

Nordic Mining ASA – Interim Report per 30 June 2006

Nordic Mining ASA

Nordic Mining ASA was established through a de-merger from Rocksource ASA. The decision to de-merge and establish Nordic Mining as a stand-alone company within the mining and minerals industry was taken 23 February 2006 by Rocksource's general assembly. The de-merger and the registration of Nordic Mining ASA in the Norwegian Company Register were effective at 8 May 2006.

The de-merger enables Rocksource to focus on oil and gas related activities as well as it facilitate increased activity within strategic industrial minerals and metals through Nordic Mining.

Rocksource has transferred its assets and liabilities related to mining and minerals to Nordic Mining. This implies that Nordic Mining through the de-merger has been granted an exclusive right to utilize Rocksource's advanced electro magnetic technology (EM-technology) within the mining industry. Further, Nordic Mining has taken over Rocksource's gold activities in Ecuador. This activity consists of owner interests in 4 gold mining licenses of which 2 are leased out to another gold mining company for exploration, whereas the other 2 licenses are followed up directly by Nordic Mining.

Nordic Mining will be developed as a mining company with focus on technology, and with integrated activities within exploration, extraction and production of gold, industrial minerals and metals. The company's strategy for further growth is to:

- Explore and develop the company's existing resources,
- Establish critical mass within operational competence, market network and financial solidity through acquisition of existing mining and minerals companies,
- Extract and produce industrial minerals and metals for advanced and high value purposes,
- Launch new technology for identification of minerals and metals through development of EM-technology,
- Establish rights to new strategic resources of minerals and metals.

For the time being, Nordic Mining has no employees. The company has entered into a management agreement with Dag Dvergsten AS.

Activities in Nordic Mining in the period ending 30 June 2006:

The acquisition process related to Gexco AB and efforts regarding listing on the Oslo Stock Exchange

In March 2006, Rocksource entered into an agreement with the main shareholders in Gexco AB to acquire 53.7% of the shares in Gexco and 100% of MoMin AS in exchange for new shares in Nordic Mining. Rocksource entered into this transaction on behalf of Nordic Mining in contemplation of the planned de-merger. On 12 May 2006, Nordic Mining issued a public offer for all the outstanding shares in Gexco in accordance with the agreement. Nordic Mining acquired 100% of the shares in MoMin the same date. The offer to the shareholders in Gexco was conditional on approval by the general assembly of Nordic Mining and on an initial public offering of Nordic Mining shares on the Oslo Stock Exchange.

For reasons unknown to Nordic Mining, the main shareholders in Gexco communicated their intent to withdraw from the agreement, and in June 2006, they decided to call on the dispute paragraph in the agreement. The parties agreed to terminate all agreements and further to reverse the previous acquisition of MoMin. Nordic Mining withdrew its public offer for all outstanding shares in Gexco. In compensation for the loss incurred by Nordic Mining on the termination of the agreement, the main shareholders in Gexco have agreed to pay Nordic Mining NOK 7.5 million.

The initial public offering process of Nordic Mining on Oslo Stock exchange was suspended as a result of the termination of the agreement.

Nordic Mining is currently assessing alternative business opportunities with a long term perspective. The intention is to be involved in operating mining operations as well as to develop new resources.

Comments to the accounts for the period ended 30 June 2006

As mentioned earlier Nordic Mining was registered on 8 May 2006 in the Company Register, and consequently historical figures are not available. Further, available segment information from Rocksource is not considered to be of informative value as comparison to this year's figures.

In the reporting period from 8 May – 30 June 2006, Nordic Mining had no operations related to its principal planned activities and consequently no ordinary sales income.

The operating loss for the period was NOK 3,084,277.

Nordic Mining has a management agreement with Dag Dvergsten AS. Management fee in the period amounts to NOK 891,403.

Other operating expenses amount to NOK 2,192,874 of which approximately NOK 1.1 million is non-recurring expenses related to the Gexco/listing processes.

Other income of NOK 7,500,000 is related to the compensation from Gexco's main shareholders as described above.

Nordic Mining's net profit for the period is NOK 4,415,181.

The current result level is not considered to be sustainable based on the company's present structure.

Subsequent events

In the beginning of July, Nordic Mining received NOK 2.5 million of the receivables related to the compensation from Gexco's main shareholders.

As a consequence of the information given above related to Gexco and the company's communication with Oslo Stock Exchange, Nordic Mining decided in July to postpone the stock exchange listing.

Effective from 7 August 2006 Nordic Mining is listed on the OTC (Over The Counter) in Oslo with the ticker code NOMI.

