

Nordic Mining

Ticker: NOM

Target: NOK 3,00

Price: NOK 1,99

May 26, 2011



Key information

| | |
|-----------------|-----------------|
| Industry: | Metals & Mining |
| Market cap.: | 289 |
| Recommendation: | BUY |
| Risk: | HIGH |

| NOKm | 2010 | 2011E | 2012E |
|-----------|-------|-------|-------|
| Revenues | 22 | 27 | 30 |
| EBITDA | -20 | -16 | -15 |
| EBIT | -23 | -19 | -17 |
| EPS (NOK) | -0,18 | -0,13 | -0,12 |

| Ratios | 2010 | 2011E | 2012E |
|-----------|------|-------|-------|
| P/E | neg | neg | neg |
| EV/EBITDA | neg | neg | neg |
| EV/EBIT | neg | neg | neg |
| P/B | 5,7 | 7,5 | 9,6 |

All key figures adjusted for non-recurring items
Book value does not include goodwill

Attractive risk/reward

Nordic Mining reported soft Q1 results on May 19 due to strongly expressed seasonality. However, the market outlook remains positive and we see rich upside potential in the company's projects. Therefore, our Buy recommendation is repeated at a marginally higher target price of NOK 3,00 per share.

Soft Q1 figures not a major issue

Nordic Mining (NOM) reported Q1 figures below our expectations on May 25. Revenues of NOK 4,4m and EBITDA of NOK -5,1m fell short of our NOK 5,7m and NOK -4,7m projections mainly due to higher-than-forecasted seasonality effect on anorthosite sales.

| Q1 results (NOKm) | Reported | Terra |
|--------------------|----------|-------|
| Revenues | 4,4 | 5,7 |
| EBITDA | -5,1 | -4,7 |
| Operating profit | -5,8 | -5,3 |
| Pretax profit | -6,2 | -5,9 |
| EPS adjusted (NOK) | -0,04 | -0,04 |

Anorthosite production seasonally lower

The market for anorthosite is said to have developed normally having in mind seasonal variations in Q1. NOM sold 36 000 tonnes of production, below our expectation of over 47 000 tonnes as the seasonality was expressed more strongly than estimated by us. Regarding guidance for 2011, the company's expectations for sales improvement Y/Y were reiterated. NOM's positive stance is confirmed by new agreements for transportation services and purchasing of a new excavator for mine operations in Q1.

No significant news regarding Engebø

No significant news about the Engebø rutile project was announced. The main focus within ongoing activities remains optimisation of rutile recovery and preparation of pilot production. The market outlook for rutile products continues its positive development, according to NOM.

Positive stance maintained

Moderate corrections were made to our estimates after the Q1 report. The appreciation of the USD against the NOK led to a marginal positive change in our target price, which now lands at NOK 3,00 per share (NOK 2,90 previously). We see rich upside potential and find the risk/reward attractive. Expecting the results of the auction for the two lithium deposits in Finland to be announced in Q2, we remain confident with our 12-month forward Buy recommendation.

Analyst

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Position: Analyst

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Please see complete disclosures
at the end of this report

Estimate changes

| NOKm | 2011e | | | 2012e | | | 2013e | | |
|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | Old | New | Change | Old | New | Change | Old | New | Change |
| Revenues | 27,4 | 27,1 | -1,3% | 30,0 | 29,7 | -1,0% | 32,4 | 32,1 | -1,0% |
| Gross margin, % | 69,5% | 75,9% | 6,4%p | 69,5% | 73,1% | 3,6%p | 69,5% | 73,1% | 3,6%p |
| EBITDA | -16,0 | -16,0 | nm | -15,2 | -14,6 | nm | -14,1 | -13,3 | nm |
| EBIT | -18,6 | -18,6 | nm | -17,7 | -17,2 | nm | -16,6 | -15,9 | nm |
| EBIT margin, % | -67,9% | -68,8% | nm | -59,2% | -57,9% | nm | -51,2% | -49,4% | nm |
| EPS adj. (NOK) | -0,14 | -0,13 | nm | -0,14 | -0,12 | nm | -0,14 | -0,12 | nm |

Recent insider trades

| Date | Name | Position | Action | Price | Value in NOK | Share | Comment |
|------|------|----------|--------|-------|--------------|-------|---------------------------------------|
| — | — | — | — | — | — | — | There were no insider trades recently |

Note: only more than NOK 50 000 worth trades are included in the table

SOTP of Nordic Mining

| Assets | Value, MNOK | Probability of success | Value per share, NOK | Comments |
|---|-------------|------------------------|----------------------|---|
| Rutile project at Engebøfjellet | 570 | 75% | 2,87 | DCF-based NPV with WACC 9,9%; assumed partnership where NM will own a 51% stake |
| Keliber's lithium project | 233 | 70% | 1,10 | DCF-based NPV with WACC 9,9% (adjusted for ownership of 68%) |
| Anorthosite in Aurland (Gudvangen Stein AS) | 57 | 100% | 0,38 | DCF-based NPV with WACC 9,9% |
| General and administration | -87 | | -0,59 | DCF-based NPV with WACC 9,9% |
| Net cash (debt if -) | 5 | | 0,04 | End of Q1 2011 |
| Net asset value | 767 | | 3,72 | |
| Fair value (20% discount) | | | 3,00 | |

* 3,5m options outstanding included

Segment information

| (NOKm) | 1Q-2010 | 2Q-2010 | 3Q-2010 | 4Q-2010 | 1Q-2011 | 2Q-2011e | 3Q-2011e | 4Q-2011e |
|---------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenues | | | | | | | | |
| Anorthosite project | 3,0 | 6,0 | 5,5 | 7,8 | 4,5 | 6,9 | 7,4 | 8,3 |
| Lithium project | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Rutile project | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Total | 3,0 | 6,0 | 5,5 | 7,8 | 4,5 | 6,9 | 7,4 | 8,3 |

| 2010 | 2011e | 2012e | 2013e | 2014e |
|-------------|-------------|-------------|-------------|--------------|
| 22,4 | 27,1 | 29,7 | 32,1 | 34,4 |
| 0,0 | 0,0 | 0,0 | 0,0 | 248,9 |
| 0,0 | 0,0 | 0,0 | 0,0 | 309,7 |
| 22,4 | 27,1 | 29,7 | 32,1 | 593,0 |

