EM pulse and by that a higher resolution of the geological resistivity structure.

Due to the similarities in molecular structure of coal and oil, the transition to use the EM technology in the coal industry as well should be rather smooth. Proving successful in this, future modification could allow Nordic Mining to use their EM technology in the exploration and reservoir modeling/mine design for a wide range of minerals.

Nordic Mining aims to enter strategic-alliances and pursue farm-in deals where they contribute with their algorithms and expertise in the interpretation, in addition to using it for their own exploration.

As an example of this strategy, NM and Store Norske Spitsbergen Kulkompani AS (SNSK) have entered into a cooperation agreement for testing and verification of NM's EM-technology. The cooperation is beneficial for both parties as it will allow NM to test and verify their algorithms against SNSK's materials. As for SNSK, if the verification proves successful, NM's EM-technology may significantly reduce the exploration costs of drillings at their coal seam. In addition it will also reduce the environmental impact which is a major pro, particularly for SNSK whom are engaged on Svalbard.

Thorium

NM has secured 49 claims for thorium in Norway. No exploration work has been carried out so far and thus the current value of them is limited. However, the claims have been established based on comprehensive geological knowledge enhancing their prospects. In addition, as described in the "Market overview" section under the heading "Thorium", a change from uranium to thorium as nuclear fuel could be on its way. If this occurs, NM has positioned themselves perfectly to profit on surging thorium prices.

Risks

Financial and operational flexibility: In the latest Q3 -06 report, NM held NOK 5,2m. The company also raised 15,8m in an equity issue that was closed the 24th of November 2006. Thereby NM had a cash position of ca NOK 20m. However, regular activity and likely rather expensive financing of the intended acquisition of Rana Gruber have drained cash.

Thereby NM's balance sheet is rather weak. However, both Engebøfjellet and Målviken is well documented and explored, which significantly reduces the exploration CAPEX. However, it is possible that NM will have to raise more capital through further equity issues.

Cyclical Market: Demand for various metals, as well as the price of metals, has historically fluctuated greatly. Should the demand and supply situation for metals change and subsequently the price of metals drop, this will affect the operating profit of mining companies such as Nordic Mining. In addition, exploration activities will decline, reducing the prospects for their EM technology.

Regulations: Accidents can affect the whole industry. An environmental disaster would most likely affect the whole industry through new regulations. Government regulations could call for stronger safety measures, requiring new equipment to be installed.

Geopolitical risk: Nordic Mining's main focus is the Nordic countries where geopolitical risk is negligible. However, the company is also engaged in Ecuador. Ecuador is considered a rather stable country since the border settlement with Peru in 1999 and pursues a pro-mining policy, but the country has changed president seven times since 1996 and the future policies by the

new president, Rafael Correa, elected the 26th of November 2006 is still unknown. Correa has publicly announced his support for Venezuela's socialist president Hugo Chavez.

Chavez has pursued nationalistic politics over the countries oil resources in the recent years and imposed hefty tax increases for foreign oil companies and recently announced that the energy sector should be partly nationalised. A change in policy, for example the re-enforcement of royalties, a tax increase or such can therefore not be excluded with the new regime in Ecuador. As such the political risk in Ecuador is considered to be high.

Technology: Nordic Mining has still to prove that their technology is capable of detecting minerals on land. New developments in EM technology by competitors may cause the company's technology to be outdated.

Geological: There are no guarantees that Nordic Mining projects will be economically viable.

Currency: Since most commodities are in nominated in US dollars whereas the expenditures are in NOK, the exchange rate between the US dollar and the NOK could have a substantial impact on NM's financial statements.

Market overview

Titanium

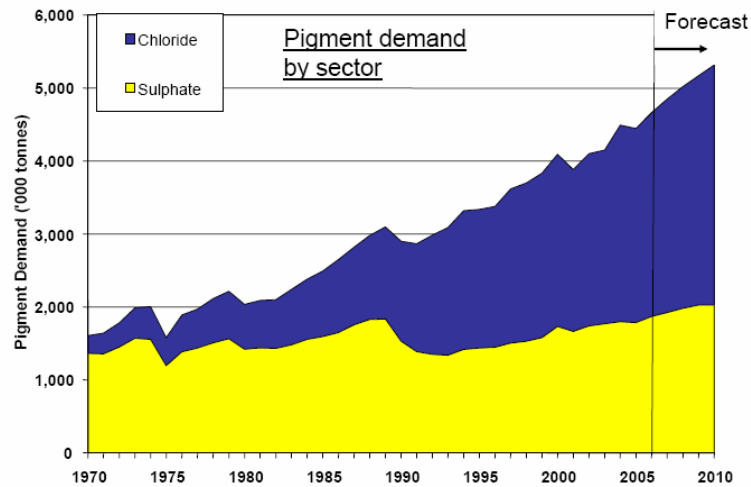
Titanium feedstock (minerals)

Titanium dioxide is often derived from ilmenite and leucoxene ore, at a grade of typically 45-65% TiO₂. It also occurs in natural rutile deposits where the concentration is far higher, 94-96% TiO₂.

As of today, rutile is solely extracted from mineral sand deposits, but hard rock deposits, such as Engebøfjellet are also candidates for the supply chain of the titanium industry.

Due to the limited resources of feasible rutile deposits, the mining industry has developed two beneficial products that are used as substitutes for natural rutile; synthetic rutile and titanium slag. Both derive from TiO₂ that is upgraded by removing iron oxide and other impurities, but differs in extraction agents where either a chloride or a sulphate agent is utilized.

Pigment demand by sector



Source: Rio Tinto

The chloride process is a newer technology which is more efficient and environmentally friendly than the sulphate process as it often consumes high grade/high value feedstocks of rutile whereas the sulphate process utilizes low grade/low value feedstocks of ilmenite or sulphate slag. Western Europe and N. America have reduced the sulphate capacity in favour of chloride, which has substantially increased the forecasted demand for high grade feedstocks of rutile.

