



Preliminary Report
per 31 December 2008

Nordic Mining ASA – Interim report per 31 December 2008

Nordic Mining ASA (“Nordic Mining” or “the Company”) is an Oslo-listed mining company with operating activity and focus on high-end industrial minerals and metals in Norway and internationally. The Company has global rights related to EM-applications (electro magnetic technology) for mineral exploration onshore and offshore. Nordic Mining’s assets are mainly in the Nordic region.

Activities and projects with significant growth potential

Advanced mineral industry based on anorthosite

The Company has operational mining activity as a producer of anorthosite through its subsidiary Gudvangen Stein AS (“Gudvangen Stein”). Nordic Mining has acquired the majority shareholding in Gudvangen Stein with the purpose to develop and utilise anorthosite in high-end industrial feedstocks based on the mineral components in the anorthosite.

Nordic Mining has entered into a strategic cooperation agreement with StatoilHydro ASA in order to develop new technology for use of carbon dioxide (CO₂) in minerals processing. The agreement includes research, testing and development of technology for i.e. processing of the Gudvangen anorthosite which has a significant content of aluminium minerals (approximately 30%). Nordic Mining’s target is to develop a commercially sound production process for aluminium feedstock. Further, this may contribute to reduction of CO₂ to the atmosphere.

Future in titanium

Nordic Mining has rights to one of the world’s largest deposits of hard rock rutile (titanium dioxide) at Engebø in Naustdal municipality in Norway. The project will, when commissioned, represent one of the largest mining projects in Norway through all times. An important milestone for the project was reached 19 February 2009 when the Company’s proposal for development plan with impacts studies was submitted to Naustdal and Askvoll municipalities. Application for waste disposal was filed with the Norwegian Pollution Control Authority (SFT) in August 2008. Current planning documentation shows that the Engebø project can be realised in a sustainable manner, thus utilising the project’s large potential in a local, regional and national perspective.

When environmental and operational permits have been granted and a commercial decision of investment has been taken, Nordic Mining will establish itself as a significant producer of rutile and garnet. Production of rutile concentrate at Engebø may also be basis for new industrial activity based on titanium feedstock in Norway and internationally, i.a. production of titanium metal.

Lithium for “green” car industry

Through the acquisition of the majority shareholding in the Finnish company Keliber Oy (“Keliber”), Nordic Mining has rights to lithium bearing spodumene minerals. Keliber has concessions and permits to start mining operation and production of lithium carbonate in Finland. The demand for lithium carbonate is expected to increase significantly in the coming years as a consequence of the increasing demand and production of lithium-ion batteries. In addition, lithium carbonate has several other advanced industrial application areas, i.a.

production of glass and ceramics. Keliber will be the first European producer of lithium carbonate. This creates opportunities for industrial activity with significant future growth potential.

Strategic positioning

Nordic Mining is positioned in minerals with different market and price development than base metals (i.a. copper, zink, nickel). Over the last 6 – 10 months, prices for titanium products (titanium dioxide, pigments and titanium metal) and lithium products (lithium carbonate and derived chemical products) have been stable or increasing compared to most base metals which have experienced significant price reduction due to the general contraction in global economy.

Nordic Mining's strategy is to develop and realise its mineral projects through co-operation with international partners. Commissioning of operations will be subject to relevant governmental approvals. Further, Nordic Mining's strategy is to develop new mineral deposits in cooperation with industrial and financial partners.

Based on its current strategic positioning, Nordic Mining has a satisfactory cash position, securing financial flexibility into 2010.

Comments to the Preliminary Financial Statements for the period ended 31 December 2008

Unless specifically noted, all figures below relate to the preliminary consolidated accounts. For comparison, numbers in brackets relate to the same period 2007.

Nordic Mining's operational activity relates to Gudvangen Stein. Sales income in the fourth quarter was NOK 5.7 million (NOK 5.3 million). European construction industry is currently experiencing considerable reduction in activity. For Gudvangen Stein this has caused reduced demand for anorthosite products. Accumulated sales income per 31 December 2008 was NOK 17.8 million (NOK 12.1 million; for the period June – September 2007).