Key assumptions

| | 1Q-2010 | 2Q-2010 | 3Q-2010 | 4Q-2010 | 1Q-2011 | 2Q-2011e | 3Q-2011e | 4Q-2011e |
|---------------------------|---------|---------|---------|---------|---------|----------|----------|----------|
| Anorthosite price, USD/t | 17,8 | 17,6 | 17,9 | 19,2 | 22,0 | 21,7 | 21,3 | 21,3 |
| Anorthosite production, t | 29 000 | 55 000 | 50 000 | 69 000 | 36 000 | 58 036 | 61 752 | 69 212 |
| Lithium price, USD/t | - | - | - | - | - | - | - | - |
| Lithium production, t | - | - | - | - | - | - | - | - |
| Garnet price, USD/t | - | - | - | - | - | - | - | - |
| Garnet production, t | - | - | - | - | - | - | - | - |
| Rutile price, USD/t | - | - | - | - | - | - | - | - |
| Rutile production, t | - | - | - | - | - | - | - | - |
| USD/NOK | 5,86 | 6,23 | 6,16 | 5,92 | 5,72 | 5,50 | 5,60 | 5,60 |

| 2010 | 2011e | 2012e | 2013e | 2014e |
|---------|---------|---------|---------|---------|
| 18,1 | 21,6 | 21,9 | 22,6 | 23,1 |
| 203 000 | 225 000 | 241 500 | 253 575 | 266 254 |
| - | - | - | - | 11 000 |
| - | - | - | - | 4 000 |
| - | - | - | - | 375 |
| - | - | - | - | 50 000 |
| - | - | - | - | 860 |
| - | - | - | - | 42 500 |
| 6,04 | 5,61 | 5,60 | 5,60 | 5,60 |

DCF model

Rutile and garnet project at Engebøfjellet (100% basis)

| DCF, NOKm | Q2-Q4 2011e | 2012e | 2013e | 2014e | 2015e | 2016-2017e |
|-----------------|-------------|--------------|-------|-------|-------|------------|
| Revenues | 0 | 0 | 0 | 310 | 626 | 33 598 |
| Operating costs | -5 | -8 | -8 | -170 | -266 | -14 279 |
| EBITDA | -5 | -8 | -8 | 139 | 360 | 19 319 |
| Depreciation | 0 | 0 | 0 | -16 | -32 | -1 374 |
| EBIT | -5 | -8 | -8 | 123 | 328 | 17 945 |
| Tax rate | 28% | 28% | 28% | 28% | 28% | 28% |
| Net profit | -5 | -8 | -8 | 89 | 236 | 12 920 |
| Investment | -17 | -577 | -577 | -6 | -6 | -241 |
| Free Cash Flow | -22 | -585 | -585 | 99 | 262 | 14 054 |
| DCF | -20 | -495 | -451 | 70 | 168 | 1 847 |
| Sum NPV | | 1 117 | | | | |

Keliber's lithium project (100% basis)

| DCF, NOKm | Q2-Q4 2011e | 2012e | 2013e | 2014e | 2015e | 2016-2023e |
|-----------------|-------------|------------|-------|-------|-------|------------|
| Revenues | 0 | 0 | 0 | 249 | 249 | 1 991 |
| Operating costs | -3 | -4 | -4 | -79 | -79 | -629 |
| EBITDA | -3 | -4 | -4 | 170 | 170 | 1 362 |
| Depreciation | 0 | 0 | 0 | -37 | -37 | -297 |
| EBIT | -3 | -4 | -4 | 133 | 133 | 1 065 |
| Tax rate | 26% | 26% | 26% | 26% | 26% | 26% |
| Net profit | -3 | -4 | -4 | 99 | 99 | 788 |
| Investment | 0 | -176 | -176 | -2 | -2 | -16 |
| Free Cash Flow | -3 | -179 | -179 | 134 | 134 | 1 069 |
| DCF | -3 | -152 | -138 | 94 | 85 | 457 |
| Sum NPV | | 343 | | | | |

Anorthosite in Aurland (Gudvangen Stein AS)

| DCF, NOKm | Q2-Q4 2011e | 2012e | 2013e | 2014e | 2015e | 2016e- |
|----------------------------|-------------|-----------|-------|-------|-------|--------|
| Revenues | 23 | 30 | 32 | 34 | 35 | |
| Operating costs | -19 | -24 | -25 | -24 | -25 | |
| EBITDA | 4 | 6 | 7 | 10 | 10 | |
| Depreciation | -2 | -2 | -2 | -2 | -2 | |
| EBIT | 2 | 3 | 5 | 8 | 8 | |
| Tax rate | 28% | 28% | 28% | 28% | 28% | |
| NOPLAT | 2 | 2 | 4 | 6 | 6 | |
| Depreciation | 2 | 2 | 2 | 2 | 2 | |
| Investment | -1 | -1 | -1 | -1 | -1 | |
| Changes in working capital | -4 | -1 | -1 | -1 | 0 | |
| Free Cash Flow | -1 | 3 | 4 | 6 | 7 | |
| DCF | -1 | 2 | 3 | 4 | 4 | 44 |
| Sum NPV | | 57 | | | | |

DCF model (cont'd)

General and administration

| DCF, NOKm | Q2-Q4 2011e | 2012e | 2013e | 2014e | 2015e | 2016e- |
|----------------------------------|-------------|-------|-------|-------|-------|--------|
| General and administration costs | -6 | -9 | -9 | -9 | -9 | |
| Free Cash Flow | -6 | -9 | -9 | -9 | -9 | |
| DCF | -6 | -7 | -7 | -6 | -6 | -56 |
| Sum NPV | -87 | | | | | |

WACC calculation

| | |
|--------------------------|-------------|
| Debt ratio | 60% |
| Cost of debt (after tax) | 8,6% |
| Risk free rate | 4,0% |
| Beta | 1,3 |
| Market risk premium | 6,0% |
| Cost of equity | 11,8% |
| WACC | 9,9% |

Description of the company

Nordic Mining is a mining company focused on activities such as exploration, extraction and production of high-end industrial minerals and metals. The company was established after the de-merger of Rocksource's business and was registered under Nordic Mining ASA name in May 2006. The company is listed in Oslo with ticker code NOM from 14 September 2007.