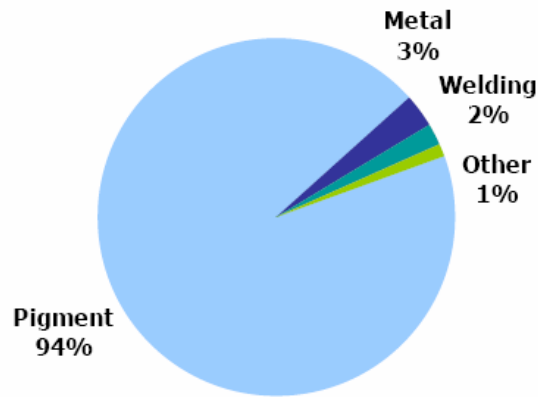
Global titanium mineral market (feed stock industry) constitutes to ca \$2,5bn annually.

In 2005 the global rutile production was 360k tonnes, in comparison, 4,8m tonnes of ilmenite was produced.

Global consumption, Titanium minerals, 2005

Global Consumption (2005)

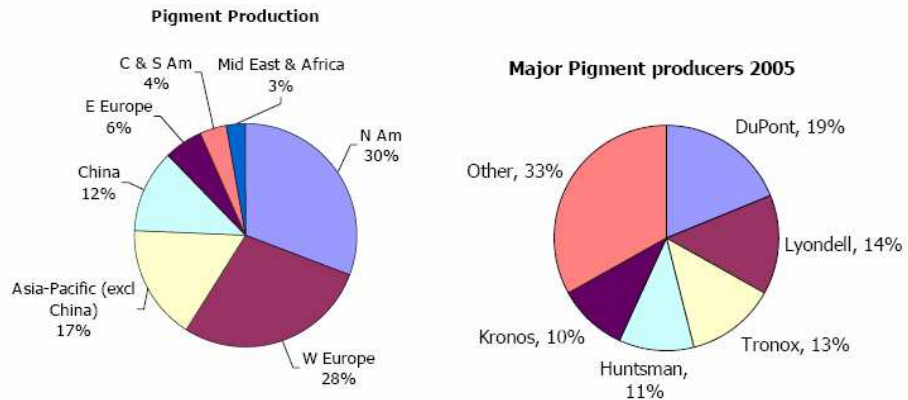
by volume of TiO2 units



Source: Iluka

Titanium minerals is primarily used in pigment, mainly as a component in paint but is also used in plastics and paper that requires whiteness and UV resistance.

Pigment production and producers



Source: Iluka

As illustrated, Western Europe constituted to nearly 1/3 of the global pigment production. It also emerges that the pigment industry is a rather concentrated industry, the 5 largest producers contribute with ca 70% of the production.

Ilmenite and rutile, production and reserves (reserve base equals measured and indicated), all numbers in '000

	Mine production		Reserves ⁶	Reserve base ⁶
	2004	2005 ^e		
Ilmenite:				
United States ²	⁷ 300	⁷ 300	6,000	59,000
Australia	1,110	1,140	130,000	160,000
Brazil	130	130	12,000	12,000
Canada ⁸	735	809	31,000	36,000
China	400	400	200,000	350,000
India	281	280	85,000	210,000
Mozambique	—	—	16,000	21,000
Norway ⁸	381	380	37,000	60,000
South Africa ⁸	865	952	63,000	220,000
Ukraine	217	220	5,900	13,000
Vietnam	98	100	2,400	5,900
Other countries	120	120	15,000	78,000
World total (ilmenite, rounded)	4,600	4,800	600,000	1,200,000
Rutile:				
United States	⁹	⁹	400	1,800
Australia	154	160	19,000	31,000
Brazil	3	3	3,500	3,500
India	18	20	7,400	20,000
Mozambique	—	—	480	570
South Africa	105	115	8,300	24,000
Ukraine	57	60	2,500	2,500
Other countries	—	—	8,100	17,000
World total (rutile, rounded)	¹⁰ 340	¹⁰ 360	50,000	100,000
World total (ilmenite and rutile, rounded)	5,000	5,200	650,000	1,300,000

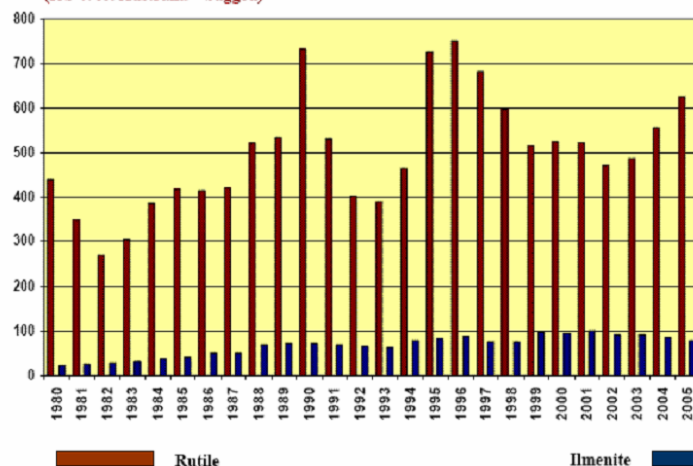
Source: USGS

The global production of TiO₂ reached 5,2m tonnes in 2005. The largest producers were Australia 22%, South Africa 18%, Canada 16% and China 8%. In total the 4 largest producing countries contributed with 64% of the supply.

In 2005, Western Europe pigment producers consumed 28% of the supply. Thereby 1,37m of TiO₂ was consumed by Europe (pigment 94% of 5,2m tonnes, W. Europe 28%). Norway is the only producer within Europe and produced 380k tonnes in 2005, hence there is an annual deficit of ca 1m tonnes of TiO₂ in Europe annually which has to be imported with higher freight costs as a result.

Price development TiO₂, 2001-2005
Titanium Feedstock Prices (US\$ per tonne)

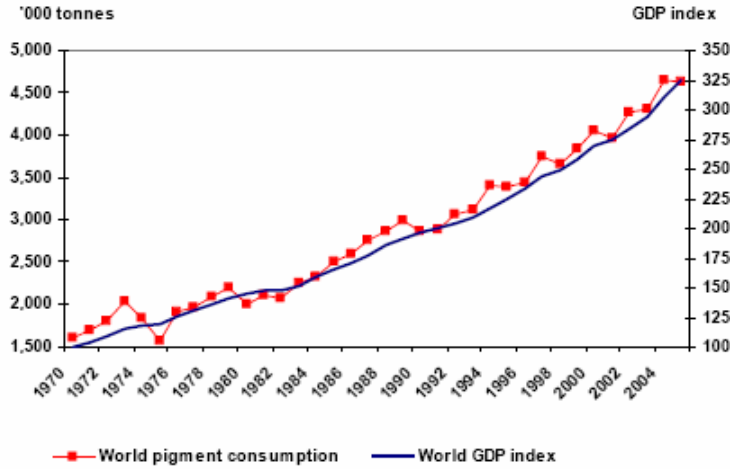
(fob West Australia – bagged)



Source: White Mountain Titanium Corp.

