

## **Nordic Mining ASA – Interim report per 30 June 2007**

### **Nordic Mining ASA**

Nordic Mining ASA was registered in May 2006 after demerger from Rocksource ASA. The company operates an anorthosite mine in Gudvangen in Aurland, Norway through its subsidiary Gudvangen Stein AS (85%).

Nordic Mining has ongoing activities related to industrial development of its rutile resource (TiO<sub>2</sub>) at Engebøfjellet in Norway. Geological surveys and evaluations are ongoing related to the company's mineral claims for tungsten, molybdenum, thorium and gold.

As a mining company Nordic Mining will be developed with integrated activities within exploration, extraction and production of high-end industrial minerals and metals. Business development with the purpose to expand operations and develop new activity has prioritized attention. The company is not expected to present consolidated net profit until operating activity is expanded and developed in Gudvangen Stein, Engebøfjellet, and/or other places where the company has, or will have, activity.

Nordic Mining has 13 employees; 9 persons in the subsidiary Gudvangen Stein and 4 persons in Nordic Mining ASA.

Nordic Mining is registered on the Oslo OTC. The company's application for listing on Oslo Axess was approved by the board of directors of Oslo Stock Exchange 29 August 2007. First trading day for Nordic Mining on Oslo Axess (ticker code **NOM**) will be informed later after approval by the stock exchange of Nordic Mining's notification prospectus.

### **Activities in Nordic Mining in the period ending 30 June 2007**

#### ***Equity issues***

In April and May 2007 Nordic Mining concluded a private placement and a subsequent rights issue. In total, the number of shares in the company increased from 28,718,140 to 53,479,975. The issues were concluded at a price of NOK 2.50 per share. Total net proceed from the issues was NOK 57.3 million. The purpose of the equity issues was to finance acquisition of majority shareholding in Gudvangen Stein as well as to secure financing of further development of the company.

#### ***Acquisition of majority shareholding in Gudvangen Stein***

On 31 May 2007, Nordic Mining acquired 85% of the shares in Gudvangen Stein. Cash payment for the shares was NOK 15 million. Nordic Mining has option to buy, and the seller, Nannok Invest AS has option to sell the remaining 15% in Gudvangen Stein in the period 1 January 2009 to 1 January 2012.

Through the acquisition of Gudvangen Stein Nordic Mining has established a foothold in operating mining industry. This provides valuable competence for development of Nordic Mining's other mineral resources. For Gudvangen Stein the goal is to increase production and utilization of the company's huge anorthosite resource. Activities aiming at market and product development; i.a. identification of new applications for anorthosite, as well as efforts to improve logistics and capacity utilization will be focused.

In the 2<sup>nd</sup> quarter, production capacity in Gudvangen Stein was affected from breakdown in April of the primary crusher. A temporary solution was established with hired equipment, but capacity and costs were negatively affected from the breakdown. As a consequence, shipped volume per 30 June was around 15.000 ton lower than last year. A new primary crusher was installed in July. Production is now running satisfactorily. With the new crusher production capacity in Gudvangen Stein will be more efficient than previously.

### ***Rutilproject at Engebøfjellet***

Nordic Mining's claims ("utmål") at Engebøfjellet comprise around 380 million tons of ore with a content of titanium oxide of 3-5 percent. The mineral rights consist of 9 claims which were granted in 1997 after comprehensive mapping of the resources. In August 2007 Nordic Mining was granted extension of the claims for a new 10 year period.

Nordic Mining intends to develop the rutile resource at Engebøfjellet with the purpose to establish industrial mining and production of rutile concentrate (TiO<sub>2</sub>). Rutile concentrate is raw material for production of pigments for i.a. the paintings, plastics and paper industries, and for production of titanium metal.

Nordic Mining has started activities related to planning regulation and environmental impact studies. In June 2007 a proposal for planning program was submitted to Naustdal municipality. The municipality has forwarded the proposal to various institutions and parties for comments. Nordic Mining's proposal and the feedback from various parties will be basis for the further process with planning regulation. As an integrated part of the planning process, Nordic Mining will execute specific studies related to possible disposal of tailings from mining operation in the adjacent Førdefjorden.