The main company's assets are mineral rights for approximately 380 million tons of ore with an estimated TiO₂ content of 3,92% at Engebøfjellet, an anorthosite mine in Gudvangen in Aurland and various exploration rights, including for high purity quartz in Kvinnherad. In addition, the company is the owner of a 68% stake in Keliber Oy, a Finnish company with permits and concessions to start mining and production of lithium carbonate in Finland.

Company data

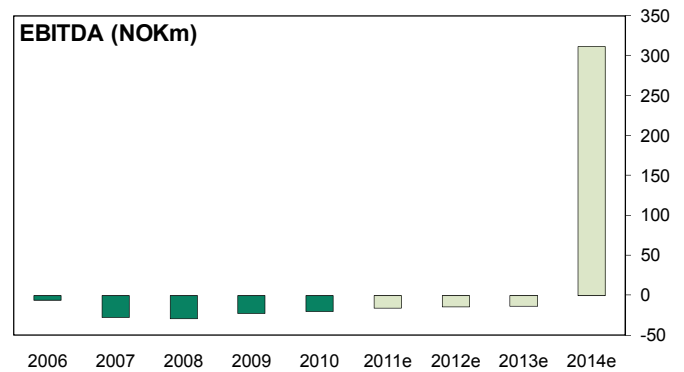
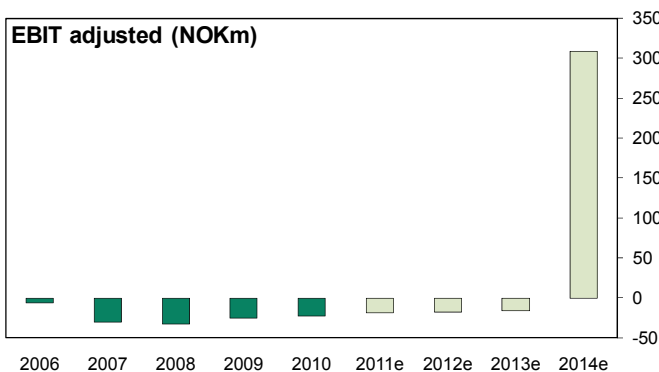
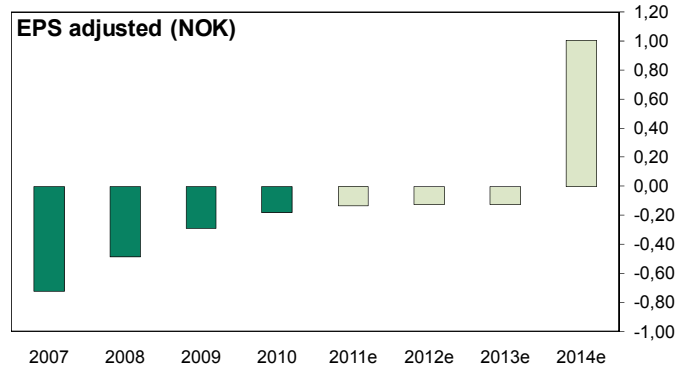
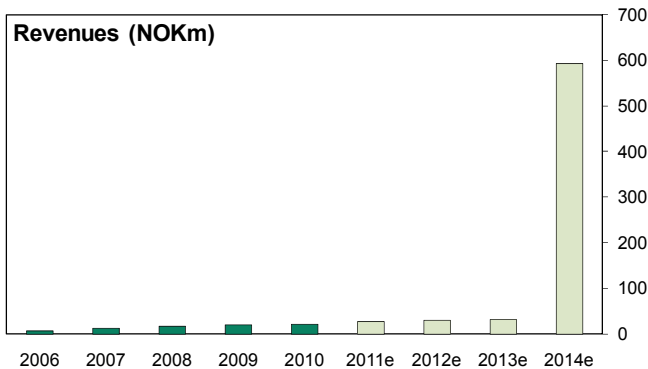
Chief Executive Officer: Ivar Sund Fossum
 Chief Financial Officer: Lars K. Grøndahl

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Listing: Oslo Stock Exchange
 Number of shares: 145 470 091

News flow

| Date | Event |
|---------------|---|
| May-June 2011 | Outcome of auction for 2 new deposits in Finland |
| 16.06.2011 | AGM |
| 19.08.2011 | Q2 2011 report |
| 2011 | News on environmental permits for Engebø |
| 2011 | Off-take agreements |
| 2011 | PFS for Keliber |
| 2011 | Exploration and laboratory results for quartz deposit |