In 2006 the price of rutile has increased, according to NM the price of rutile hit ca \$620/tonne. Furthermore, according to "Indmin mineral price watch" DuPont raised their prices for all their TiO₂ products by \$100/tonne in January 2007, which indicated an increase by a further 16%.

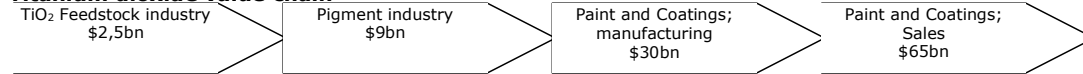
Pigment production and producers



Source: Iluka

The growth in pigment consumption and thereby TiO₂ consumption is highly correlated to the global GDP level.

Titanium dioxide value chain



Source: Rio Tinto

According to Rio Tinto, TiO₂ accounts for about 10-15% of the costs of making paint, about 10% of the price of paint at the producer's level and a lower percentage of the retail price to the ultimate consumer. This implies that a 20% increase in prices would render less than a 2% increase in price to the consumer. As for many markets today, China is the fastest growing market and is the second largest market after USA. For 2005, China was estimated to increase its paint output by 25% over 2004 year's level. Given China's growth rate and industrialisation with rapid development of infrastructure, we believe that is fair to assume that the demand for paint and coating will continue to increase in the future as well. This should ensure that pigment prices remain high.

Titanium metal

TiO₂ is also used as the base when producing titanium sponges from which titanium metal is derived.

Titanium metal, with its physical and chemical properties represents a material for new technological and environmental innovative applications. Titanium metal is the best corrosion resistant metal; it has double strength of steel and superior strength-to-weight ratio. Areas of usage are e.g. aerospace, defence, automobile, construction, offshore, healthcare, chemical industry, power and sporting goods. The production volume of titanium metal is lower than the volume of pigment. The metal production has however higher value and strong growth expectations.

In 2005, 65% of the consumption of titanium metal was for aerospace applications. The remaining 35 % was used in armor, chemical processing, marine, medical, power and sporting

goods. These figures are believed to be fairly representative for the global consumption as well.

The global titanium sponge production was around 88,000 tonnes in 2005. The major consumption areas are the USA, Europe, China, Japan and Russia, whilst the dominant producer countries are Kazakhstan, Japan, Russia and USA.

World Sponge Metal Production and Sponge and Pigment Capacity:

	Sponge production	
	2004	2005 ^e
United States	W	W
Australia	—	—
Belgium	—	—
Canada	—	—
China ^e	4,800	6,500
Finland	—	—
France	—	—
Germany	—	—
Italy	—	—
Japan	23,100	29,000
Kazakhstan ^e	16,500	19,000
Mexico	—	—
Russia ^e	23,000	25,000
Spain	—	—
Ukraine ^e	7,500	8,100
United Kingdom	—	—
Other countries	—	—
World total (rounded)	^b 75,000	^b 88,000

Source: USGS

The strong growth in the titanium metal demand the last two years has caused a price jump. The sponge was priced at \$6-7 /kg in the period 2003 – 2005, but in 2005 and 2006 the price has been reported to be in the area of \$25-30 /kg or **\$25,000-30,000/ton vs. \$570-700/tonne** of rutile. Titanium metal is clearly a more high-end/high value industry than the titanium mineral market.

Due to the materials superior features such as its strength to weight ratio and corrosion resistance, the applications for titanium as well as the ratio of titanium in current applications is under strong growth, causing a surge in demand for the metal.

The strongest drivers going forward will be in the aerospace industry. The new generation of airplanes uses far more titanium/plane vs. previous generations. Titania Group (a company of ThyssenKrupp Stainless) has estimated that the new generations of Airbus and Boeing will increase the amount of titanium in their new generations from 1,500 to 6,000 tons/year. In addition the new mega planes Airbus 380 and Boeing 787 crave substantially more titanium than previous models.

Titanium/airplane

	Boeing Ti, tonnes	Airbus Ti, tonnes	
737	9	A320	11
747	41	A330	17
777	54	A340	23
787	113	A380	68

Source: Allegheny Technologies

RTI International Metals Inc. (US titanium producer) has estimated that the demand for titanium will increase by 81% 2006-2015, a CAGR by ca 7%.

RTI also states that the industry has reacted rapidly; more than \$2bn is estimated to be invested capacity expansion and new projects until 2010. Even so, demand is believed to exceed supply in the long run, some estimates a deficit of 30,000 ton by 2010.

Norway, a potential titanium metal producer

Presently, Norway produces ca 380,000 tonnes of TiO₂ (ilmenite production 2005) which is used a feedstock for the pigment industry.

However, the increasing utilization of titanium metal in various applications, particularly the aerospace industry, the correlating strong market outlook and the present expensive and environmentally hazardous manufacturing process (the Kroll process) of titanium metal has caused a surge to investigate other methods of manufacturing titanium. Norway is one of the countries that have embarked upon this venture.

Norsk Titanium is a newly established company engaged in the development of a more efficient and cheaper process (FFC Cambridge, an electrolysis process) of producing titanium. The company cooperates with NTNU, SINTEF and Norsk Hydro who also has cooperation for the project with British Titanium. So far technology has not proved successful commercially, but encouraging progress have been made.

The development of a titanium metal production industry in Norway appears feasible as all the required components are readily available. According to Norsk Titanium, Norway's current aluminum smelters could be converted to process titanium instead. Furthermore, Norway has developed an experience and expertise in electrolysis processing from its aluminum industry. In addition, the aluminum industry has established the required infrastructure as well.

In the electrolysis process rutile is utilized as feedstock. As such Engebøfjellet could become the supplier of this potential Norwegian industry.

Thorium

At present the market for thorium is limited. It is used in high-temperature ceramics, catalysts and welding electrodes. In 2005 the US thorium market constituted to a value of only \$160k.