Operating loss in the fourth quarter was NOK 17.9 million (NOK –5.5 million). The main activity in the period has been development of the Company's rutile project at Engebøfjellet (TiO₂) with focus on regulation planning and impact assessment. Operating loss in Gudvangen Stein in the fourth quarter was NOK 0.3 million. As a consequence of altered general assumptions, an impairment charge of NOK 7.0 million related to the mining operation in Gudvangen Stein has been recognised and included in the operating loss in the fourth quarter 2008. Accumulated operating loss per 31 December 2008 was NOK 41.9 million (NOK -30.3 million). The accumulated loss per 31 December 2008 includes total impairment charges of NOK 13.3 million related to the operation in Gudvangen Stein.

Net loss per 31 December 2008 was NOK 42.8 million (NOK –33.5 million). Included in the result per 31 December 2008 is net financial cost of NOK 0.2 million. In 2007, net financial cost was NOK 8.3 million including loss related to non-recurring repayment of bond loan of NOK 7.3 million. In 2007, Nordic Mining recognised an income tax benefit of NOK 5.1 million as a result of the business combination related to the acquisition of Gudvangen Stein. Expensed deferred tax in 2008 of NOK 0.7 million relates to Gudvangen Stein.

Per 31 December 2008, cash flow from operating activities was negative with NOK 21.2 million (NOK -24.2 million).

Nordic Mining's balance sheet as of 31 December 2008 was NOK 145.6 million (per 31 December 2007 NOK 80.8 million).

In 2008, Nordic Mining has executed a directed share issue towards selected domestic and Nordic investors as well as a rights issue with preference for the Company's shareholders. Total gross proceeds from the issues were approximately NOK 55 million. Nordic Mining's goal to increase the proportion of institutional shareholders was accomplished.

In June 2008, Nordic Mining acquired a majority shareholding in the Finnish company Keliber Oy. Keliber prepares for mining operation and production of lithium carbonate in Finland.

As per 31 December 2008, the Group's cash and cash equivalents amounted to NOK 39.8 million (NOK 23.7 million) securing financial flexibility. As per 30 September 2008, the cash position amounted to NOK 46.3 million.

Activities in Nordic Mining in the period ended 31 December 2008

Gudvangen Stein AS - anorthosite

Gudvangen Stein is an operating mining company with production of anorthosite. Nordic Mining's goal is to develop the anorthosite deposit towards industrial applications with a different value potential compared with current operation.

Demand for anorthosite products in the fourth quarter of 2008 has been affected from the general downturn in European construction activity. Operation and cost control have been satisfactory.

Nordic Mining and Gudvangen Stein have intensified marketing measures related to current market segments for the Gudvangen anorthosite. New market areas are explored systematically in addition to the ongoing cooperation project with StatoilHydro ASA regarding use of CO₂ in minerals processing. The main mineral components in the anorthosite, i.e. aluminium, silica and calcium, and Gudvangen Stein's huge deposit hold significant potential for development of new industrial activity.

Operating performance in Gudvangen Stein has been lower than anticipated in connection with Nordic Mining's acquisition in 2007. New operating assets and change of local management in Gudvangen, as well as close monitoring of the operation, have provided valuable knowledge of the framework for future operation based on current scope.

Nordic Mining has entered into an agreement with Nannok Invest AS, the previous owner and current minority shareholder of Gudvangen Stein, regarding certain adjustments in the agreement related to Nordic Mining's acquisition of the majority shareholding in Gudvangen Stein. The execution period for the put/call arrangement regulating Nordic Mining's right to purchase and Nannok Invest AS' right to sell the remaining shares in Gudvangen Stein has been postponed to the period 1 January 2011 to 1 January 2012. Nordic Mining and Nannok Invest AS have resolved a program for refinancing and strengthening of the equity base in Gudvangen Stein in order to position the company for further operational development. In addition, the recent development in financial markets has caused higher cost of capital. These effects in combination have caused an impairment charge of NOK 7.0 million on the Group's book values related to Gudvangen Stein. Including impairment charge taken in the third quarter of 2008, the Group's book values related to Gudvangen Stein have been reduced with NOK 13.3 million in 2008.