| PROFIT & LOSS | | | | | | | | | | | | |
|--|------|------|------|------|------|------|------|------|-------|-------|-------|-------|
| (NOKm) | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e | 2014e |
| Sales | na | na | na | 8 | 13 | 18 | 20 | 22 | 27 | 30 | 32 | 593 |
| COGS | na | na | na | 0 | -3 | -1 | -6 | -6 | -7 | -8 | -9 | 0 |
| Gross profit | na | na | na | na | 9 | 16 | 14 | 16 | 21 | 22 | 23 | na |
| Sales & general administration costs | na | na | na | -13 | -37 | -46 | -36 | -36 | -37 | -36 | -37 | -282 |
| EBITDA | na | na | na | -6 | -28 | -29 | -22 | -20 | -16 | -15 | -13 | 311 |
| Depreciation & amortisation | na | na | na | 0 | -3 | -4 | -3 | -3 | -3 | -3 | -3 | -2 |
| EBIT adjusted | na | na | na | -6 | -30 | -33 | -25 | -23 | -19 | -17 | -16 | 309 |
| Non-recurring items | na | na | na | 0 | 0 | -9 | -2 | -2 | 0 | 0 | 0 | 0 |
| Goodwill amortisation/write-ups/-downs | na | na | na | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT | na | na | na | -6 | -30 | -42 | -27 | -25 | -19 | -17 | -16 | 309 |
| Net financial items | na | na | na | 0 | -8 | 0 | -1 | -2 | -2 | -2 | -3 | -1 |
| Equity earnings | na | na | na | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pretax profit | na | na | na | -6 | -39 | -42 | -28 | -27 | -21 | -19 | -19 | 307 |
| Tax | na | na | na | 0 | 5 | -1 | 1 | 1 | 0 | 0 | 0 | -71 |
| Tax rate | na | na | na | 0% | 13% | -2% | 4% | 3% | 0% | 0% | 0% | 23% |
| Profit after taxes | na | na | na | -6 | -33 | -43 | -27 | -26 | -21 | -19 | -19 | 237 |
| Minority interest | na | na | na | 0 | 0 | 0 | 0 | 1 | 1 | 1 | 1 | -75 |
| Extraord. items / Discontinued oper. | na | na | na | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit | na | na | na | -6 | -33 | -43 | -27 | -25 | -19 | -18 | -18 | 162 |
| Other comprehensive income | na | na | na | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income | na | na | na | -6 | -33 | -43 | -27 | -25 | -19 | -18 | -18 | 162 |

| BALANCE SHEET | | | | | | | | | | | | |
|---------------------------|------|------|------|------|------|------|------|------|-------|-------|-------|-------|
| (NOKm) | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e | 2014e |
| Goodwill | na | na | na | 0 | 0 | 10 | 8 | 7 | 7 | 7 | 7 | 7 |
| Intangible assets | na | na | na | 0 | 3 | 3 | 4 | 6 | 7 | 7 | 7 | 7 |
| Tangible assets | na | na | na | 0 | 48 | 85 | 69 | 65 | 65 | 64 | 63 | 61 |
| Financial assets | na | na | na | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inventories | na | na | na | 0 | 1 | 2 | 2 | 3 | 3 | 3 | 4 | 4 |
| Accounts receivable | na | na | na | 2 | 5 | 5 | 7 | 5 | 9 | 10 | 11 | 12 |
| Other current assets | na | na | na | 91 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | na | na | na | 10 | 24 | 40 | 8 | 7 | 9 | 1 | 1 | 153 |
| Total assets | na | na | na | 104 | 81 | 146 | 97 | 94 | 101 | 93 | 92 | 244 |
| Shareholders' equity | na | na | na | 19 | 46 | 68 | 37 | 39 | 46 | 38 | 27 | 188 |
| Minority interest | na | na | na | 0 | 0 | 11 | 9 | 8 | 7 | 7 | 7 | 7 |
| Pension provisions | na | na | na | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest-bearing debt | na | na | na | 80 | 12 | 11 | 11 | 11 | 13 | 13 | 23 | 13 |
| Other liabilities | na | na | na | 4 | 23 | 56 | 41 | 36 | 34 | 35 | 35 | 35 |
| Equity and liabilities | na | na | na | 104 | 81 | 146 | 97 | 94 | 101 | 93 | 92 | 244 |

| KEY FIGURES | | | | | | | | | | | | |
|-------------------------------|------|------|------|------|--------|--------|--------|---------|---------|---------|---------|---------|
| (NOK) | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e | 2014e |
| Sales per share | na | na | na | na | 0,24 | 0,19 | 0,21 | 0,18 | 0,19 | 0,20 | 0,22 | 4,08 |
| EPS | na | na | na | na | -0,63 | -0,45 | -0,28 | -0,20 | -0,13 | -0,12 | -0,12 | 1,11 |
| EPS (adjusted) | na | na | na | na | -0,72 | -0,48 | -0,29 | -0,18 | -0,13 | -0,12 | -0,12 | 1,01 |
| Dividends per share | na | na | na | na | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 |
| Book value per share* | na | na | na | na | 0,86 | 0,61 | 0,30 | 0,25 | 0,26 | 0,21 | 0,13 | 1,24 |
| Net debt (cash) per share | na | na | na | na | -0,05 | -0,19 | 0,13 | 0,09 | 0,08 | 0,13 | 0,20 | -0,91 |
| P/E | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | 1,8 |
| P/E (adjusted) | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | 2,0 |
| P/Net Sales | na | na | na | na | 16,7 | 3,5 | 6,8 | 11,3 | 14,1 | 13,3 | 12,3 | 0,5 |
| P/Book value* | na | na | na | na | 3,1 | 1,0 | 3,3 | 5,7 | 7,5 | 9,6 | 14,9 | 1,6 |
| P/Book value (incl. goodwill) | na | na | na | na | 3,1 | 0,8 | 2,6 | 4,6 | 6,3 | 7,7 | 10,8 | 1,5 |
| EV/EBITDA | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | 0,5 |
| EV/EBIT** | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | 0,5 |
| EV/NOPLAT** | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | 0,7 |
| EV/Sales | na | na | na | na | 11,7 | 2,8 | 5,7 | 8,9 | 11,4 | 10,6 | 10,2 | 0,3 |
| Dividend yield | na | na | na | na | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| ROE* (adjusted) | na | na | na | na | -118% | -89% | -64% | -75% | -55% | -53% | -72% | 146% |
| Equity ratio* | na | na | na | na | 18% | 57% | 43% | 32% | 36% | 41% | 35% | 74% |
| Debt/Equity* | na | na | na | na | 419% | 46% | 37% | 71% | 60% | 52% | 67% | 155% |
| Net debt/EBITDA | na | na | na | na | nm | nm | nm | nm | nm | nm | nm | -0,43 |
| Gross margin | na | na | na | na | 69% | 91% | 68% | 71% | 76% | 73% | 73% | na |
| EBITDA margin | na | na | na | na | -78,6% | <-100% | <-100% | <-100% | -90,0% | -58,9% | -49,2% | -41,5% |
| EBIT** margin | na | na | na | na | -78,6% | <-100% | <-100% | <-100% | -68,8% | -57,9% | -49,4% | 52% |
| Growth of Sales | na | na | na | na | nm | 47% | 14% | 10% | 21% | 10% | 8% | 1747% |
| Growth of EBITDA | na | na | na | na | nm | nm | nm | nm | nm | nm | nm | nm |
| EPS** growth | na | na | na | na | nm | nm | nm | nm | nm | nm | nm | nm |
| Share price | na | na | na | na | 2,70 | 0,60 | 0,99 | 1,43 | 1,99 | 1,99 | 1,99 | 1,99 |
| No. shares year-end | na | na | na | na | 53,480 | 95,470 | 95,470 | 125,470 | 145,470 | 145,470 | 145,470 | 145,470 |
| Market capitalisation | na | na | na | na | 144,4 | 57,3 | 94,5 | 179,4 | 289,5 | 289,5 | 289,5 | 289,5 |
| Net debt | na | na | na | na | 70 | -2 | -18 | 13 | 12 | 11 | 19 | -133 |
| Enterprise value | na | na | na | na | 142 | 50 | 116 | 199 | 308 | 316 | 326 | 164 |
| Book value of equity* | na | na | na | na | 19 | 46 | 58 | 29 | 32 | 38 | 30 | 19 |