However, thorium also emerges as a possible candidate for nuclear fuel. Due to its attractive characteristics compared to the present nuclear fuel uranium, studies have been conducted over the past 30 years on a nuclear reactor fueled on thorium.

According to Professor Egil Lillestol, University of Bergen and CERN (European Organisation for Nuclear Research), the waste from thorium when used as nuclear fuel is dramatically less radioactive than from conventional nuclear waste. Thorium reactors would not produce plutonium which is used in the process of producing weapon-grade plutonium (in contrast to uranium). Thorium is "three times more abundant than uranium in the earth's crust and produces 250 times more energy per unit of weight than uranium in the present reactors. In addition, thorium reactors don't face the risk of a meltdown such as Chernobyl.

Previously, the major obstacle to developing thorium reactors was that the lack of a suitable proton accelerator. Today this issue is not regarded as a significant problem anymore.

India is actually planning for the change from uranium to thorium in the nuclear program and has a test-reactor (India has the world's second largest reserves of thorium).

Nobel price winner and former director-general of CERN, Carlo Rubbia, is a strong supporter of thorium based nuclear power and achieved strong progress of the issue in the -90s. However, a rejection of an EU grant of \$500m in 1999 and 2000 halted the progress. With the high energy prices of today, CO² emissions and resistance of uranium based nuclear reactors and an eventual energy crisis, the question is more relevant than ever.

In fact, Norway’s Oil and Energy department released an announcement the 8th of February this year where it stated that they had given the Research Council of Norway the responsibility to evaluate the possibility to use thorium in energy production. The initiative was said to be based on the increased interest from the Norwegian government and society to utilize Norway’s vast thorium deposits. The study is expected to be completed within 2007.

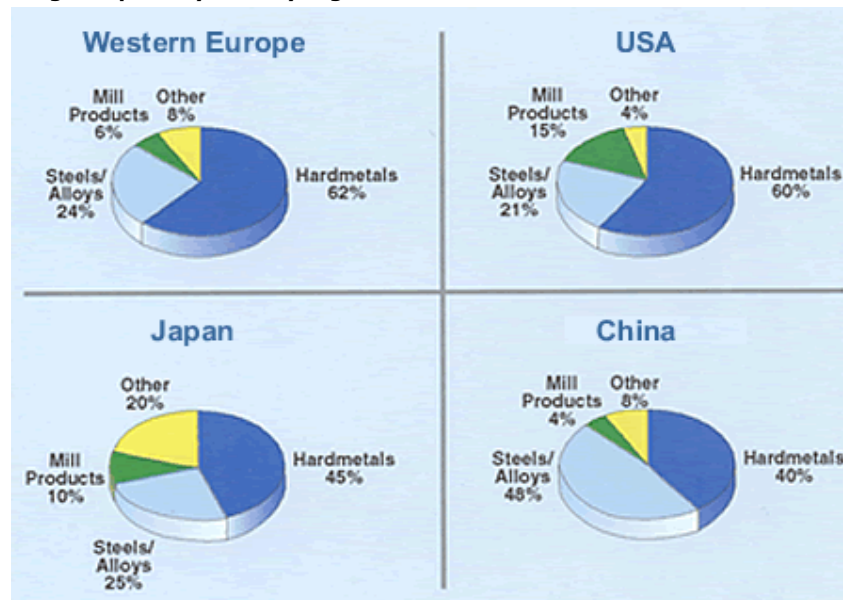
We believe that one of the major obstacles to the transition to thorium reactors is the current uranium infrastructure. There are 56 countries today with uranium based nuclear power reactors and recently several countries such as China, France and Brazil have announced large expansion programs. The existing reactors and the expansion programs are naturally fueled by uranium since this is the only technology available, thereby it probable that the current stakeholders will be reluctant to embrace a shift in technology.

Even so, with the current focus on energy resources being depleted and rising costs, CO₂ omissions and global warming, the risk of uranium waste being processed to weapon-grade plutonium, risk of meltdowns and the high radioactivity of uranium, thorium reactors may prove an attractive alternative.

Tungsten

Tungsten’s largest application is in the form of tungsten carbide (hardmetal) in high-speed cutting tools and drill bits in the metalworking, mining, petroleum, and construction industries where it is appreciated for its durability, wear-resistance and ability to maintain strength at high temperatures. Tungsten has a hardness close to diamond. Tungsten is also widely used in light bulbs, electrodes, filaments, wires (mill products) and in alloys. Furthermore, tungsten is used in military industry for armor-piercing bullets as a substitute to depleted uranium and in “green-bullets” for hunting.

Tungsten primary uses by region



Source: International Tungsten Industry Association (ITIA)

Molybdenum and titanium carbides serve as substitutes, but in several of its critical applications, tungsten has no substitutes since substitution would result in increased cost or loss in performance.

Tungsten, global production and reserves and resources

World Mine Production, Reserves, and Reserve Base: Reserves and reserve base estimates for Portugal were revised downward based on new information from that country.

	Mine production		Reserves ⁸	Reserve base ⁸
	2005	2006 ^e		
United States	—	—	140,000	200,000
Austria	1,350	1,350	10,000	15,000
Bolivia	520	530	53,000	100,000
Canada	700	2,500	260,000	490,000
China	61,000	62,000	1,800,000	4,200,000
Korea, North	600	600	NA	35,000
Portugal	820	900	2,600	7,500
Russia	4,400	4,500	250,000	420,000
Other countries	710	950	350,000	700,000
World total (rounded)	70,100	73,300	2,900,000	6,200,000

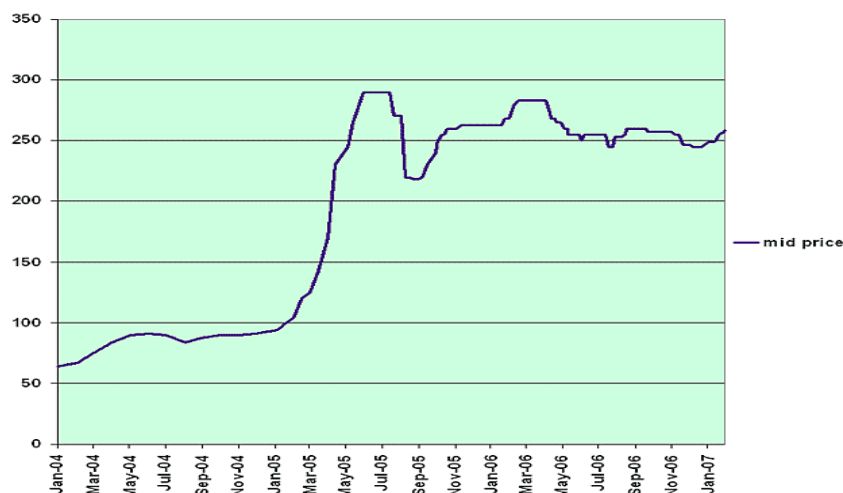
Source: USGS

As illustrated in the table above, China is the predominant producer of tungsten and accounted for 85% of the mine production in 2006. The second largest producer is Russia accounting for 6%. China has also by far the largest ore reserves with 62% of the global reserves.