Nordic Mining's long-term strategy for Gudvangen Stein is, through active product development, to identify new applications for anorthosite. The goal is to achieve a higher value for products, reflecting the valuable mineral composition of the anorthosite. The cooperation agreement with StatoilHydro ASA related to use of CO₂ in minerals processing is part of this strategy. Testing of anorthosite in CO₂/carbonatisation plant are currently ongoing to evaluate the possibility to produce e.g. aluminium oxide. The Research Council of Norway has so far granted NOK 0.5 million to the cooperation project with StatoilHydro ASA.

Engebø project - titanium feedstock (rutile)

The Engebø rutile project is one of the largest potential mining projects ever in Norway.

The Engebø rutile deposit is estimated to contain approximately 380 million tons (in situ) of eclogite ore with an average grade of titanium dioxide of 3.96%, corresponding to approximately 15 million tons of rutile. Based on a combined scenario of open pit and underground mining, the estimated mineable ore is approximately 250 million tons, giving a mine life of 40 - 50 years.

Nordic Mining has initiated extensive activities related to development planning and impact studies in connection with the Engebø rutile project. On a contract basis with Nordic Mining, NIVA (Norwegian institute for water research) has coordinated all aspects of the impact studies. Asplan Viak has been engaged in connection with the development plan. Well-reputed, independent institutions have been engaged for the specific impact studies. The purpose is to describe properly the consequences of the development plan in order to secure sustainable industrial establishment at Engebø.

Nordic Mining's initial goal was to complete the proposal for development plan with impact studies by year-end 2008. Thus, the activity in the fourth quarter 2008, including information and public relations, have been substantial. Quality assurance and completion of documents have, however, been more time consuming than anticipated. Nordic Mining's proposal for development plan with impact studies was submitted to Naustdal and Askvoll municipalities 19 February 2009.

In August 2008, Nordic Mining filed an application to the Norwegian Pollution Control Authority (SFT) regarding waste disposal for the Engebø project. SFT has delegated consideration of the application to the County Governor of Sogn and Fjordane.

Onwards, Nordic Mining will emphasise information, public relations and contact with various authorities and stakeholders related to clarification and approvals for the Engebø project.

Nordic Mining has implemented evaluation and tests of methods for ore dressing and beneficiation process for rutile production. High quality garnet has materialised as a particularly interesting by-product from the minerals processing. Commercial development of garnet, e.g. for water-jet cutting and abrasives, will substantially add to the profitability of the Engebø project.

Nordic Mining has assigned the consultants Adam Wheeler and Bob Dowdell to do a scoping study for the Engebø project. Resource estimation of the mineral deposit according to JORC standard has been done based on existing geological information. The study clarifies requirement for further drilling, firstly in the open pit area, and secondly in the underground mine area. The study provides optimisation planning for the open pit with regards to lay-out and mining operation, and confirms an open pit minable ore volume of approximately 45 million tons. Evaluation of the lower parts of the deposit gives solid proof of concept for efficient underground mining based on larger stopes. A continuation of the deposit towards

depth and to the west is confirmed. The study gives recommendations for further testing of metallurgical and process issues. Further, the study presents preliminary financial calculations for the project based on current working assumptions regarding investments, production costs, production and sales volumes, as well as sales prices for rutile and garnet products. The scoping study confirms project profitability based on combined production of rutile and garnet as a bi-product, both for the open pit phase and the underground mining phase. The scoping study will serve as a solid basis for further planning of the Engebø project, with the aim to improve quality of planning information and project assumptions.

On a continuous basis, Nordic Mining is evaluating potential markets for TiO₂ and garnet from Engebø and international contacts and possible alliance parties related to marketing and project participation. In a global perspective, the Engebø project represents a significant mineral deposit with attractive strategic location. Nordic Mining perceives good international attention and interest for the project.

Keliber Oy - lithium

Keliber has a commercially attractive deposit of lithium bearing spodumene mineral in Finland. Further, concessions and permits have been secured for mining operation and production of high-purity lithium carbonate (> 99.9% Li₂CO₃) as the first producer in Europe.