*Excluding goodwill

**Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

| PROFIT & LOSS | | | | | | | | | | | |
|--|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| (NOKm) | 2Q-2009 | 3Q-2009 | 4Q-2009 | 1Q-2010 | 2Q-2010 | 3Q-2010 | 4Q-2010 | 1Q-2011 | 2Q-2011e | 3Q-2011e | 4Q-2011e |
| Sales | 4,5 | 7,5 | 5,4 | 3,0 | 6,0 | 5,5 | 7,8 | 4,5 | 6,9 | 7,4 | 8,3 |
| COGS | -0,8 | -2,9 | -1,8 | -0,3 | -2,2 | -2,5 | -1,4 | -0,5 | -1,9 | -2,0 | -2,2 |
| Gross profit | 3,6 | 4,5 | 3,5 | 2,7 | 3,8 | 3,0 | 6,4 | 4,1 | 5,1 | 5,4 | 6,0 |
| Sales & general administration costs | -8,4 | -10,6 | -8,0 | -8,4 | -9,5 | -7,8 | -10,5 | -9,2 | -9,2 | -8,9 | -9,2 |
| EBITDA | -4,8 | -6,0 | -4,4 | -5,7 | -5,7 | -4,7 | -4,0 | -5,1 | -4,2 | -3,6 | -3,2 |
| Depreciation & amortisation | -0,7 | -0,7 | -0,8 | -0,6 | -0,7 | -0,7 | -0,7 | -0,7 | -0,7 | -0,7 | -0,7 |
| EBIT adjusted | -5,5 | -6,8 | -5,2 | -6,3 | -6,4 | -5,5 | -4,8 | -5,8 | -4,8 | -4,2 | -3,8 |
| Non-recurring items | 0,0 | 0,0 | -2,1 | 0,0 | -1,7 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Goodwill amortisation/write-ups/-downs | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| EBIT | -5,5 | -6,8 | -7,3 | -6,3 | -8,1 | -5,5 | -4,8 | -5,8 | -4,8 | -4,2 | -3,8 |
| Net financial items | 0,6 | -0,8 | -0,8 | -0,6 | -0,4 | -0,5 | -0,5 | -0,4 | -0,4 | -0,5 | -0,5 |
| Equity earnings | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Pretax profit | -4,9 | -7,5 | -8,1 | -6,9 | -8,5 | -6,0 | -5,3 | -6,2 | -5,2 | -4,7 | -4,3 |
| Tax | 0,0 | 0,0 | 1,1 | 0,0 | 0,0 | 0,0 | 0,8 | 0,0 | 0,0 | 0,0 | 0,0 |
| Tax rate | 0% | 0% | 13% | 0% | 0% | 0% | 15% | 0% | 0% | 0% | 0% |
| Profit after taxes | -4,9 | -7,5 | -7,0 | -6,9 | -8,5 | -6,0 | -4,5 | -6,2 | -5,2 | -4,7 | -4,3 |
| Minority interest | 0,1 | 0,1 | 0,1 | 0,1 | 0,2 | 0,3 | 0,1 | 0,2 | 0,3 | 0,3 | 0,3 |
| Extraord. Items / Discontinued oper. | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Net profit | -4,8 | -7,4 | -6,9 | -6,8 | -8,3 | -5,7 | -4,4 | -6,0 | -4,9 | -4,4 | -4,0 |
| Other comprehensive income | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Comprehensive income | -4,8 | -7,4 | -6,9 | -6,8 | -8,3 | -5,7 | -4,4 | -6,0 | -4,9 | -4,4 | -4,0 |