Historically, China has flooded the market and pushed down tungsten prices which caused a close-down of nearly all the western production in the 1990s. China's predatory pricing is partly believed to have been due to China's strive to accumulate foreign currency. With China's current trade surplus and foreign exchange reserves of \$1 trillion, this is not an issue any more.

Given tungsten's usages in industry applications, the past years' strong global growth (particularly China) and in the mining and petroleum industries, the demand for tungsten has increased substantially. Domestic Chinese demand has now also started to exceed supply.

Tungsten price, Jan 2004-2007, \$/MTU



Source: North American Tungsten

In combination with the Chinese governmental program to stabilize tungsten prices by regulating their export volumes through quotas of concentrates and ore and mine closures, this has caused tungsten prices to skyrocket from ca \$50/MTU to today's level of \$250/MTU, an increase by 400% in 3 years time.

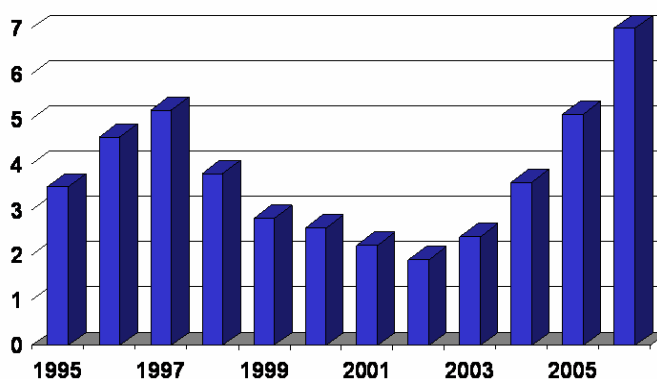
According to marketwatch, the Chinese authorities cut their export quotas by 500 tonnes to 15,800 tonnes in 2006 and have suggested a further cut by 400 tonnes for 2007 in order to stimulate refined and value-added tungsten products.

After decades of slumping prices due to the Chinese monopoly, nearly all western production facilities were closed down and there were no investments in exploration or production facilities of tungsten. With the current boom in the mining industry and the corresponding long lead times and the severe environmental permitting restrictions we believe it likely will take several years before supply catches up with demand and that prices will remain high for this period.

Nordic exploration

The mining and exploration industry is truly experiencing a renaissance. Global mining exploration spending has skyrocketed in the last years; from 2002 global exploration spending has increased from \$1.9 to \$5.8bn or by over 200% according to Raw Materials Group (RMG). In 2006 this figure is forecasted to hit \$7bn. As a result of the previous low activity of exploration, there is a general lack of new mining projects in the pipeline and with a development time of 5-10 years for a mine, it emerges that it could take some time before supply catches up with demand. Due to an enormous increase in demand of metals, particularly from China, a shortage of new projects and mines that are being depleted, commodity prices have surged in recent year causing the increase in exploration.

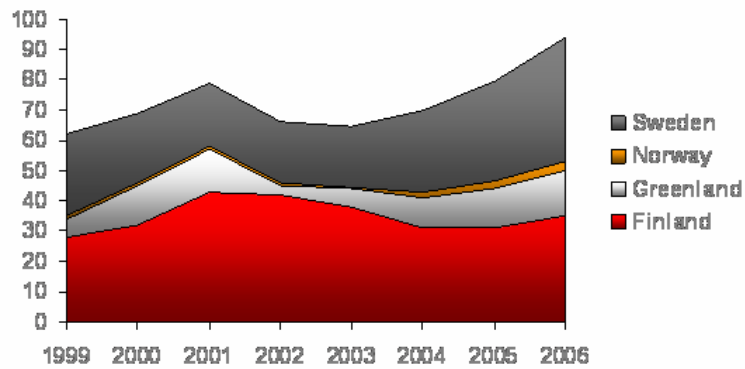
Global exploration spending, 1999-2005 and 2006e, \$bn



Source: RMG

The Nordic countries are viewed as under-explored. According to RMG, the geology of the Nordic countries are rather similar to that of Canada and Australia, two of the world's largest mining nations and the home of an accumulated exploration budget of over \$1.2bn in 2004. In Sweden and Finland, approximately €30m and €35m respectively of exploration spending are estimated for 2006. In Norway, this figure accounts for €1m.

Nordic exploration spending, 1999-2005 and 2006e, €M

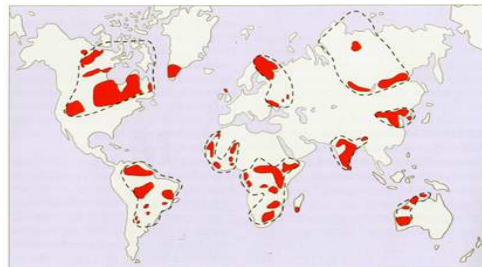


Source: RMG

The Norwegian focus on oil, offshore and shipping industries has likely drawn the attention away from the Norwegian mining industry. Things are slowly picking up now and publicly listed companies such as Crew Gold Corp., IGE and Gexco all carry out prospecting in Norway.

Fennoscandinavian shield

FENNOSCANDIAN SHIELD – EU's MOST PROSPECTIVE REGION



- Geology similar to Canada, Australia
- Under-explored comparatively

Raw
Materials
Group

Source: RMG

The fennoscandinavian shield covers the northern parts of Norway as well and it is fair to assume that the same conditions should apply here. Furthermore, there are several Swedish projects located right next to the Norwegian border.

