

Nordic Mining ASA – Interim report per 30 September 2007

Nordic Mining ASA

Nordic Mining operates an anorthosite mine in Gudvangen in Aurland, Norway through its subsidiary Gudvangen Stein AS (85%). Further, the company has comprehensive ongoing activities related to industrial development of its rutile resource (TiO₂) at Engebøfjellet in Norway. Geological surveys and evaluations have started related to the company's pre-claims for tungsten, molybdenum, thorium and gold.

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 high management attention. Both structural and operational projects are evaluated in order to increase activity and create shareholder value.

Nordic Mining is not expected to present consolidated net profit until operating activity is expanded and developed in Gudvangen Stein, Engebøfjellet, and/or other places or companies where the company has, or will have, activity.

As from 14 September 2007, Nordic Mining is listed on Oslo Axess with ticker code NOM.

Activities in Nordic Mining in the period ending 30 September 2007

Operations in Gudvangen Stein (85%)

In the middle of July, a new primary crusher was installed at Gudvangen Stein. The crusher is leased on a financial lease contract. Production volume and stability have improved significantly after the new equipment was in place. In August, Gudvangen Stein noted a monthly production record with around 29,000 tons. The weekly production rate is now stable at a level well above the normal rate with the previous equipment.

Sales volumes have increased and the demand outlook for anorthosite from Gudvangen Stein is positive. In particular sales to customers producing mineral based insulation materials are positive due to high activity in the construction sector in northern Europe.

Rutilproject at Engebøfjellet

Nordic Mining has ongoing activities related to planning regulation and environmental impact studies. In June 2007 a proposal for planning program was submitted to Naustdal municipality. The municipality forwarded the proposal to various institutions and parties for comments. A scoping seminar was held in September with around 30 participants. Based on statements from the hearing round and feedback from the scoping process, Nordic Mining has completed the proposed planning program. The final program was submitted to the municipalities in Naustdal and Askvoll in October.

Specific studies have been initiated related to disposal of tailings from mining operation in the adjacent Førdefjord. NIVA (Norwegian institute for water research) has put up advanced equipment for monitoring and analysis of flows and marine activity in the fjord.

Mine planning and studies related to various ore dressing processes are ongoing. Efforts are ongoing to strengthen the technical project team, both related to geology and processing. Nordic Mining is continuously, although so far in an initial phase, evaluating potential markets for TiO₂ from Engebøfjellet and possible international alliance partners related to marketing and project execution. TiO₂ is used both for production of pigment products and as raw material for titanium metal production. Nordic Mining evaluates both routes for the TiO₂ from Engebøfjellet.

Nordic Mining emphasises an open and direct dialogue with the local community. Consequently, the company will arrange regular information meetings in order to inform of project progress and to receive feedback from the community.

Exploration activity

Early stage geological surveying and evaluation have started related to the company's pre-claims in Målvika (tungsten), Laksådalen (tungsten/molybdenum) and Stjernøya (thorium). NGU (Norway's geological surveys) is engaged to do surface sampling and various geological analysis. Reporting from this year's field season is expected in November.

Nordic Mining has reviewed existing geological information related to the two Los Santos licences for gold in Ecuador. Currently, digitalisation of the information is ongoing with the purpose to produce geological and geo-chemical maps of the licence areas. Although in an early stage of evaluation, the findings so far indicate interesting potential for the licences. Nordic Mining will at a later stage decide whether to continue on the licences on its own or to initiate a partnership or other structural arrangement for development.

Personell

On 10 September, Brian J. Ballou, Vice President Exploration and Development died in an accident in connection with exploration activity for Nordic Mining. Although Mr. Ballou's time with Nordic Mining was short, his contribution was significant. Efforts are ongoing to strengthen the technical capacity in the company by ways of recruitment, alliances and external advisors.

As per 30 September Nordic Mining has 12 employees; 9 in Gudvangen Stein and 3 in Nordic Mining ASA.

Comments to the accounts for the period ended 30 September 2007

After the acquisition of majority shareholding in Gudvangen Stein effective 1 June 2007, Nordic Mining has ordinary sales income from mining operation. Consolidated sales income in the 3rd quarter and accumulated per 30 September was KNOK 5,716 (2006: 0) and KNOK 6,794 (2006: 0), respectively. The demand for anorthosite products from Gudvangen Stein is developing positively, mainly driven from high activity in the construction sector.