| BALANCE SHEET | | | | | | | | | | | |
|---------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| (NOKm) | 2Q-2009 | 3Q-2009 | 4Q-2009 | 1Q-2010 | 2Q-2010 | 3Q-2010 | 4Q-2010 | 1Q-2011 | 2Q-2011e | 3Q-2011e | 4Q-2011e |
| Goodwill | 9 | 8 | 8 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Intangible assets | 3 | 3 | 4 | 4 | 4 | 4 | 6 | 7 | 7 | 7 | 7 |
| Tangible assets | 77 | 73 | 69 | 67 | 67 | 67 | 65 | 66 | 66 | 65 | 65 |
| Financial assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Inventories | 2 | 2 | 2 | 3 | 2 | 2 | 3 | 4 | 3 | 3 | 3 |
| Accounts receivable | 5 | 6 | 7 | 14 | 6 | 4 | 5 | 5 | 8 | 8 | 9 |
| Other current assets | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Cash and cash equivalents | 18 | 12 | 8 | 16 | 20 | 15 | 7 | 25 | 16 | 13 | 9 |
| Total assets | 114 | 104 | 97 | 112 | 106 | 99 | 94 | 114 | 106 | 104 | 101 |
| Shareholders' equity | 53 | 44 | 37 | 56 | 49 | 44 | 39 | 59 | 54 | 50 | 46 |
| Minority interest | 10 | 9 | 9 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 |
| Pension provisions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest-bearing debt | 12 | 11 | 11 | 12 | 12 | 12 | 11 | 13 | 13 | 13 | 13 |
| Other liabilities | 40 | 40 | 41 | 36 | 37 | 35 | 36 | 35 | 32 | 34 | 34 |
| Equity and liabilities | 114 | 104 | 97 | 112 | 106 | 99 | 94 | 114 | 106 | 104 | 101 |

| KEY FIGURES | | | | | | | | | | | |
|----------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|----------|----------|----------|
| (NOK) | 2Q-2009 | 3Q-2009 | 4Q-2009 | 1Q-2010 | 2Q-2010 | 3Q-2010 | 4Q-2010 | 1Q-2011 | 2Q-2011e | 3Q-2011e | 4Q-2011e |
| EPS | -0,05 | -0,08 | -0,07 | -0,05 | -0,07 | -0,05 | -0,03 | -0,04 | -0,03 | -0,03 | -0,03 |
| EPS (adjusted) | -0,05 | -0,08 | -0,08 | -0,05 | -0,05 | -0,05 | -0,03 | -0,04 | -0,03 | -0,03 | -0,03 |
| 12-months forward P/E (adjusted) | neg | neg | neg | neg | neg | neg | neg | neg | neg | neg | neg |
| Equity ratio* | 42% | 37% | 32% | 46% | 43% | 40% | 36% | 48% | 47% | 44% | 41% |
| Debt/Equity* | 50% | 58% | 71% | 42% | 47% | 55% | 60% | 39% | 43% | 48% | 52% |
| Gross margin | 81% | 61% | 66% | 89% | 63% | 55% | 82% | 90% | 73% | 73% | 73% |
| EBITDA margin | <-100% | -81% | -83% | <-100% | -95% | -86% | -52% | <-100% | -60% | -48% | -38% |
| EBIT** margin | <-100% | -91% | -98% | <-100% | <-100% | -99% | -61% | <-100% | -70% | -57% | -46% |
| Growth of Sales (Q/Q) | 46% | 67% | -29% | -43% | 99% | -8% | 42% | -42% | 53% | 6% | 12% |
| Growth of EBITDA (Q/Q) | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| EPS** growth (Q/Q) | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| Growth of Sales (Y/Y) | 6% | 77% | -8% | -1% | 34% | -26% | 49% | 50% | 15% | 34% | 5% |
| Growth of EBITDA (Y/Y) | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| EPS** growth (Y/Y) | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| Share price | 1,20 | 1,41 | 0,99 | 1,31 | 1,25 | 1,54 | 1,43 | 2,26 | 1,99 | 1,99 | 1,99 |
| No. shares quarter-end | 95,470 | 95,470 | 95,470 | 125,470 | 125,470 | 125,470 | 125,470 | 145,470 | 145,470 | 145,470 | 145,470 |
| Market capitalisation | 114,6 | 134,6 | 94,5 | 164,4 | 156,8 | 193,2 | 179,4 | 328,8 | 289,5 | 289,5 | 289,5 |
| Net debt | 4 | 9 | 13 | 4 | 0 | 5 | 12 | -5 | 4 | 7 | 11 |
| Enterprise value | 129 | 152 | 116 | 176 | 165 | 206 | 199 | 331 | 301 | 304 | 308 |
| Book value of equity* | 44,0 | 35,7 | 29,0 | 48,6 | 42,1 | 36,4 | 31,6 | 51,7 | 46,8 | 42,4 | 38,4 |

*Excluding goodwill

**Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

| TOP 20 INVESTORS | | 23.05.2011 | | Change over a week |
|------------------|----------------------------------|------------|---------------|--------------------|
| No. | Investor | Ownership | No. of shares | No. of shares |
| 1 | SKAGEN VEKST | 8,64% | 12 570 000 | 190 000 |
| 2 | HOLBERG NORGE | 8,02% | 11 669 392 | -93 151 |
| 3 | NORDNET BANK AB | 6,40% | 9 315 143 | 356 289 |
| 4 | DAG DVERGSTEN AS | 6,36% | 9 254 227 | 0 |
| 5 | FINNISH INDUSTRY INVESTMENT LTD. | 4,51% | 6 556 193 | 0 |
| 6 | DANSKE BANK A/S | 3,53% | 5 142 025 | -8 204 |
| 7 | MP PENSJON PK | 2,89% | 4 210 000 | 0 |
| 8 | DYBVAD CONSULTING AS | 2,68% | 3 901 255 | 2 000 |
| 9 | NORDEA BANK PLC FINLAND | 2,61% | 3 802 800 | 84 200 |
| 10 | <private> | 1,91% | 2 776 624 | 0 |
| 11 | SNATI AS | 1,65% | 2 405 714 | 0 |
| 12 | VPF NORDEA SMB | 1,61% | 2 347 395 | 35 000 |
| 13 | SOLON AS | 1,54% | 2 242 333 | 0 |
| 14 | JPMORGAN CHASE BANK | 1,52% | 2 208 470 | -632 041 |
| 15 | <private> | 1,29% | 1 877 778 | 1 000 |
| 16 | DNO INVEST AS | 1,24% | 1 806 442 | 0 |
| 17 | OVE KLUNGLAND HOLDING AS NIL | 1,14% | 1 653 628 | 0 |
| 18 | CITIBANK N.A. (LONDON BRANCH) | 1,08% | 1 569 193 | 3 500 |
| 19 | <private> | 0,90% | 1 310 781 | 0 |
| 20 | <private> | 0,83% | 1 207 851 | 0 |