The global demand for lithium carbonate has increased significantly over the last years. This trend is expected to continue in the coming years, mainly driven by strong growth in the battery sector as a consequence of increased sales of electrified and hybrid cars, portable tools and batteries to other industrial applications. The battery segment is now representing approximately one fourth of the global use of lithium carbonate. Lithium, in combination with other minerals, brings unique properties to modern batteries. Extensive international product development is ongoing related to battery technology. In the Nordic countries, several initiatives have been taken related to Li-ion batteries and electric vehicle industry. International players have entered into cooperation agreements or taken ownership positions in Nordic companies with the purpose to develop industrial activity based on modern lithium technology. As for other parts of Europe, initiatives in battery technology and hybride and electric cars are substantial; from an industrial perspective as well as from a governmental priority perspective. This creates strategic opportunities for Nordic Mining and Keliber.

Nordic Mining is exploring various development scenarios for the lithium project including possibilities for processing of high-purity lithium carbonate for special industrial applications. The Company is participating in a university R&D project in Finland together with other industrial companies. The purpose is to do scoping studies and evaluation of production process alternatives related to high-end products based on lithium carbonate. Additional development projects are evaluated.

On a continuous basis, Nordic Mining is evaluating potential markets for lithium carbonate and potential derived products. In addition, dialogue with international contacts and possible partners are ongoing. Keliber's location on the doorstep to the major European product development and market arenas represents a strategic advantage. Nordic Mining perceives good international attention and interest for the project.

Exploration activity

Nordic Mining's plans for further exploration of the Los Santos gold licenses in Ecuador have been delayed due to political instability and uncertainty in Ecuador. The authorities in Ecuador are currently introducing a new minerals and mining legislation. The government has

implemented measures that have caused significant uncertainty and lack of predictability as regards mineral exploration as well as legal ownership rights.

In Norway, Nordic Mining's exploration activity has mainly been concentrated in Laksådalen in Nordland county where the Company has pre-claims for tungsten and molybdenum. Exploration in this area is planned in 2009. Nordic Mining has been granted pre-claims for molybdenum in Lyngdal municipality in southern Norway. A plan for exploration will be initiated in 2009.

Outlook

The underpinning demand for the industrial minerals focused by Nordic Mining is considered positive. Product prices for rutile concentrate and lithium carbonate have been stable or increased in the second half of 2008, whilst other minerals and metals, in particular base metals like copper, zinc and iron ore, have experienced significant price reductions. As an emerging player, Nordic Mining has competence, mineral rights and projects that attract interest from international companies.

It is an increasing international focus on availability and sourcing of raw materials, and the European market is dependant on import of a range of strategic minerals. Nordic Mining's geographical location in a stable Nordic business environment is considered a positive edge with regard to ability of supply, political stability and commercial/operational risk. Nordic Mining also has an attractive position as regards markets outside Europe.

Norway has several important mineral deposits, but for many years these deposits have remained underexplored due to focus and attractiveness of the offshore oil and gas potential. Nordic Mining intends to utilise this window of opportunity.

Mining operations have historically had environmental challenges. Increased environmental awareness and public focus require improved planning, relevant measures and utilisation of modern technology in order to minimise negative environmental impacts. Nordic Mining's ambition is to have a leading role in this area. The Company's comprehensive impact studies for the Engebø project, and the cooperation agreement with StatoilHydro ASA related to use of CO₂ in minerals processing, as well as the Company's position towards lithium and titanium production, are parts to this development.

Nordic Mining's cash position gives financial flexibility to meet important value driving milestones into 2010. In spite of current instability in financial markets, Nordic Mining's strategic positioning is regarded a solid base for industrial and financial partnerships with the purpose to develop and realise the Company's projects.

