

## **Nordic Mining ASA – Interim Report per 30 September 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 facilitates 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.

Nordic Mining trades on the Oslo OTC with the ticker code NOMI.

## **Activities in Nordic Mining in the period ending 30 September 2006**

The main activity in Nordic Mining is assessment of business opportunities with a long term perspective. The company intends to be involved in operating mining industry as well as development of new resources.

### ***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 subject Gexco shareholders 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.

### ***Engebøfjellet titanium deposit***

Nordic Mining has entered into an agreement with ConocoPhillips Investments Norge AS to acquire their mineral deposit at Engebøfjellet in Naustdal municipality in Sogn and Fjordane, Norway. The deposit contains an ore resource estimated to 380 million tons, with a titanium di-oxide content of 3-5 percent. A condition for the agreement is that Nordic Mining is granted concession from the Norwegian Ministry of Industry and Trade.

The acquired deposit consists of 9 utmåls which were granted in 1997 after completion of a comprehensive program to map the resources. A total of 50 bore holes (core drilling of approximately 15 000 meters) as well as various trial dressing enrichments have been executed.

Nordic Mining shall develop the Engebø deposit with the aim to establish industrial operations for extraction and production of rutile concentrate. Rutile is an important raw material for production of titanium metal and pigments used in e.g. production of paintings, plastics and paper. Nordic Mining aims to develop the project in close co-operation with local and national authorities as well as industrial partners.

### ***Co-operation with Gudvangen Stein AS***

Nordic Mining and Gudvangen Stein have entered into a co-operation agreement with the purpose to further develop production and beneficiation of Gudvangen Stein's anorthosite deposit in Gudvangen in Sogn and Fjordane. The companies will initiate joint activities related to product development, production methods and applications, in order to explore new market segments and possible measures for strengthening of market activities and export logistics.

### ***New mineral claims in Norway***

Nordic Mining has been granted 9 claims for wolfram and gold in Norway. The company has filed for further claims, awaiting clarification from the mining authorities.

### ***Comments to the accounts for the period ended 30 September 2006***

Nordic Mining was registered on 8 May 2006 in the Company Register, and historical figures are not available. 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 September 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 7 236 692 and for 3rd Quarter NOK 4 152 414.

Nordic Mining has a management agreement with Dag Dvergsten AS. Management fee in the period amounts to NOK 3 073 821 and for 3rd Quarter NOK 2 182 417.

Other operating expenses amount to NOK 4 162 871 of which approximately NOK 1.1 million is non-recurring expenses related to the Gexco/listing processes. The operating expenses for 3rd Quarter amount to NOK 1 969 997.

Other income of NOK 7,500,000 is related to the compensation from Gexco's main shareholders in connection with terminated agreements.

Nordic Mining's net profit for the period is NOK 343 993 and the loss for 3rd Quarter was NOK 4 071 188.

### **Subsequent events**

Nordic Mining has applied for concession from the Norwegian Ministry for Industry and Trade related to the acquisition of Engebøfjellet titanium deposit. Clarification is expected in October/November 2006.

Nordic Mining has in October received outstanding compensation payment (NOK 5 million) from Gexco's main shareholders.

The Board of Directors of Nordic Mining has put out a notice of an extraordinary general meeting 31 October 2006. The purpose of the meeting is i.a. to consider a capital increase. The notice is published on Nordic Mining's web-site ([www.nordicmining.com](http://www.nordicmining.com)).

## CONDENSED INTERIM BALANCE SHEET

<i>(In NOK)</i>	<i>30 September 2006</i>
<b>ASSETS</b>	
<b>Total non-current assets</b>	-
<b>Current Assets</b>	
Other receivables	5 059 900
Prepayments	2 174 515
Cash and cash equivalents	5 245 724
<b>Total current assets</b>	<b>12 480 139</b>
<b>Total assets</b>	<b>12 480 139</b>
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>	
<b>Shareholders' equity</b>	
Share capital	1 435 907
Share premium	8 564 093
Other paid-in capital	821 491
Retained earnings	343 993
<b>Total equity</b>	<b>11 165 484</b>
<b>Total non-current liabilities</b>	
	-
<b>Current liabilities</b>	
Accounts Payable	117 155
Accrued expenses	1 197 500
<b>Total current liabilities</b>	<b>1 314 655</b>
<b>Total liabilities</b>	<b>1 214 655</b>
<b>Total shareholders' equity and liabilities</b>	<b>12 480 139</b>

