



## **Nordic Mining ASA – Interim Report per 30 March 2007**

### **Nordic Mining ASA**

Nordic Mining is a mining company aiming for growth based on integrated activity within exploration, extraction and production of high-end minerals and metals. The main activity in the 1<sup>st</sup> quarter of 2007 has been business development and financing to secure development of the Company's resources and business.

Nordic Mining trades on the Oslo OTC with ticker code NOMI. The Company has resolved to apply for listing on Oslo Axess and preparations for this have started.

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

#### ***Engebøfjellet rutile (TiO<sub>2</sub>) deposit***

Nordic Mining concluded the acquisition of Engebøfjellet mineral deposit in January based on granted concession from the Norwegian Ministry of Industry and Trade. Payment to ConocoPhillips for the acquisition was NOK 3.2 million. Nordic Mining has a contingent liability related to the transaction if and when commercial production from the deposit commences. The contingent liability is described in further detail in the Annual Report for 2006.

Nordic Mining has appointed NIVA for coordination of Environmental Impact Studies. Comprehensive work has started in order to investigate possible consequences of industrialisation of the deposit at Engebøfjellet. Evaluation of mining plans and possible ore dressing methods have also started.

Nordic Mining aims to develop the project in close co-operation with local and national authorities as well as industrial partners.

#### ***Acquisition of Gudvangen Stein AS***

In March 2007, Nordic Mining agreed with Nannok Invest AS, the sole shareholder of Gudvangen Stein, to acquire 85% of Gudvangen Stein, with an option to buy the remaining 15%. Due diligence has been completed positively and closing will take place end of May 2007.

Gudvangen Stein will be the first operating unit in the Nordic Mining group. Nordic Mining will explore possibilities to increase production and sales from Gudvangen Stein.

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

Nordic Mining was registered on 8 May 2006 in the Company Register, and consequently comparable figures for the 1<sup>st</sup> quarter are not available. Available segment information from Rocksource is not considered to be of informative value as comparison.

In the reporting period, 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 8 361 000. Nordic Mining has a management agreement with Dag Dvergsten AS. Management fee in the period amounts to NOK 3 323 000. Share-based payment amounts to NOK 2 469 000 as a consequence of change in exercise price for issued share options. Other operating expenses amount to NOK 2 569 000.

Loss related to repayment of bond loan amounts to NOK 7 270 000. Net interest cost amounts to NOK 731 000.

Nordic Mining's net loss for the period is NOK 16 363 000.

**CONDENSED CONSOLIDATED INCOME STATEMENT**

For the period ended 31 March 2007

<i>(Amounts in NOK thousands)</i>	2007	Note	2006
	01.01-31.03		08.05-31.12
Other income	-		7 500
Management fee	(3 323)	7	(4 673)
Share-based payment	(2 469)	2	(844)
Other operating expenses	(2 569)		(7 879)
<b>Operating loss</b>	<b>(8 361)</b>		<b>(5 896)</b>
Finance income	333		225
Finance costs	(1 064)		(149)
Loss on settlement of debt	(7 270)	6	-
<b>Income before tax</b>	<b>(16 363)</b>		<b>(5 820)</b>
Income Tax	-	3	-
<b>Loss of the period</b>	<b>(16 363)</b>		<b>(5 820)</b>
Loss attributable to equity holders of parent	(16 363)		(5 820)
Basic and diluted earnings per share	(0.57)	4	(0.37)

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(Amounts in NOK thousands)	<i>2007</i>		<i>2006</i>
	<i>31 March</i>	Note	<i>31 December</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	3 210	5	-
<b>Total non-current assets</b>	<b>3 210</b>		<b>-</b>
<b>Current Assets</b>			
Other receivables and prepayments	419		2 280
Restricted cash	2 540		91 224
Cash and cash equivalents	659		10 275
<b>Total current assets</b>	<b>3 618</b>		<b>103 779</b>
<b>Total assets</b>	<b>6 828</b>		<b>103 779</b>
<b>SHAREHOLDERS' EQUITY &amp; LIABILITIES</b>			
<b>Shareholders' equity</b>			
Share capital	2 872		2 872
Share premium	21 250		21 250
Other paid-in capital	3 313		845
Accumulated losses	(22 182)		(5 820)
<b>Total equity</b>	<b>5 253</b>		<b>19 147</b>
<b>Current liabilities</b>			
Bond loan		6	80 235
Trade payables	494		3 148
Provision and other current liabilities	1 081		1 249
<b>Total current liabilities</b>	<b>1 575</b>		<b>84 632</b>
<b>Total shareholders' equity and liabilities</b>	<b>6 828</b>		<b>103 779</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the period ended 31 March 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			845		845
Share issuance	1 436	12 686			14 122
Profit/(Loss) for the period				(5 820)	(5 820)
<b>At 31 December 2006</b>	<b>2 872</b>	<b>21 250</b>	<b>844</b>	<b>(5 820)</b>	<b>19 147</b>
Share-based compensation			2 469		2 469
Share issuance					
Profit/(Loss) for the period				(16 363)	(16 363)
<b>At the end of the period</b>	<b>2 872</b>	<b>21 250</b>	<b>3 313</b>	<b>(22 183)</b>	<b>5 253</b>