Oslo, 26 February 2009

Nordic Mining ASA

Preliminary condensed consolidated income statements
Per 31 December

	2008	2007	2008	2007
	01.10-31.12	01.10-31.12	01.01-31.12	01.01-31.12
<i>(Amounts in NOK thousands)</i>	Unaudited	Unaudited	Unaudited	Audited
Sales	5 744	5 311	17 794	12 105
Other income	80	207	220	466
Cost of sales	19	(789)	(1 401)	(3 477)
Payroll and related costs	(4 132)	(1 872)	(11 804)	(5 375)
Management fee/Business service fee	(1 997)	(659)	(4 010)	(10 715)
Share-based payment	-	-	(1 273)	(2 956)
DD&A	(894)	(1 322)	(4 025)	(2 588)
Impairment assets	(7 000)	-	(13 300)	-
Other operating expenses	(9 686)	(6 355)	(24 113)	(17 746)
Operating profit/(loss)	(17 866)	(5 478)	(41 912)	(30 285)
Financial income	2 269	538	3 758	1 448
Financial costs	(1 635)	(807)	(3 990)	(2 449)
Loss on settlement of debt	-	-	-	(7 270)
Profit/(loss) before tax	(17 232)	(5 747)	(42 143)	(38 556)
Income Tax	(678)	0	(678)	5 074
Net profit/(loss)	(17 910)	(5 747)	(42 821)	(33 482)
Profit/(loss) attributable to equity holders of parent	(17 766)	(5 747)	(42 570)	(33 482)
Profit/(loss) attributable to minority	(144)	-	(251)	-
Basic and diluted earnings per share	(0.19)	(0.11)	(0.55)	(0.75)

Preliminary condensed consolidated balance sheets
Per 31 December

	<i>2008</i>	<i>2007</i>
	<i>31 December</i>	<i>31 December</i>
<i>(Amounts in NOK thousands)</i>	<i>Unaudited</i>	<i>Audited</i>
ASSETS		
Non-current assets		
Goodwill	9 729	-
Licences	3 196	3 196
Minerals, property, plant and equipment	85 129	47 622
Shares	85	85
Total non-current assets	98 139	50 903
Current Assets		
Inventory	2 495	1 291
Other receivables and prepayments	5 150	4 877
Cash and cash equivalents	39 772	23 692
Total current assets	47 417	29 860
Total assets	145 556	80 762
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity		
Share capital	9 547	5 348
Share premium	129 484	75 881
Other paid-in capital	5 304	4 031
Retained losses	(81 872)	(39 302)
Translation adjustment	5 101	-
Minority interest	10 897	-
Total equity	78 461	45 958
Non-current liabilities		
Interestbearing loan	8 417	4 865
Deferred tax	12 995	-
Lease obligations	10 459	9 759
Other liabilities	15 752	7 432
Total non-current liabilities	47 623	22 056
Current liabilities		
Current portion of long-term debt	2 761	3 726
Bank overdraft	-	2 995
Trade payable	3 450	3 025
Provision and other current liabilities	13 261	3 002
Total current liabilities	19 472	12 748
Total liabilities	67 095	34 804
Total shareholders' equity and liabilities	145 556	80 762

**Preliminary condensed consolidated statement of changes in equity
Per 31 December 2008 (unaudited)**

<i>(Amounts in NOK thousands)</i>	Share capital	Share premium	Other paid- in capital	Retained earnings	Translation adjustment	Minority interest	Total equity
Equity at 1 January 2007	2 872	21 251	844	(5 820)	-	-	19 147
Share issue	2 476	59 428	-	-	-	-	61 904
Transaction costs on share issue	-	(4 798)	-	-	-	-	(4 798)
Options issued in business combination	-	-	230	-	-	-	230
Share-based payment	-	-	2 957	-	-	-	2 957
Loss for the period	-	-	-	(33 482)	-	-	(33 482)
Equity at 31 December 2007	5 348	75 881	4 031	(39 302)	-	-	45 958
Equity at 1 January 2008	5 348	75 881	4 031	(39 302)	-	-	45 958
Share issue	3 689	51 640	-	-	-	-	55 329
Transaction costs on share issue	-	(5 336)	-	-	-	-	(5 336)
Share issued in business acquisition	510	7 299	-	-	-	-	7 809
Share based payment	-	-	1 273	-	-	-	1 273
Minority interest from business combination	-	-	-	-	-	9 114	9 114
Translation adjustment	-	-	-	-	5 101	2 035	7 135
Loss for the period	-	-	-	(42 571)	-	(251)	(42 821)
Equity at 31 December 2008	9 547	129 484	5 304	(81 873)	5 101	10 897	78 461