Active mine planning and studies related to different ore dressing processes are ongoing for the development of the Engebøfjellet rutile project. Further, activities have started related to potential markets for TiO<sub>2</sub> from Engebøfjellet, and this will continue as an integrated part of the project development.

### **Comments to the accounts for the period ended 30 June 2007**

Nordic Mining was registered in the Company Register on 8 May 2006. Consequently, comparable figures for the 2<sup>nd</sup> quarter 2006 (numbers are in brackets) cover the period from 8 May to 30 June 2006. The 2006 figures are the same for the 2<sup>nd</sup> quarter and accumulated.

After the acquisition of majority shareholding in Gudvangen Stein, Nordic Mining has ordinary sales income from mining operation. Consolidated sales income in the 2<sup>nd</sup> quarter and also accumulated per 30 June (Note: One month from the date of acquisition) was KNOK 1,078 (2006: 0).

Operating loss in the 2<sup>nd</sup> quarter was KNOK 10,383 (2006: operating profit KNOK 4,416 due to compensation from the main shareholders of Gexco AB). Of this, operating loss in Gudvangen Stein amounted to KNOK 611. The loss in Gudvangen Stein is explained by capacity reduction and higher costs resulting from breakdown of the primary crusher. For the period ended 30 June the accumulated operating loss for the group was KNOK 18,393.

Nordic Mining's management agreement with Dag Dvergsten AS was terminated with effect from 1 July 2007. From the same date, the management team in Nordic Mining is employed directly with the company. Compensation to the previous management company Dag Dvergsten AS for the 2<sup>nd</sup> quarter amounts to KNOK 5,861 (2006: KNOK 422). For the period ended 30 June accumulated compensation to Dag Dvergsten AS amounts to KNOK 9,184.

Other operating expenses in the 2<sup>nd</sup> quarter amount to KNOK 3,701 (2006: KNOK 1,841). Of this, costs related to the rutile project at Engebøfjellet amount to KNOK 779. Accumulated per 30 June other operating costs amount to KNOK 5,919.

Net loss in the 2<sup>nd</sup> quarter was KNOK 5,252 (2006: net profit KNOK 4,415 due to the abovementioned compensation). Accumulated net loss for the period ended 30 June was KNOK 21,263.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2007

<i>(Amounts in NOK thousands)</i>	<b>01.04-30.06 2007</b>	<b>08.05-30.06 2006</b>	<b>01.01-30.06 2007</b>	<b>08.05-31.12 2006</b>
Sales	1 078	-	1 078	-
Other income	59	7 500	59	7 500
Raw materials and consumables used	(613)	-	(613)	-
Employee benefits expense	(631)	-	(631)	-
Management fee	(5 861)	(422)	(9 184)	(5 166)
Share-based payment	(287)	(821)	(2 755)	(844)
Depreciation and amortization	(427)	-	(427)	-
Other operating expenses	(3 701)	(1 841)	(5 919)	(7 386)
<b>Operating profit/(loss)</b>	<b>(10 383)</b>	<b>4 416</b>	<b>(18 393)</b>	<b>(5 896)</b>
Finance income	215	-	548	225
Finance costs	(158)	(1)	(1 222)	(149)
Loss on settlement of debt	-	-	(7 270)	-
<b>Profit/(Loss) before tax</b>	<b>(10 326)</b>	<b>4 415</b>	<b>(26 337)</b>	<b>(5 820)</b>
Income Tax	5 074	-	5 074	-
<b>Profit/(Loss) of the period</b>	<b>(5 252)</b>	<b>4 415</b>	<b>(21 263)</b>	<b>(5 820)</b>
Profit/(Loss) attributable to equity holders of parent	(5 252)	4 415	(21 263)	(5 820)
Basic and diluted earnings per share	(0.12)	0.31	(0.59)	(0.37)

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**  
for the period ended 30 June 2007