CONDENSED INTERIM BALANCE SHEET

<i>(In NOK)</i>	<i>30 June 2006</i>
ASSETS	
Total non-current assets	-
Current Assets	
Other receivables	7 559 900
Prepayments	2 091 536
Cash and cash equivalents	7 067 260
Total current assets	16 718 696
Total assets	16 718 696
SHAREHOLDERS' EQUITY & LIABILITIES	
Shareholders' equity	
Share capital	1 435 907
Share premium	8 564 093
Other paid-in capital	821 491
Retained earnings	4 415 181
Total equity	15 236 672
Total non-current liabilities	
	-
Current liabilities	
Accounts Payable	412 024
Accrued expenses	1 070 000
Total current liabilities	1 482 024
Total liabilities	1 482 024
Total shareholders' equity and liabilities	16 718 696

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

<i>(In NOK, except for number of shares)</i>	Number of shares	Share capital	Share premium	Other-paid-in capital	Retained earnings	Total equity
Incorporation 8 May 2006	14 359 070	1 435 907	8 564 093	-	-	10 000 000
Share based compensation				821 491		821 491
Profit/(loss) for the period					4 415 181	4 415 181
At 30 June 2006	14 359 070	1 435 907	8 564 093	821 491	4 415 181	15 236 672

CONDENSED INTERIM INCOME STATEMENT

<i>(In NOK)</i>	2006 <i>8 May- 30 June</i>
Sales	-
	(891)
Management fee	403)
Other operating expenses	(2 192 874)
Operating loss	(3 084 277)
Other income	7 500 000
Finance costs and other financial items	(542)
Profit before tax	4 415 181
Income Tax	-
Net profit	4 415 181
Earnings per share	0.31
Diluted earnings per share	0.31
Weighted average number of shares outstanding	14 359 070

CONDENSED CASH FLOW STATEMENT

<i>(In NOK)</i>	2006 <i>8 May- 30 June</i>
Net cash used in operating activities	(2 932 740)
Net cash used in investing activities	-
Cash contributed at de-merger	10 000 000
Net cash from financing activities	10 000 000
Net increase in cash and cash equivalents	7 067 260
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	7 067 260

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Nordic Mining ASA ("the Company") was incorporated on 8 May 2006 in Norway after the de-merger from Rocksource ASA (Rocksource). The principal planned activities of the company are mining exploration, extraction and production of gold, industrial minerals and metals.

2. BASIS OF PRESENTATION

The condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IAS 34 "Interim financial reporting."

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and liabilities are recognized on the balance sheet when the Company becomes party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables and other receivables are initially recognized at fair value, subsequent measurement is at amortized cost. Appropriate allowances for estimated irrecoverable amounts are recognized when there is objective evidence that the receivable is impaired.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and short-term deposits with an original maturity of three months or less.

Trade payables and other short-term liabilities

Trade payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest method.

Share-based payment transactions

The Company uses share-based, equity settled warrants to compensate service providers. The fair value of the services received are recognized as an expense in the financial statements. Share-based compensation to employees and others providing similar services is measured by reference to the fair value of equity instruments issued. The Company uses the Black Scholes model to measure the fair value of options and warrants.

Income Taxes

Income tax expense represents the sum of the taxes currently payable and deferred tax. Deferred taxes are recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. SHARE-BASED PAYMENT

In June 2006, the Company issued 3.5 million options to the management company Dag Dvergsten AS, to key personnel, to external consultants and to certain board members. The options have an exercise price of NOK 6.97 per share and a contractual life of 2 years. The options were fully vested and immediately exercisable from the grant date. The company recognized a share-based compensation expense of NOK 821,491 in the second quarter.

5. OTHER INCOME

In March 2006, the predecessor company (prior to de-merger) entered into an agreement with the purpose to acquire two other mining companies, Gexco AB and MoMin AS. The agreement stated that the consideration was to be settled in Nordic Mining shares. The main shareholders in Gexco decided not to complete the agreement and have agreed to compensate Nordic Mining NOK 7.5 million in settlement for the termination of the agreement.

6. DE-MERGER OF NORDIC MINING

Effective 8 May 2006, Nordic Mining was de-merged from Rocksource. Rocksource transferred NOK 10 million in cash, technology rights related to mining, ownership interests in 4 gold mining licenses in Ecuador and tax loss carry forwards to Nordic Mining as part of the de-merger. Rocksource distributed the shares in Nordic Mining to the Rocksource shareholders on a pro rata basis. The transaction was accounted for as a transaction between parties under common control. The company recorded the assets and liabilities transferred in the de-merger based on the carrying amount of the assets and liabilities in Rocksource's balance sheet at the date of the de-merger.

Tax loss carryforwards of NOK 65.8 million was transferred to Nordic Mining in the de-merger. The predecessor company did not recognize a deferred tax asset since it was not deemed probable that the tax loss carryforward could be utilized.

7. EARNINGS PER SHARE

The Company has not included 3.5 million warrants in the calculation of diluted earnings per share since the warrants are antidilutive for the period presented.