Operating loss in the 3rd quarter was KNOK 6,414 (2006: KNOK 4,152). Gudvangen Stein contributed positively with an operating profit in the 3rd quarter of KNOK 634 after negative group adjustments of KNOK 913 resulting from the acquisition. Production has improved significantly after installation of new primary crusher in July. Compared with previous periods, production costs per ton is reduced. Further improvements are continuously evaluated.

For the period ended 30 September the accumulated operating loss for the group was KNOK 24,807 (2006: operating profit KNOK 263). Gudvangen Stein is included 4 months from June. The 2006 result was positively affected from compensation from the main shareholders of Gexco AB.

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. A business service agreement was established with Dag Dvergsten AS effective 1 July related to offices, administrative services and certain strategic advice.

Other operating expenses in the 3rd quarter amount to KNOK 5,472 (2006: KNOK 1,970). Of this, costs related to listing of the company on Oslo Axess amount to KNOK 1,901. Costs related to the rutile project at Engebøfjellet amount to KNOK 663. Accumulated as per 30 September other operating costs amount to KNOK 11,390 (2006: KNOK 3,811).

Net loss in the 3rd quarter was KNOK 6,474 (2006: KNOK 4,071). Accumulated net loss for the period ended 30 September was KNOK 27,736 (2006: net profit KNOK 344).

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

for the period ended 30 September 2007

2007 01.07-30.09	2006 01.07-30.09	(Amounts in NOK thousands)	Note	2007 01.01-30.09	2006 08.05-30.09	2006 08.05-31.12
5 716	-	Sales		6 794	-	-
200	-	Other income		259	7 500	7 500
(2 075)	-	Cost of sales		(2 688)	-	-
(2 872)	-	Payroll and related costs		(3 503)	-	-
(872)	(2 182)	Management fee/Business service fee	8	(10 056)	(3 074)	(5 165)
(201)	-	Share-based payment	2	(2 956)	(352)	(844)
(839)	-	DD&A		(1 266)	-	-
(5 472)	(1 970)	Other operating expenses		(11 390)	(3 811)	(7 386)
(6 414)	(4 152)	Operating profit/(loss)		(24 807)	263	(5 896)
362	-	Financial income		909	-	225
(421)	81	Financial costs		(1 643)	81	(149)
-	-	Loss on settlement of debt	7	(7 270)	-	-
(6 474)	(4 071)	Profit/(loss) before tax		(32 811)	344	(5 820)
-	-	Income Tax	3	5 074	-	-
(6 474)	(4 071)	Net profit/(loss)		(27 736)	344	(5 820)
(6 474)	(4 071)	Profit/(loss) attributable to equity holders of parent		(27 736)	344	(5 820)
(0.12)	(0.28)	Basic and diluted earnings per share	4	(0.66)	0.02	(0.37)

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

for the period ended 30 September 2007

<i>(Amount in NOK thousands)</i>	Note	2007 30 September	2006 31 December
ASSETS			
Non-current assets			
Licences	5	3 211	-
Mineral Properties	6	26 808	-
Property, plant and buildings	6	21 220	-
Shares		85	-
Total non-current assets		51 324	-
Current Assets			
Inventory		990	-
Other receivables and prepayments		5 325	2 280
Restricted cash		-	91 224
Cash and cash equivalents		29 647	10 275
Total current assets		35 963	103 779
Total assets		87 287	103 779
SHAREHOLDERS' EQUITY & LIABILITIES			
Shareholders' equity			
Share capital		5 348	2 872
Share premium		76 083	21 251
Other paid-in capital		4 031	844
Retained losses		(33 556)	(5 820)
Total equity		51 906	19 147
Non-current liabilities			
Contingency obligations	6	7 275	-
Interestbearing loan	6	6 651	-
Deferred tax		-	-
Lease obligations	6	12 610	-
Total non-current liabilities		26 536	-
Current liabilities			
Bond loan		-	80 234
Bank overdraft		2 160	-
Trade Payable		4 263	3 148
Provision and other current liabilities		2 422	1 249
Total current liabilities		8 846	84 632
Total liabilities		35 381	84 632
Total shareholders' equity and liabilities		87 287	103 779