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

<i>(In NOK, except for number of shares)</i>	<b>Number of shares</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Other-paid-in capital</b>	<b>Retained earnings</b>	<b>Total equity</b>
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					343 993	343 993
<b>At 30 September 2006</b>	<b>14 359 070</b>	<b>1 435 907</b>	<b>8 564 093</b>	<b>821 491</b>	<b>343 993</b>	<b>11 165 484</b>

## CONDENSED INTERIM INCOME STATEMENT

<i>(In NOK)</i>	<b>2006</b> <i>3rd Quarter</i>	<b>2006</b> <i>8 May-30 September</i>
Sales	-	-
Management fee	(2 182 417)	(3 073 821)
Other operating expenses	(1 969 997)	(4 162 871)
<b>Operating loss</b>	<b>(4 152 414)</b>	<b>(7 236 692)</b>
Other income	-	7 500 000
Finance costs and other financial items	81 227	80 684
<b>Income before tax</b>	<b>(4 071 188)</b>	<b>343 993</b>
Income Tax	-	-
<b>Net profit</b>	<b>(4 071 188)</b>	<b>343 993</b>
Earnings per share	(0.28)	0.02
Diluted earnings per share	(0.28)	0.02
Weighted average number of shares outstanding	14 359 070	14 359 070

## CONDENSED CASH FLOW STATEMENT

<i>(In NOK)</i>	<b>2006</b> <i>3rd Quarter</i>	<b>2006</b> <i>8 May-30 September</i>
<b>Net cash used in operating activities</b>	<b>(1 821 536)</b>	<b>(4 754 276)</b>
<b>Net cash used in investing activities</b>	<b>0</b>	<b>0</b>
Cash contributed at de-merger	0	10 000 000
<b>Net cash from financing activities</b>	<b>0</b>	<b>10 000 000</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1 821 536)</b>	<b>5 245 724</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>7 067 260</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>5 245 724</b>	<b>5 245 724</b>

## **NOTES TO THE INTERIM FINANCIAL STATEMENTS ENDING AT 30 SEPTEMBER 2006**

### **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 is recognized as an expense in the financial statements. Share-based compensation to employees and others providing similar services are 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. As per 30 September, the company has recognized a share-based compensation expense of NOK 821 491.

#### **5. OTHER INCOME**

In March 2006, the predecessor company Rocksource (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. Nordic Mining has received the compensation.

#### **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.

A tax loss carry forward 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 carry forward 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.

## **8. CONTINGENT LIABILITY**

Nordic Mining shall pay to ConocoPhillips a one-time amount when concession to acquire the Engebøfjellet deposit has been granted. Nordic Mining has applied for concession from the Norwegian Ministry for Industry and Trade. Clarification is expected in October/November 2006. Nordic Mining intends to book the investment when concession has been granted. The size of one-time amount does not require external financing. Further, and according to specified terms, Nordic Mining shall pay to the seller a one-time premium when commercial production or sales of mined mineral have commenced. Such activity can only be started after necessary concessions have been obtained, and after i.e. marketing preparations and plant investments have been executed. It will take several years to prepare commercial activity, and the liability related to the one-time premium will be booked when necessary clarifications have been obtained and decisions related to commercial operation have been taken.

## **9. RELATED PARTIES**

Nordic Mining has a management agreement with Dag Dvergsten AS. Dag Dvergsten AS is one of the main shareholders in Nordic Mining. In the period ending 30.09.06 Nordic Mining has paid management fee to Dag Dvergsten AS of NOK 3.1 million. The fee covers management services and daily operation of Nordic Mining including i.a. CEO, CFO, office rent etc. Pre-paid management fee for the 4<sup>th</sup> quarter of the year is included in the balance with an amount of NOK 2.1 million.

Nordic Mining has entered into consultancy agreements with the board members Per Havdal and Ottar Nakken. Further, Nordic Mining has purchased consultancy services from Strategy House AS, a company controlled by Bernhard Mellbye who is chairman of the board of Nordic Mining. In the period ending 30.09.06 fees to the abovementioned board members directly and indirectly amount to NOK 298 268.