The Nordic countries have an excellent platform for mining activities. They have a well-developed infrastructure with suitable ports, roads and railways. The political and economical climate is stable and transparent, with a favorable taxation. In particular the lack of royalties, is a major pro. Furthermore, Norway, Sweden and Finland all have well-established governmental bodies regulating the application process for exploration and mining permits.

One limitation towards the expansion of the sector has likely been the difficulty to access capital, due to a lack of knowledge and understanding from investors. However, with soaring metal prices and the boom in global exploration this is about to change. We expect a spillover effect from mining activities in Sweden and Finland to benefit the Norwegian mining industry.

Norway also has the world's third largest reserves of thorium and the fifth largest reserves of illmenite. It is clear that Norway is rich in natural resources, apart from hydrocarbons, but so far no significant efforts have been made to explore them.

Valuation

After the equity issue completed the 24th of November 2006 NM has 28,718,140 shares outstanding. The company is debt free. NM also has a deductible tax loss of ca NOK 60m.

At the current share price of NOK 3,40 NM has a market cap of NOK 97,6m.

Sum of the Parts (SOTP)

Base case

SOTP	Value NOK, m	Per share	%
Engebøfjellet	80,3	2,80	46 %
Målviken	50,0	1,74	29 %
Ecuador	45,0	1,57	26 %
Total	175,3	6,10	100 %

In total we find a fair value of NOK 175,3m or 6,10/share. We believe that much of NM's value potential is dependent upon the outcome of the environmental study of Engebøfjellet which is expected to be completed in ca 1,5 years according to management and the development of the Målviken tungsten deposit. The company has revealed its intentions for acquisitions twice already and we believe that it is likely that they will attempt to make an acquisition again.

The share is listed at the OTC-list which attracts a discount. We initiate coverage of Nordic Mining with a buy-rating and a 12 month share price target of NOK 5,0 a discount by ca 20% to our SOTP, representing an upside of 47% from the current share price NOK 3,40.

Blue sky

SOTP	Value NOK, m	Probability	Per share	%
Engebøfjellet	401,6	100 %	13,98	41 %
Målviken	499,5	100 %	17,39	51 %
Ecuador	75,0	Due dil.	2,61	8 %
Total	976,2		34,0	100 %

It should be recognised that we have taken a prudent approach and assumed very low probabilities of success of the projects in our base case, reflecting the early stage of them which significantly reduces the value. Applying a 100% of success for both projects would increase the value to a staggering NOK 34/share (and even then we have only assigned the value of NOK 75m for Ecuador, the higher price range from the due diligence by Micon). An upside of 900%...

Furthermore, this blue sky scenario doesn't reflect the possibility of the utilization of Engebø as a feedstock for titanium metal and NM as future titanium metal producer which could increase the value further given the commodity price difference of rutile (ca \$600/tonne) vs. titanium metal (ca \$25,000/tonne) .

Triggers

There are several triggers in 6-12 months that should help to close the value-gap.

- Status report of the environmental study of Engebø
- Results from the EM-technology cooperation with Store Norske

- Exploration results from the Norwegian claims, results from the Målviken tungsten deposit is of significant importance.
- Update and strategy decision for the Ecuadorian gold concessions.
- Result of the Oil and Energy department's report on Norwegian thorium deposits as a future energy source.
- New projects/acquisitions

Engerbøfjellet

DuPont's appraisal of the project returned a NPV of \$351m. The model was based on the assumption that the rutile was extracted to feed their pigment factories with TiO₂. The model utilized a price of rutile of \$500/tonne, an annual production of 200k tonnes of rutile, a cash cost of ca \$68/tonne and discount rate of 9% .

Engerbøfjellet contains 15,1m tonnes in resources which at the current price of \$570-700/tonne represents an in-situ value of \$8,6-10,6bn.

The location of the deposit and the surrounding infrastructure and the strong local support also works in favour of the project.

Whereas the in-situ value and potential NPV of the project truly are astonishing, the probability of success and the present value of the project are substantially reduced by the waste disposal problem and the fact that it is a pioneer project. Thereby we assume that investors are reluctant to assign a significant value to the Engerbøfjellet until these issues are solved. Naturally this also implies a substantial appreciation of the value if successful.

Our DCF-model returns a NPV of \$323,1m. Given its large scale and pioneer style, we have assumed that NM will seek partners to finance and develop the project. We have assumed that NM will retain a 20% ownership, or a value of \$64,6m (NOK 420m). Based on the early stage of the project and the uncertainties of the tailings, we have assumed a probability of success of 20%

CAR assumptions and NPV

Assumptions	
Tonnes M	382
Grade	3,96 %
Resource, Mt	15
Production/year, t	200 000
Implied mine life	76
Mine life utilized	25
Rutile price \$/tonne	570
Cash cost\$/tonne	68
Investment \$m	300
Discount rate	11 %
Tax	28 %
NPV	323,1
Ownership	20 %
Unrisked NPV, \$m	64,6
Probability	20 %
Risked NPV,NOK m	80,3
Risked NPV/share	2,80

Source: Company information, CAR Analyse

The resource has been subject to substantial exploration work which makes it probable that a large part of the resource could be classified as reserves (according to NI 43-101) by only minor complimentary exploration and documentation; thereby we might have been to prudent regarding NM's assumed ownership of 20%.

The well-documented resource is considered a major pro since it implies that NM doesn't have to invest heavily in an exploration program and could possibly enable debt financing; thereby NM could eventually retain a higher ownership. Furthermore, we have utilized a mine life of only 25 years whereas the resource and production level implies a mine life of 76 years.

Peer valuation

NM has a peer company in White Mountain Titanium Corporation (WMTC) listed on the NASDAQ OTC.

WMTC has identified a Measured and Indicated resource of 116m tonnes of ore grading 2,1%, or 2,4m tonnes of rutile at their Cerro Blanco deposit in Chile. WMTC aims to complete a Bankable Feasibility Study (BFS) by the end of 2007 and increase the resource to 250m tonnes which would facilitate a mine life of more than 20 years at the planned production level of 200,000 tonnes of rutile.

The project is rather similar to Engebø with regards to production level and expected mine life of over 20 years. However, Engebø has a higher grade of 3,96% vs. WMTC's 2,10% which should facilitate a lower cash cost per unit rutile produced as well as lower CAPEX for the production facility. WMTC's rutile deposit is currently valued to \$9,76m or \$4,0/tonne.