<i>Amount in NOK thousands)</i>	<b>2007</b>	<b>2006</b>
	<b>30 June</b>	<b>31 December</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Licences	3 211	-
Mineral Properties	26 977	-
Property, plant and buildings	19 233	-
Shares	85	-
<b>Total non-current assets</b>	<b>49 506</b>	<b>-</b>
<b>Current Assets</b>		
Inventory	2 200	-
Other receivables and prepayments	4 186	2 280
Restricted cash	-	91 224
Cash and cash equivalents	40 929	10 275
<b>Total current assets</b>	<b>47 315</b>	<b>103 779</b>
<b>Total assets</b>	<b>96 821</b>	<b>103 779</b>
<b>EQUITY &amp; LIABILITIES</b>		
<b>Equity</b>		
Share capital	5 348	2 872
Share premium	76 083	21 251
Other paid-in capital	3 830	844
Retained losses	(27 082)	(5 820)
<b>Total equity</b>	<b>58 178</b>	<b>19 147</b>
<b>Non-current liabilities</b>		
Contingency obligations	7 190	-
Interestbearing loan	7 103	-
Deferred tax	-	-
Lease obligations	10 800	-
<b>Total non-current liabilities</b>	<b>25 093</b>	<b>-</b>
<b>Current liabilities</b>		
Bond loan	-	80 234
Bank overdraft	2 859	-
Trade Payable	7 532	3 148
Provision and other current liabilities	3 159	1 249
<b>Total current liabilities</b>	<b>13 550</b>	<b>84 632</b>
<b>Total liabilities</b>	<b>38 643</b>	<b>84 632</b>
<b>Total equity and liabilities</b>	<b>96 821</b>	<b>103 779</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the period ended 30 June 2007**

<i>(Amounts in NOK thousands)</i>	<b>Share capital</b>	<b>Share premium</b>	<b>Other paid-in capital</b>	<b>Accumulated losses</b>	<b>Total equity</b>
Incorporation 8 May 2006	1 436	8 564			10 000
Share-based compensation			822		822
Profit/(Loss) for the period				4 415	4 415
<b>At 30 June 2006</b>	<b>1 436</b>	<b>8 564</b>	<b>822</b>	<b>4 415</b>	<b>15 237</b>
<b>Balance at January 1 2007</b>	<b>2 872</b>	<b>21 250</b>	<b>844</b>	<b>(5 820)</b>	<b>19 147</b>
Share-based compensation			2 986		2 986
Share issuance	2 476	54 832			57 308
Profit/(Loss) for the period				(21 263)	(21 263)
<b>At 30 June 2007</b>	<b>5 348</b>	<b>76 083</b>	<b>3 830</b>	<b>(27 082)</b>	<b>58 178</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
**For the period ended 30 June 2007**

<i>(Amounts in NOK thousands)</i>	<b>2007 01.01-30.06</b>	<b>2006 08.05-30.06</b>
<b>Net cash used in operating activities</b>	(7 700)	(2 933)
<b>Net cash used in investing activities</b>	(18 650)	-
Cash contributed at de-merger	-	10 000
Issuance of share capital	57 308	-
Payments of loans	(304)	-
Bond loan	-	-
<b>Net cash from financing activities</b>	<b>57 004</b>	<b>10 000</b>
<b>Net change in cash and cash equivalents</b>	<b>30 654</b>	<b>7 067</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>10 275</b>	<b>-</b>
<b>Cash and cash equivalents at end of period</b>	<b>40 929</b>	<b>7 067</b>
<b>Non-cash transaction:</b>		
Restricted cash used to settle bond loan	(88 683)	-

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

### For the period ending 30 June 2007

#### 1. ACCOUNTING PRINCIPLES

These interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of Nordic Mining ASA and the Group for the year ended 31 December 2006.

These interim financial statements were approved by the Board of Directors on 31 August 2007.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements of the year ended 31 December 2006.

Nordic Mining ASA was incorporated on 8 May 2006. The comparative income statement and cash flow statement for 2006 are presented for the period from 8 May to 30 June and as such are not directly comparable with the full period presented in 2007.

#### 2. SHARE-BASED PAYMENT

In May 2007, the General Assembly of the Company authorized the Board of Directors to issue up to 1.5 million new options. The options are granted at the market price at the grant date plus 5%. The options vest immediately and expire in June 2008.

	2007	
	Number of options	Weighted average exercise price (in NOK)
Outstanding on 1 January	4 000 000	6.97 <sup>(1)</sup>
Granted during the year	335 000	3.15
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 30 June	4 335 000	2.67 <sup>(1)</sup>
Exercisable at 30 June	4 335 000	2.67 <sup>(1)</sup>

(1) The exercise price for options outstanding at 31 December 2006 has been reduced from 6.97 to 2.625 in March 2007 as described below.