Preliminary condensed consolidated cash flow statements
Per 31 December

	<i>2008</i>	<i>2007</i>
	<i>01.01-31.12</i>	<i>01.01-31.12</i>
<i>(Amounts in NOK thousands)</i>	<i>Unaudited</i>	<i>Audited</i>
Net cash used in operating activities	(21 244)	(24 181)
Acquisition of mineral license	-	(3 196)
Purchases of property, plant & equipment	(794)	(1 210)
Transfer from restricted cash	-	2 541
Business acquisition	(8 627)	(15 411)
Net cash used in investing activities	(9 421)	(17 276)
Share issuance	49 993	57 106
Payments of loan	(6 923)	(920)
Payment of overdraft facility	(2 995)	201
Proceeds from new loans	10 000	-
Principal payments on finance leases	(2 085)	(1 514)
Net cash from financing activities	47 990	54 873
Net change in cash and cash equivalents	17 325	13 416
Effect of changes in foreign exchange rates	(1 245)	-
Cash and cash equivalents at beginning of period	23 692	10 275
Cash and cash equivalents at end of period	39 772	23 692
Non-cash transaction:		
Restricted cash used to settle bond loan	-	(88 683)
Change in obligations	626	-

Notes to the Preliminary Financial Statements for the period ended 31 December 2008

Note 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 reporting, and should be read in conjunction with the consolidated financial statements of Nordic Mining ASA ("Nordic Mining" or "the Company") and the Group for the year ended 31 December 2007.

These interim financial statements were approved by the Board of Directors on 26 February 2009.

The accounting policies adopted are consistent with those followed in the preparation of the Company's and the Group's annual financial statements for the year ended 31 December 2007.

Note 2 – BUSINESS COMBINATION

Keliber Oy

On 19 June 2008, Nordic Mining acquired 68% of the outstanding shares in Keliber Oy ("Keliber") in Finland. Keliber has mineral rights for lithium minerals and plans to start production of lithium carbonate based on modern process technology. The consideration was measured at NOK 27.3 million at the date of transaction, including directly attributable transaction costs.

The carrying amount of the assets and liabilities in Keliber immediately before completion of the acquisition, and the fair values of identifiable assets and liabilities allocated in the business combination, are shown below:

(amounts in NOK thousands)	Carrying amount before acquisition	Fair value adjustments	Fair value
Mineral property	-	44 425	44 425
Property, plant and equipment	100		100
Receivables and prepayments	34		34
Cash and cash equivalents	625		625
Deferred tax liabilities	-	(10 034)	(10 034)
Borrowings	(6 541)	402	(6 139)
Trade and other payables	(531)		(531)
Total	(6 313)	34 793	28 480
Minority interest			(9 114)
Goodwill			7 925
Total consideration			27 291

The consideration includes:

Cash and cash equivalents	6 585
Shares issued in business combination	7 809
Financial liability	5 811
Contingent consideration	4 509
Transaction costs	2 577

The consideration includes cash payment of EUR 816 000 that was paid on 19 June 2008. Further, Nordic Mining shall pay EUR 768 000 in cash within 10 months following the business combination. This amount has been recognised at present value using an estimated market interest rate. The Group issued 5 104 000 shares in Nordic Mining ASA to the sellers on 19 June 2008. The shares were valued at the share price at Oslo Axess on the date of transaction. Contingent that the planned processing plant for lithium carbonate starts operation according to agreed upon criterias, Nordic Mining shall pay an additional EUR 816 000.

The recognised goodwill relates primarily to deferred tax liabilities arising from the purchase price allocation.

If the acquisition had been completed on 1 January 2008, the loss for the period for the Group would have been NOK 43.3 million vs. NOK 42.2 in the preliminary consolidated accounts for 2008. Keliber did not recognise sales income in the period.