Peer valuation

Company	Market Cap, \$m	Resource, Mt	Grade	Rutile, mt	Annual production target, t	M. Cap./TiO ₂ tonne
WMTC	9,6	116	2,10 %	2,4	200 000	3,9
CAR Engebø valuation	12,9	382	3,96 %	15,1	200 000	0,9

Source: CAR Analyse, company information

Looking at the table it appears that NM is significantly undervalued compared to WMTC on a Market Cap./TiO₂ basis. However, the annual production level for the two companies are the same and WMTC's project is more mature, they expect to complete a BFS by the end of 2007 and could commence production 1-2 years after. NM has disadvantages in the uncertainty of the subsea deposit and the environmental study and a later production start. Our valuation of Engebøfjellet of \$12,9m is higher than the current valuation of WMTC, accounting for the higher grade and size of the resource, but still significantly lower per tonne rutile @ \$0,9 (\$12,9m/15,1m tonnes) which reflects the uncertainties of the environmental study as well as the later production start-up.

Målviken

The resource at Målviken isn't NI 43-101 or JORC compliant but based on the outcome of several reports, a Ph.D. thesis and exploration performed by Falconbridge and the private Norwegian prospectors and 89 occurrences of tungsten has been identified. As such we believe that the existence of a tungsten deposit is rather well proved.

An earlier report conducted by the previous claim holder also included a mine plan performed by an external consultant which estimated CAPEX, cash costs, production levels and recovery in February 2001.

We believe that these estimates are the most accurate estimates available and have thus utilized those in our DCF-model. However, since this report was written in 2001, the mining industry has experienced cost inflation in the production facilities due to the substantial increase in demand for these products and in operational expenditures due to increased labor and energy costs. As a result of this we have increased both the CAPEX and the cash cost by 50%.

CAR assumptions and NPV

Assumptions	
Tungsten produced, tonnes	15 438
Grade	0,72 %
Annual production, MTU	162 724
Price, \$/MTU	250
Cash cost/MTU	62
Investment, \$m	33
Tax	28 %
Discount rate	11 %
Mine life, years	10
Unrisked NPV, NOK m	499,5
Probability	10 %
Risked NPV, NOK m	50,0
Risked NPV/share	1,7

Source: CAR Analyse, company information

Our DCF-model returns a value of NOK 499,5m or 17,4/share. Due to that the resource isn't NI 43-101 or JORC compliant increasing the uncertainty of its size and grade and that NM has not completed a feasibility study of the project, we have only assigned a probability of 10%.

Peer valuation

Peer valuation

Company	M. Cap, \$m	Attributable Resource, Mt	Grade	WO3, t	M. Cap/WO3 tonne	Cash cost/mtu	Production, mtu/annum*	Producing yes/no
North American Tungsten (TSX.V:NTC)	54,8	2,9	1,21 %	35 501	1 545	60	400 000	yes
Playfair Mining Ltd. (TSX.V:PLY)	14,5	4,2	0,89 %	37 250	388	-	-	no
Tiberon Minerals (TSX:TBR)	244,4	58,0	0,21 %	122 333	1 998	18	478 800	no
King Island Scheelite Ltd (ASX:KIS)	45,4	6,7	0,64 %	42 880	1 060	70	150 000	no
Primary Metals (TSX: PMI)	26,4	6,3	0,25 %	15 416	1 711	90	100 000	yes
CAR Målviken valuation	8,0	2,5	0,72 %	18 065	445	62	164 160	no

Source: CAR Analyse, company information, *production/annum as announced in feasibility studies or announced by company.

As illustrated by the table our valuation of Målviken at NOK 50m or \$8m, clearly doesn't look stressful when looking at the peer group. All of the companies have a Market Cap./tonne above \$1,000 vs. Målviken's implied valuation of 445/tonne except for Playfair Mining. However, of Playfair Mining's total 37,250 tonnes of WO3, only ca 4,600 tonnes originates from their Grey River project which is the only of a total of 4 projects that the company plans to put in production within a reasonable time. Valuating only the 4,600 tonnes from the Grey River project would value those tonnes to over \$3,000/tonne.

North American Tungsten and Tiberon Minerals attracts a higher valuation based on the facts that NTC already is in production and that apart from their resource of 2,9m from their producing Cantung mine, they also own the Mactung deposit with a historical resource of ca

30m tonnes of ore @0,94% WO₃, in the case of Tiberon the deposit is believed to come in production 2009 but the production level and cash cost is a different ball game.

The peer group comparison also illustrated that our cash cost estimate of \$62/MTU seems to be fairly in line.

Ecuador

In the due diligence process of the merger between NM and Gexco, Gexco consulted Micon International (a recognized mining industry consultancy) to perform a valuation of the Ecuadorian concessions.

The report concluded that in a share swap transaction the concession represented a value of NOK 45-70m.

Given that there are no reserves or resources, disabling a NPV approach, or comparable transactions we are inclined to stick with Micon's valuation and assign a value of NOK 45m.

EM

NM has still to prove that their EM technology will be successful for mineral exploration on land. However, the technology originates from Rocksource who has successfully verified it for detection of hydrocarbons off-shore. Due to the similarities of the molecular structure of hydrocarbons and carbon, we believe that the transition to detection of initially coal should be rather smooth. Even so, NM still has to prove both the business model for EM (pursuing farm-in deals etc) and their technology.

Rocksource's EM-technology could be argued to be valued at NOK 150m as this was the sum Rocksource paid for the acquisition of Rocksource Geotech who then held the rights to the technology.

In the de-merger of Nordic Mining, the implicit valuation of the EM-technology for minerals on land was NOK 40m.

The current global exploration boom definitely has arrived in the Nordic countries as well. According to Raw Materials Group, exploration spending in the Nordic countries and Greenland is expected to reach nearly €90m (ca NOK 747m) in 2006, up from ca €65m in 2003. Drillings naturally constitutes to most of the exploration spending, but it could be argued to serve as an indicator for the size of the targeted market for the EM-technology.

However, NM still has to prove the technology; in addition it should also be recognized that the technology already is proven within the mining industry and several companies have in-house capabilities to analyze EM-data which limits NM's competitive advantage.

We have taken a prudent approach and assigned a value of zero to NM's EM-technology, leaving it as a potential upside.