Additionally, the Company has granted 300,000 options to key persons in Gudvangen Stein as described in Note 6.

The weighted average fair value of options granted in 2007 was NOK 0.85. The weighted average inputs into the Black Scholes model were: 75% volatility, 4.9% risk free interest, 0.97 years expected life, NOK 2.98 share price, and NOK 3.15 exercise price.

#### *Modification*

The general assembly of Nordic Mining resolved on 15 March 2007 to change the exercise price of 4 million previously issued options from NOK 6.97 per share to the same level as in a forthcoming capital increase with addition of 5%. On 30 March 2007 Nordic Mining ASA informed of completion of a private placement of 10.9 million new shares to selected private and institutional investors at a subscription price of NOK 2.50 per share. As a consequence of this, the new exercise price for the options is NOK 2.625 per share. The Group has accounted for the reduction in exercise price as a modification of an equity-settled share based plan. The increase in fair value resulting from the modification as measured on the modification date was recognized as an expense

in the 1<sup>st</sup> quarter 2007 since the options were fully vested at the grant date in 2006. The total amount recognized in the income statement related to the modification in March 2007 was NOK 2.5 million.

### 3. TAX

As Nordic Mining has a history of tax losses and has been unable to prove the probability of sufficient future profit for tax purposes, the Group has not previously recognized deferred tax assets related to its tax losses. A net deferred tax liability arose when making the purchase price allocation related to the acquisition of Gudvangen Stein AS (see Note 6 “BUSINESS COMBINATION”). As a result of the acquisition, Nordic Mining has recognized a deferred tax asset to offset the net deferred tax arising as a result of the business combination.

Since the recognition of deferred income tax relates to the acquiring entity in a business combination, the recognized deferred tax asset was not included in the purchase allocation in the business combination, but was recognized in the income statement for the period. An income tax benefit of NOK 5.07 million was recognized in the 2<sup>nd</sup> quarter of 2007.

### 4. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share is based on the following data:

(Amounts (NOK) and number of shares in thousands)	2007 01.04-30.06	2007 01.01-30.06	2006 08.05-31.12
Loss for period for the purposes of basic and diluted earnings per share	(5 252)	(21 263)	(5 820)
Weighted average number of ordinary shares outstanding	42 826	35 811	15 807

The Company has not included options in the calculation of diluted earnings per share since the options are anti-dilutive for the periods presented.

### 5. INTANGIBLE ASSETS

In January 2007, Nordic Mining completed its purchase of the mineral rights at Engebøfjellet from ConocoPhillips for NOK 3.2 million based on approval for the transaction from the Norwegian Ministry of Industry and Trade. The mineral deposit contains rutile (TiO<sub>2</sub>) which is an important raw material for production of titanium metal and pigments used in e.g. production of paintings, plastics and paper.

### 6. BUSINESS COMBINATION

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognized at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

On 31 May 2007, Nordic Mining acquired 85% of the issued share capital of Gudvangen Stein AS (GS AS). Additionally, Nordic Mining has a call option and the seller has a put option on the remaining 15% of the shares. The put/call option was accounted for as a repurchase of the minority interest at the date of acquisition and was included in the total consideration at the present value of the liability under the put option. Nordic Mining also granted 300,000 options to key persons in Gudvangen Stein. Total consideration, including transaction costs, for Gudvangen Stein was NOK 22.9 million.

(amounts in NOK thousands)	<b>GS AS carrying amount before acquisition<sup>(1)</sup></b>	<b>Fair value adjustments</b>	<b>Fair value</b>
<b><i>Net assets acquired:</i></b>			
Mineral properties	-	27 034	27 034
Property, plant and equipment	19 576	-	19 576
Other receivables and prepayments	1 771	-	1 771
Investment in shares	85	-	85
Inventory	1 066	1 109	2 175
Cash and cash equivalents	77	-	77
Interest bearing debt	(7 260)	-	(7 260)
Deferred tax liabilities	-	(5 074)	(5 074)
Lease obligation	(10 973)	-	(10 973)
Trade and other payables	(1 750)	-	(1 750)
Bank overdraft	(2 794)	-	(2 794)
<b>Total</b>	<b>(202)</b>	<b>23 069</b>	<b>22 867</b>

**Total consideration includes:**

Cash consideration	15 000
Directly attributable transaction costs	489
Consideration satisfied with issuance of options	230 <sup>(2)</sup>
Fair value of contingent consideration	4 956
Present value of liability under written put option	2 192

(1) Includes effect of IFRS implementation adjustments.