Source: Infront/ The Online Trader

| Nordic Mining | | NOM | | | | | | | | | | | |
|---------------------------|-----|------|--------------------------------------|------|---------|--------|--------|--------|---------|---------|---------|-------------|------------|
| Price | NOK | 1,99 | Risk: <i>High</i> | | | | | | | | | Last report | 31.03.2011 |
| Capitalisation | NOK | 289 | Investment potential: <i>Average</i> | | | | | | | | | Last update | 26.05.2011 |
| | | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011e | 2012e | 2013e | |
| Sales | NOK | na | na | na | 8 | 13 | 18 | 20 | 22 | 27 | 30 | 32 | |
| Gross profit | NOK | na | na | na | na | 9 | 16 | 14 | 16 | 21 | 22 | 23 | |
| EBITDA | NOK | na | na | na | -5,9 | -28 | -29 | -22 | -20 | -16 | -15 | -13 | |
| EBIT adjusted | NOK | na | na | na | -5,9 | -30 | -33 | -25 | -23 | -19 | -17 | -16 | |
| Operating earnings (EBIT) | NOK | na | na | na | -5,9 | -30 | -42 | -27 | -25 | -19 | -17 | -16 | |
| Pretax profits (EBT) | NOK | na | na | na | -5,8 | -39 | -42 | -28 | -27 | -21 | -19 | -19 | |
| Net profit | NOK | na | na | na | -5,8 | -33 | -43 | -27 | -25 | -19 | -18 | -18 | |
| Net debt (cash) | NOK | na | na | na | 70 | -2 | -18 | 13 | 12 | 11 | 19 | 29 | |
| Enterprise value | NOK | na | na | na | na | 142 | 50 | 116 | 199 | 308 | 316 | 326 | |
| Book value of equity | NOK | na | na | na | 19 | 46 | 58 | 29 | 32 | 38 | 30 | 19 | |
| Sales per share | NOK | na | na | na | na | 0,24 | 0,19 | 0,21 | 0,18 | 0,19 | 0,20 | 0,22 | |
| EPS | NOK | na | na | na | na | -0,63 | -0,45 | -0,28 | -0,20 | -0,13 | -0,12 | -0,12 | |
| EPS (adjusted) | NOK | na | na | na | na | -0,72 | -0,48 | -0,29 | -0,18 | -0,13 | -0,12 | -0,12 | |
| Dividends per share | NOK | na | na | na | na | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | 0,00 | |
| Book value per share* | NOK | na | na | na | na | 0,86 | 0,61 | 0,30 | 0,25 | 0,26 | 0,21 | 0,13 | |
| Net debt (cash) per share | NOK | na | na | na | na | -0,05 | -0,19 | 0,13 | 0,09 | 0,08 | 0,13 | 0,20 | |
| P/E | | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | |
| P/E (adjusted) | | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | |
| P/Sales | | na | na | na | na | 11,9 | 3,2 | 4,7 | 8,0 | 10,7 | 9,8 | 9,0 | |
| P/Book value* | | na | na | na | na | 3,1 | 1,0 | 3,3 | 5,7 | 7,5 | 9,6 | 14,9 | |
| EV/EBITDA | | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | |
| EV/EBIT** | | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | |
| EV/NOPLAT** | | na | na | na | na | neg | neg | neg | neg | neg | neg | neg | |
| EV/Sales | | na | na | na | na | 11,73 | 2,81 | 5,73 | 8,88 | 11,37 | 10,64 | 10,16 | |
| Dividend yield | | na | na | na | na | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | 0,0% | |
| ROE* (adjusted) | | na | na | na | na | -118% | -89% | -64% | -75% | -55% | -53% | -72% | |
| Equity ratio* | | na | na | na | 18,4 % | 57% | 43% | 32% | 36% | 41% | 35% | 23% | |
| Debt/Equity* | | na | na | na | 419% | 46% | 37% | 71% | 60% | 52% | 67% | 155% | |
| Net debt/EBITDA | | na | na | na | nm | nm | nm | nm | nm | nm | nm | nm | |
| Gross margin | | na | na | na | na | 69% | 91% | 68% | 71% | 76% | 73% | 73% | |
| EBITDA margin | | na | na | na | -78,6 % | <-100% | <-100% | <-100% | -90,0 % | -58,9 % | -49,2 % | -41,5 % | |
| EBIT** margin | | na | na | na | -78,6 % | <-100% | <-100% | <-100% | <-100% | -68,8 % | -57,9 % | -49,4 % | |
| Growth of Sales | | na | na | na | nm | nm | 47% | 14% | 10% | 21% | 10% | 8% | |
| Growth of EBITDA | | na | na | na | nm | nm | nm | nm | nm | nm | nm | nm | |
| EPS** growth | | na | na | na | na | nm | nm | nm | nm | nm | nm | nm | |

*Book value of equity excludes goodwill

**Adjusted for non-recurring items and goodwill amortisation/write-ups/-downs

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Analyst certification

The analyst(s) who has (have) prepared this report, hereby certify that notwithstanding the existence of any such potential conflicts of interests referred to later in the disclaimer, the views expressed in this report accurately reflect our personal view about the Company covered by this report. I/we further certify that I/we have not been, nor are or will be receiving any direct or indirect compensation related to specific recommendations or views contained in this report.

Recommendation history for NOM

| Date | Recommendation | Target price (NOK) |
|------------|----------------|--------------------|
| 26.05.2011 | BUY | 3,00 |
| 13.05.2011 | BUY | 2,90 |
| 24.03.2011 | HOLD | 2,50 |
| 22.03.2011 | REDUCE | 2,50 |
| 14.03.2010 | BUY | 2,50 |
| 25.02.2011 | HOLD | 2,60 |
| 10.11.2010 | BUY | 2,50 |
| 03.11.2010 | BUY | 2,30 |
| 05.10.2010 | BUY | 2,30 |
| 25.08.2010 | STRONG BUY | 2,50 |
| 14.05.2010 | STRONG BUY | 2,50 |

The table above shows current and previous recommendations given in the company reports during the last 12 months.