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**  
For the period ended 31 March 2007

<i>(Amounts in NOK thousands)</i>	<b>2007</b> <i>01.01-31.03</i>	<b>2006</b> <i>08.05-31.12</i>
<b>Net cash used in operating activities</b>	(6 406)	(2 897)
<b>Net cash used in investing activities</b>	(3 210)	(10 000)
Cash contributed at de-merger	-	10 000
Issuance of share capital	-	14 123
Bond loan	-	(950)
<b>Net cash from financing activities</b>	-	23 173
<b>Net decrease in cash and cash equivalents</b>	<b>(9 616)</b>	<b>10 275</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>659</b>	<b>10 275</b>
<b>Non-cash transaction:</b>		
Net bond loan proceeds deposited directly to escrow account	-	81 175
Restricted cash used to settle bond loan	(88 683)	-

## NOTES TO THE INTERIM FINANCIAL STATEMENTS ENDING AT 31 MARCH 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 22 May 2007.

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

The Group has added a new line item in the income statement for share-based compensation. The numbers in the income statement for 2006 have been reclassified to conform to the classifications in the income statement for the 3 month period ended 31 March 2007.

### 2. SHARE-BASED PAYMENT

The general assembly 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 in the 1<sup>st</sup> quarter 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 does not recognize deferred tax assets related to its tax loss carryforwards.

### 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 01.01-31.03	2006 08.05-31.12
Loss for period for the purposes of basic and diluted earnings per share	(16 363)	(5 820)
Weighted average number of ordinary shares outstanding	28 718	15 807

The Company has not included 4 million options in the calculation of diluted earnings per share since the options are anti dilutive for the period 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. 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.

## **7. RELATED PARTIES**

Nordic Mining has 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 31 March 2007 Nordic Mining has incurred a management fee to Dag Dvergsten AS of NOK 3.3 million. The fee covers management services and daily operation of Nordic Mining including management team, administrative services and office rent.

Additionally, the modification of exercise price for issued options resulted in the recognition of NOK 1.5 million in share-based expense in the 1<sup>st</sup> quarter 2007 related to the 2.5 million options granted to Dag Dvergsten AS as described in Note 2 "Share-based payment."

Nordic Mining has a consultancy agreement with board member Per Havdal.

## **8. SUBSEQUENT EVENTS**

In March 2007, the general assembly of Nordic Mining resolved to increase the Company's share capital through a rights issue of up to 28 618 140 new shares. Further, the assembly gave authorisation to the Board of Directors to issue up to 12 million new shares i.a. in connection with issue of new shares to selected private and institutional investors.

In April 2007, Nordic Mining completed a private placement of 10.9 million shares with total gross proceeds of NOK 27 250 000. The shares were issued at a price of NOK 2.50 per share.

In May 2007, Nordic Mining completed a rights issue of 13 861 835 new shares at the same subscription price (NOK 2.50). Gross proceeds from the issue were NOK 34 654 587.

Through the completed private placement and the rights issue the Company has received NOK 61.9 million (gross). The capital increase secures financing of the acquisition of Gudvangen Stein AS, execution of EIA (environmental impact assessment) for the rutile resource (TiO<sub>2</sub>) at Engebøfjellet, further evaluation and

development of the Company's resources of tungsten, thorium and other minerals, as well as it secures the foundation for general development of the Company.

Nordic Mining has completed due diligence of Gudvangen Stein AS with satisfactory result. The agreed acquisition of 85% of Gudvangen Stein will be completed end of May 2007.

In connection with ongoing preparations for application of listing on Oslo Axess, Nordic Mining has decided to terminate the management agreement with Dag Dvergsten AS. The management team of Nordic Mining will be directly employed by the Company.

Ordinary General Assembly will be held on 31 May 2007.

Oslo, 23 May 2007  
Nordic Mining ASA