CONDENSED STATEMENT OF CHANGES IN EQUITY AT 30 SEPTEMBER 2007

for the period ended 30 September 2007

<i>(In KNOK, 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	1 436	8 564	-	-	10 000
Share based compensation				844		844
Share issuance	14 359 070	1 436	12 687			14 123
Profit/(loss) for the period					(5 820)	(5 820)
At the end of the period 31 December 2006	28 718 140	2 872	21 251	844	(5 820)	19 147
Share based compensation				3 187		3 187
Share issuance	24 761 835	2 476	54 832			57 308
Profit/(loss) for the period					(27 736)	(27 736)
At the end of the period	53 479 975	5 348	76 083	4 031	(33 556)	51 906

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the period ended 30 September 2007

2007 01.07-30.09	2006 01.07-30.09		2007 01.01-30.09	2006 08.05-30.09	2006 08.05-31.12
		<i>(Amounts in NOK thousands)</i>			
(9 284)	(1 822)	Net cash used in operating activities	(17 025)	(4 754)	(2 897)
(2 657)	-	Net cash used in investing activities	(21 307)	-	(10 000)
-	-	Cash contributed at demerger	-	10 000	10 000
-	-	Issuance of share capital	57 308	-	14 123
2 380	-	Lease obligations	2 380	-	-
(1 721)	-	Payment of loan	(1 985)	-	-
-	-	Bond loan	-	-	(950)
659	-	Net cash from financing activities	57 703	10 000	23 173
(11 282)	(1 822)	Net change in cash and cash equivalents	19 371	5 246	10 275
40 929	7 067	Cash and cash equivalents at beginning of period	10 275	-	-
29 647	5 246	Cash and cash equivalents at end of period	29 647	5 246	10 275
		Non-cash transaction:			
		Restricted cash used to settle bond loan	(88 683)	-	-

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the period ending 30 September 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 October 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 September 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	2.625 ⁽¹⁾
Granted during the year	610 000	3.15
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at 30 September	4 610 000	2.69 ⁽¹⁾
Exercisable at 30 September	4 610 000	2.69 ⁽¹⁾

(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%-5.0% risk free interest, 0.97 years expected life, NOK 3.58 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 1st 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 2nd quarter of 2007.

4. EARNINGS PER SHARE

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

<i>(Amounts (KNOK) and number of shares in thousands)</i>	2007	2007	2006
	01.07-30.09	01.01-30.09	08.05-31.12
Loss for period for the purposes of basic and diluted earnings per share	(6 474)	(27 736)	(5 820)
Weighted average number of ordinary shares (million) outstanding	53 480	41 765	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 (TiO₂) 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.

<i>(amounts in NOK thousands)</i>	GS AS carrying amount before acquisition⁽¹⁾	Fair value adjustments	Fair value
<i>Net assets acquired:</i>			
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)
Total	(202)	23 069	22 867

Total consideration includes:

Cash consideration	15 000
Directly attributable transaction costs	489
Consideration satisfied with issuance of options	230 ⁽²⁾
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 NOK 426.

If the acquisition had been completed on 1 January 2007, total group revenue for the period would have been NOK 12.3 million, and loss for the period would have been NOK 30.3 million.

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 September 2007 Nordic Mining has incurred fee to Dag Dvergsten AS of KNOK 10 056. The fee covers management services and daily operation of Nordic Mining including management team for first and second quarter and business administrative services and office rent for third quarter.

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 ended 30 June 2007.

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 KNOK 140) and duration (2007).

9. OTHER MATTERS

Brian J. Ballou was employed in Nordic Mining as Vice president Exploration and Development. 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 was NOK 3.15. On 10 September, Brian J. Ballou, died in an accident in connection with exploration activity for Nordic Mining.. The options, now held by surviving relatives, 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 and the first day of trading was 14 September 2007.

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 ("utmål") 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 has applied to be registered as an VAT-Group. The Company has applied for VAT refund as from 8 May 2006.

Oslo, 31st of October 2007

Board of Directors
Nordic Mining ASA