Planned updates

Terra Markets AS plans to update its recommendation on the company: 1) when new accounting figures are released, 2) if any material news on the company or industry is released, 3) in other important instances.

Was the company report presented to the issuer?

The company report was not presented to the issuer before dissemination.

Price target methodology and risks

Our share price target is derived using probability-based DCF valuation of the company's projects. A 20% discount is applied due to uncertainty over financing. The main risks to our price target include changes in the metals and minerals price estimates, the operational performance in the main company's projects as well as financing issues.

Critical assumptions

Earnings forecasts are highly sensitive to the metals and minerals prices and the amount of metals and minerals sales and OPEX/t assumptions. The base case assumption is also that the projects are going on schedule, the materialization of which is crucial.

Information sources

The Company, Reuters EcoWin, Infionals and Online Trader.

Potential conflict of interests

Investors should assume that Terra Markets AS is seeking or will seek Corporate Finance or other business relationships with the company in this report. None of Terra Markets AS' employees are a representative of the Board or any other similar supervision body of the Company. Responsible analyst has not provided any investment banking services to the Company during the last 12 months. Terra Markets AS has not been giving any investment banking services or acted as a financial advisor or manager/co-manager for the Company during the last 12 months. Complete lists of corporate clients and updated share positions are available at www.terraresearch.no/index.php?id=78.

Share positions in the Company:

| | |
|-------------------------------|---|
| Responsible analyst(s) | 0 |
| Employees of Terra Markets AS | 0 |
| Terra Markets AS | 0 |

Holdings of tied agents of Terra Markets AS have not been included. The analyst never holds shares in the company he/she analyzes. Positions of employees are based on lists updated each week. Holdings as a part of Terra Markets AS' investment services activities such as market making are not included.

Recommendation structure

Company reports

Terra Markets AS' recommendations are based on a twelve-month time horizon and on absolute performance adjusted for risk (prior to 21.03.2011, the recommendations were based on a six-month horizon). Near-term dividends are included into return. The table below shows general guidelines for determining our recommendations:

| Risk | Buy / Strong Buy | Hold | Reduce / Sell |
|--------|------------------|----------|---------------|
| Low | > 10% | 2% - 10% | < 2% |
| Medium | > 15% | 3% - 15% | < 3% |
| High | > 30% | 5% - 30% | < 5% |

The percentages in the table above are defined as an upside to our price target plus eventual dividends within twelve months. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on the analyst's conviction in the case. Our risk assessments range from high risk to medium risk and low risk and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Recommendation distribution as of March 31, 2011

| Company reports | Strong Buy | Buy | Hold | Reduce | Sell |
|-------------------|------------|-----|------|--------|------|
| Total | 6 | 52 | 45 | 9 | 0 |
| % of total | 5% | 46% | 40% | 8% | 0% |
| Corporate clients | 2 | 9 | 12 | 1 | 0 |
| % of total | 8% | 38% | 50% | 4% | 0% |

The table above shows recommendation distribution for all company reports issued during the last three months.

Weekly Casebook

Terra Markets AS provides updated assessments for all the companies in its research universe on a weekly basis in the Weekly Casebook product. Recommendations in Weekly Casebook are based on a 2 to 8-week time horizon and an expected absolute share price performance. In Weekly Casebook, Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold, -1 as Reduce and -2 as Sell. Buy or Strong Buy recommendation is given when the analyst believes the stock price will appreciate in the coming 2 to 8 weeks, Hold recommendation is given when the analyst believes the share price will be flat in the coming 2 to 8 weeks, Reduce or Sell recommendation is given when the analyst believes the share price will depreciate in the coming 2 to 8 weeks. Whether a Buy or Strong Buy / Reduce or Sell recommendation is given, depends on the analyst's conviction in the case. The recommendations in Weekly Casebook may differ from the recommendations in the company reports due to different time horizons.

Recommendation distribution as of March 31, 2011

| Weekly Casebook | Strong Buy | Buy | Hold | Reduce | Sell |
|-------------------|------------|-----|------|--------|------|
| Total | 8 | 44 | 70 | 10 | 0 |
| % of total | 6% | 33% | 53% | 8% | 0% |
| Corporate clients | 3 | 8 | 18 | 0 | 0 |
| % of total | 10% | 28% | 62% | 0% | 0% |

The recommendation distribution above is based on Terra-rating in Weekly Casebook. Terra-rating of +2 is defined as Strong Buy, +1 as Buy, 0 as Hold, -1 as Reduce and -2 as Sell.

Trading recommendations

Terra Markets AS issues trading recommendations, Trading Buy and Trading Sell, which are based on a 1 to 5-day horizon. Trading Buy (Trading Sell) recommendation is given when the analyst believes the stock price will rise (fall) on an absolute basis during a 1 to 5-day period. Trading Buy and Trading Sell recommendations may not coincide with our Buy and Sell recommendations given in the company reports on a twelve-month basis. There will not necessarily be any updates to the trading recommendations.

The selection of trading recommendations is based on the evaluation of short-term market fundamentals, performance of the peer stock prices, expected news flow as well as the companies' fundamental valuation. The comments given with the trading recommendations show the reasoning for them.

Historic and future returns

Please note that historic returns do not guarantee future positive returns from suggested trades. The client may not be able to achieve the same entry and exit prices for his/her positions. The client return will then deviate from the reported results of the trading. The commission and clearing cost will further reduce the return achieved by the client. Any trade can give a substantial negative result.

Information barriers

Terra Markets AS has arrangements in place to prevent conflicts of interest. As part of these arrangements, Terra Markets AS has established information barriers between different parts of the company to restrict and control the exchange of sensitive information. This may result in Terra Markets AS' employees who have prepared this report being prevented from using or being unaware of information that is available within Terra Markets AS and which may be relevant to the recipients' decisions.