Key Financials

Key financial data				
Operating data (NOKm)	2006e	2007e	2008e	2009e
Sales	8	-	-	-
EBITDA (1)	0	(12)	(12)	(10)
EBIT (1)	0	(12)	(12)	(10)
Profit after financial items (2)	0	(11)	(12)	(9)
Pre-tax profit	0	(11)	(12)	(9)
Net profit (6)	0	(8)	(8)	(7)
Free cash flow I (3)	0	(5)	(8)	(7)
Free cash flow II (4)	0	(5)	(8)	(7)
Cash earnings (5)	0	(8)	(8)	(7)
Gross capital investments	-	-	-	-
- of which acquisitions	-	-	-	-
- Organic investments as % of sales	-	-	-	-
- Organic investments as % of deprecia	-	-	-	-
Margins (%)	2006e	2007e	2008e	2009e
EBITDA (1)	2,7	-	-	-
EBIT (1)	2,7	-	-	-
Profit after financial items (6)	1,6	-	-	-
Return on capital (%)	2006e	2007e	2008e	2009e
Adjusted ROE (7)	0,9	(36,7)	(61,8)	(112,1)
ROCE (8)	8,2	(468,8)	(5 241,4)	(4 149,4)
ROA (9)	1,5	(51,3)	(87,2)	(161,9)
Working capital management (%)	2006e	2007e	2008e	2009e
Inventories/sales	-	-	-	-
Accounts receivable/sales	65	65	65	65
Accounts payable/sales	2	2	2	2
Other current liabilities/sales	16	16	16	16
Net working capital/sales	48	48	48	48
Balance sheet (NOKm)	2006e	2007e	2008e	2009e
Shareholders' equity	27	18	9	3
Net interest-bearing liabilities	(22)	(17)	(9)	(2)
Net financial gearing (%) (10)	(82)	(99)	(98)	(91)
Capital employed (11)	5	0	0	0
Total assets	27	17	9	2
Equity turnover (15)	1	-	-	-
Price multiples	2006e	2007e	2008e	2009e
P/E (17)	276,8	nm	nm	nm
P/CE (18)	553,6	nm	nm	nm
P/Sales (19)	8,8	-	-	-
P/BV	2,4	3,7	7,1	25,1
EV/EBIT (20)	219,7	(4,0)	(4,7)	(6,7)
EV/EBITDA	219,7	(4,0)	(4,7)	(6,7)
Per share data (NOK)	2006e	2007e	2008e	2009e
Number of shares (year-end) (m)	28,7	28,7	28,7	28,7
Average number of shares (m)	14,4	28,7	28,7	28,7
Number of shares (full dilution) (m)	28,7	32,7	32,7	32,7
EPS (12)	0,0	(0,3)	(0,3)	(0,2)
Adjusted EPS (13)	0,0	(0,3)	(0,3)	(0,2)
Adjusted EPS (full dilution) (14)	0,0	(0,3)	(0,3)	(0,2)
Dividend	-	-	-	-
Book value	0,9	0,6	0,3	0,1
Free cash flow I (full dilution)	0,0	(0,1)	(0,3)	(0,2)
Free cash flow II (full dilution)	0,0	(0,1)	(0,3)	(0,2)
Cash earnings (full dilution)	0,0	(0,3)	(0,3)	(0,2)
Growth data (%)	2006e	2007e	2008e	2009e
Adjusted EPS (full dilution)	nm	nm	nm	nm
Dividend per share	nm	nm	nm	nm
Book value per share	nm	(34)	(47)	(72)

1. Excluding associated income and non-recurring items.

2. Excluding non-recurring items.

3. Defined as EBIT - depreciation - net financial items +/- change in working capital - taxes paid - investments in operations.

4. Defined as EBIT - net financial items +/- change in working capital - taxes paid. This cash flow calculation is built on the assumption for the ongoing reinvestment requirement in the company; in other words, this Free cash flow measure is concerned with susta

5. Defined as EBIT - depreciation - net financial items - taxes paid.

6. Adjusted for non-recurring items.

7. Defined as net profit adjusted for non-recurring items net of taxes divided by average shareholders' equity.

8. Defined as EBIT including associated income divided by average capital employed.

9. EBIT including associated income and financial income divided by average total balance.

10. Defined as interest-bearing net liabilities (including pension liabilities) divided by shareholders' equity and minority interests.

11. Defined as the sum of shareholders' equity, minority interests and net interest-bearing liabilities.

12. Defined as net profit divided by average number of shares outstanding.

13. Defined as net profit adjusted for non-recurring items divided by average number of shares outstanding. Note that we have ta

14. Defined as (13) divided by the fully diluted number of shares.

15. Defined as net sales divided by average shareholders equity.

16. Defined as net profit adjusted for non-recurring items divided by net sales.

17. Defined as year end share price over adjusted EPS.

18. Defined as year end share price over fully diluted CEPS.

19. Defined as year end share price multiplied by total shares at year end divided by total sales.

20. Enterprise value defined as year end share price multiplied by total shares at year end plus net interest bearing debt.

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We, Daniel Råvik and Gunnar Holen, hereby confirm that the views in this report accurately reflect our personal view about the companies and securities covered. We further confirm that we have not been, nor are or will be, receiving direct or indirect compensation in exchange for expressing a specific view or recommendation.

Definition of ratings

- Buy – Attractive valuation based on estimates and perceived risks. Expected investment return > 15%.
- Trading Buy – News flow or other short-term effects are expected to trigger short-term share appraisal.
- Trading Sell – News flow or other short term effects are expected to trigger negative short-term share movement.
- Sell – Demanding valuation based on estimates and perceived risks. Expected investment return < 15%.

The market price of the security in question is the price at close the business day before the research report is published.

Recommendation distribution as of 08/025 - 2007

	All recommendations			Inv. banking clients prev. 12 months	
	#	%		#	%
Buy	69	65	Buy	19	95
Trading Buy	1	1	Trading Buy	0	0
Trading Sell	3	3	Trading Sell	0	0
Sell	33	31	Sell	1	5
Total	106	100	Total	20	100

Share ownership, Nordic Mining	
Analyst	-
Employees CAR	-
CAR	-
Total	-

Information regarding coverage of Nordic Mining ASA

Date	Recommendation	Target	Share Price
16.02.2007	Buy	5,00	3,50

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