Amendments in the purchase agreement for Gudvangen Stein AS

In 2007, Nordic Mining acquired 85% of the outstanding shares in Gudvangen Stein AS ("Gudvangen Stein"). The purchase consideration included contingent consideration based on produced volumes up to a maximum amount of NOK 10 million (nominal value) for the period until 31 December 2020. The consideration also included a put/call option on the remaining

15% of the shares in Gudvangen Stein. The put/call options could be exercised in the period 1 January 2009 until 1 January 2012.

In the fourth quarter of 2008, Nordic Mining has negotiated with the seller, Nannok Invest AS certain amendments in the purchase agreement for Gudvangen Stein. The estimate for contingent consideration has been reduced by NOK 2.9 million, partly as a result of a reduced estimated production profile for the coming years, and partly as a result of Nannok Invest AS' renouncement of production payments for the years 2007 to 2010. The put/call option which was accounted for as a financial liability, has also been renegotiated in the fourth quarter of 2008. The option may not be exercised before 1 January 2011. The basis for determining the exercise price under the option agreement has been amended.

Note 3 – SHARE-BASED PAYMENT AND TRANSACTIONS WITH RELATED PARTIES

In the second quarter 2008, 4 910 000 outstanding options previously granted to key management and other resource persons expired according to the terms of the agreements. None of the options were exercised before expiration.

Incentive program

On 19 June 2008, the Shareholders' meeting in Nordic Mining approved a share-based incentive program for key management and qualified resource persons. The Board of Directors was authorised to award options that in total gives the right to subscribe for up to 4.5 million new shares in Nordic Mining.

In August 2008, the Board of Directors resolved to award in total 3 090 000 options to leading employees and resource persons at an average subscription price of NOK 2.04 per share. For persons comprised by the former, now terminated option program, and that got their options extended, the subscription price remained the same, i.e. NOK 2.625 or NOK 3.15 per share. The subscription price for options awarded to employees and resource persons not comprised by the former option program, and expansion of option program for persons granted extension of the previous option program, was in accordance with the resolution in the Shareholders' meeting fixed equal to the share price in Nordic Mining's share issue in May 2008, i.e. NOK 1.50 per share, plus 6.67% which equals NOK 1.60 per share. The market price for the Company's share at the grant date was NOK 1.35. The options are fully vested and immediately exercisable from the grant date. The options are valid till June 2010.

Employee share purchase plan

In 2007, Nordic Mining established a share purchase plan for the employees in the Group. The share purchase program provides an annual offer to employees to purchase shares in Nordic Mining.

The program enables each employee to subscribe to shares with a market value of up to NOK 20 000 at a 25% discount. The shares include a restriction on resale for a period of 1 year. The discount is calculated as the difference between the fair value of the shares and purchase price at the purchase date. The compensation element is recognised in the income statement.

Summary of share purchase plan activity:

	2008	2007
Number of shares sold through the program	156 042	0
Total discount in NOK	23 750	0

Related parties

Nordic Mining has a business service agreement with Dag Dvergsten AS for i.a. office rental and administrative support functions. Dag Dvergsten AS is owned by Dag Dvergsten who is Chairman of the Board of Directors of Nordic Mining ASA. The Group has purchased services according to the business service agreement for NOK 4.0 million from Dag Dvergsten AS in 2008.

Note 4 – IMPAIRMENT OF MINERALS, PROPERTY, PLANT AND EQUIPMENT

In 2008, the Group has evaluated the recoverable amount of the mining operations in Gudvangen Stein. The evaluation was performed as a result of the production and demand for minerals from the mine being lower than expected when Gudvangen Stein AS was acquired in May 2007.

The evaluation have caused an impairment charge of NOK 13.3 million in 2008. The impairment charge in the fourth quarter was NOK 7.0 million. The recoverable amount for the cash generating unit has been determined using value in use calculations. The Group used a discount rate of 11.1% to estimate the recoverable amount. The impairment has been allocated to assets classified as "Minerals, property, plant and equipment" in the balance sheet.