(2) The options were valued using the Black Scholes model.

The net loss included in the consolidated financial statements arising from Gudvangen Stein AS from the acquisition date was KNOK 724.

If the acquisition had been completed on 1 January 2007, total Group revenue for the period would have been KNOK 6,386 and loss for the period would have been KNOK 24,707.

## 7. BOND LOAN

In December 2006, Nordic Mining obtained a contingent bond loan for a principal amount of NOK 85 million in order to finance its planned acquisition of Rana Gruber. Under the agreement with the bond holders, Nordic Mining repaid the bond loan as the acquisition of Rana Gruber was not completed. The proceeds less the underwriter fee of NOK 81.2 million were deposited on a restricted bank account pending the outcome of the planned business acquisition. Nordic Mining transferred an additional NOK 10 million to the restricted bank account in December 2006, resulting in a total balance of NOK 91.2 million at 31 December 2006.

The planned acquisition of Rana Gruber was not completed since the shareholders in Rana Gruber did not approve the changes in the bylaws and shareholders' agreement as required by Nordic Mining's purchase offer. The offer was terminated in January 2007, and consequently, the bond loan was repaid in February 2007.

Under the agreement with the bond holders, Nordic Mining has repurchased the bonds at 105% of the principal amount of NOK 85 million. In total, the Company transferred NOK 88.7 million from the restricted account to the bond holders; the carrying amount of the loan was NOK 80.3 million while total accrued interest was NOK 1.1 million at the settlement date. Loss on settlement of the debt was NOK 7.3 million.

## **8. RELATED PARTIES**

Until 1 July 2007, Nordic Mining has had a management agreement with Dag Dvergsten AS. Dag Dvergsten AS is one of the main shareholders in Nordic Mining, and Dag Dvergsten is board member of Nordic Mining. In the period ended 30 June 2007 Nordic Mining has incurred a management fee to Dag Dvergsten AS of NOK 9,184. The fee covers management services and daily operation of Nordic Mining including management team, administrative services and office rent.

The management agreement was terminated with effect from 1 July, and an agreed termination fee of NOK 2.5 million (incl VAT) is included in the management fee for the period.

As a consequence of the terminated management agreement, and also with effect from 1 July 2007, the management team of Nordic Mining is employed directly with the company. Nordic Mining has entered into a business service agreement with Dag Dvergsten AS for services related to offices, administrative services and certain strategic advising.

Nordic Mining has a consultancy agreement with board member Per Havdal. The agreement with Havdal is limited in scope (services for a maximum fee of around NOK 140) and duration (2007).

## **9. OTHER MATTERS**

Brian J. Ballou is employed in Nordic Mining as Vice president Exploration and Development. Ballou comes from the position as mine manager in Titania AS. Ballou has extensive experience from international and Norwegian mining companies with operations within industrial minerals and metals. The Company has with effect from the date of Ballou's employment in August granted him 275,000 options. Exercise price for Ballou's options is NOK 3.15. The options vest as per employment date and expire in June 2008.

Nordic Mining's application for listing on Oslo Axess was approved by the board of directors of Oslo Stock Exchange 29 August 2007. The ticker code on Oslo Axess is NOM. First day of trading will be announced at a later stage, pending approval of the company's notification prospectus.

In July, Gudvangen Stein installed a new primary crusher as a replacement of equipment which broke down earlier this year. The new crusher implies more efficient production capacity at Gudvangen Stein.

The Ministry for Industry and Trade has extended Nordic Mining's mineral claims ("utmåll") at Engebøfjellet for a 10 year period till October 2017.

As a consequence of the acquisition of 85% of the shares in Gudvangen Stein, the Group fulfils the requirements to be considered as a VAT-group. Consequently, Nordic Mining will proceed with an application to be registered as an VAT-Group. The Company will apply for, with prospective effect, VAT refundation from 8 May 2006.

Oslo, 31 August 2007  
Nordic Mining ASA