Note 5 – SHARE CAPITAL

Number of shares in thousands	Ordinary shares
Opening balance 1 January 2008	53 480
Share issuance May 2008	33 333
Share issued in business acquisition	5 104
Share issuance July 2008	3 553
Closing balance 31 December 2008	95 470

In May 2008, Nordic Mining had a directed share issue towards selected investors with total gross proceeds of NOK 50 million. The number of shares was increased from 53 479 975 to 86 813 308. Subscription price for the issue was NOK 1.50 per share.

As part of the consideration for the majority shareholding in Keliber Oy, Nordic Mining issued 5 104 000 to the sellers. The consideration shares were issued at a price of NOK 1.53 per share which was the closing price for the Nordic Mining shares on the date of transaction.

In July 2008, Nordic Mining had a rights issue with preference for the Company's shareholders. Gross proceeds from the rights issue were NOK 5.3 million. The number of shares was increased from 91 917 308 to 95 470 091. Subscription price for the issue was NOK 1.50 per share.

Note 6 – LOANS AND FINANCIAL LEASE OBLIGATIONS

Loans

In June 2008, the Group repayed all bank loans and overdraft facility related to Gudvangen Stein AS with a total remaining balance of NOK 8.5 million in connection with establishment of

new agreements for financing with a new banking relation. The Group entered into an agreement for new bank loan of NOK 10.0 million with 10 years payment period. The loan has variable interest terms with 8.0% interest rate at the date of agreement. In addition, the Group has an overdraft facility of NOK 1.0 million.

Financial lease obligations

In August 2008, the Group renegotiated the terms of financial lease agreements related to the operations in Gudvangen Stein AS. The repayment periods were extended, and the Group's monthly lease payments were reduced. The combined effect of this and the new bank loan described above is positive for the Group's cash position.

The Group accounted for the amendment of the financial lease agreements by discounting the new lease payments by the market interest rate at the acquisition date of Gudvangen Stein AS in 2007. The carrying amount of financial lease obligations increased by NOK 2.3 million as a result of the amendment.

Note 7 – OTHER OPERATING EXPENSES

Nordic Mining ASA and its subsidiaries Gudvangen Stein AS and Nordic Rutile AS (currently no activity) were in January 2008 approved for VAT registration. The registration is valid from 1 September 2007. Furthermore, the Company's application for refund of all VAT paid since its incorporation in May 2006 has been approved. As a result of the VAT refund, the Group recognised NOK 5.5 million in the first quarter of 2008 as a reduction of "Other operating expenses". In addition, interests related to the VAT refund of NOK 0.1 million were recognised as "Financial income".

Note 8 – EVENTS AFTER THE BALANCE SHEET DATE

Gudvangen Stein AS

During the last months, demand for anorthosite products from Gudvangen Stein AS has declined as a result of reduced activity in the European construction industry. Production continued normally until the end of January 2009 when inventories were filled to capacity. Effective 1 February 2009, Gudvangen Stein AS has placed 8 employees on temporary leaves as a result of the reduced demand. The remaining work force will continue sales and shipping of products from inventory. The scope of the temporary leave will be continuously monitored. Production is expected to resume in March/April of 2009.

In January/February 2009, Nordic Mining ASA has renegotiated the terms for existing bank loan and leasing agreements related to the operation in Gudvangen Stein AS. The amended terms ease liquidity demands in the short term, currently until July 2009. Nordic Mining ASA will issue a financial guarantee to the leasing company of NOK 1.0 million. Nordic Mining ASA has previously provided a financial guarantee to Gudvangen Stein AS' banking relation of NOK 3.5 million.

Gudvangen Stein AS has qualified its mineral product from anorthosite as a capping material for contaminated seabed sediments. The anorthosite product complies with requirements set by the Norwegian Pollution Control Authority (SFT) regarding testing of capping materials.

The Engebø project

On 19 February 2009, Nordic Mining submitted proposal for development plan with impact studies to Naustdal and Askvoll municipalities. Completion of the development plan and the impact studies is a significant milestone in Nordic Mining ASA's project development process with the purpose to start industrial production from the Company's rutile deposit at Engebø.