



Interim report
Per 30 September 2008

Nordic Mining ASA – Interim report per 30 September 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.

Nordic Mining has significant growth potential within the following areas:

The Company has operational mining activity as a producer of *anorthosite* through its subsidiary Gudvangen Stein AS. Nordic Mining acquired the majority shareholding with the purpose to develop the anorthosite mineral into industrial applications with significantly higher value compared to the current operation. The Gudvangen anorthosite has a significant content of aluminium minerals (approximately 30%).

Nordic Mining has entered into a strategic joint co-operation agreement with StatoilHydro in order to develop new technology for use of carbon dioxide (CO₂) in minerals processing. The agreement was signed in the third quarter 2008 and includes research, testing and development of technology for i.e. processing of the Gudvangen anorthosite.

The Company has rights to one of the world’s largest deposits of hard rock *rutile* (titanium dioxide) in the Engebøfjellet mountain in Naustdal municipality in Norway. The project will, when commissioned, represent one of the largest mining projects in Norway through all times. When environmental and operational permits have been granted and a commercial decision of development has been taken, Nordic Mining, in cooperation with industrial partners, will establish itself as a significant producer of rutile and garnet. The application for waste disposal was sent to the Norwegian pollution control authorities (SFT) in the third quarter 2008.

Rutile production from Engebøfjellet may be a base for new industrial ventures based on titanium feedstock, such as production of titanium metal.

Through acquisition of the majority shareholding in the Finnish company Keliber Oy, Nordic Mining has rights to a significant *lithium*-bearing spodumene mineral deposit. Keliber has concessions and permits to start mining operation and production in Finland. Keliber will be the first European producer of lithium carbonate. The demand for lithium carbonate is expected to increase significantly in the coming years as a consequence of the increase in demand and production of lithium-ion batteries.

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 appropriate industrial/financial joint ventures and relevant governmental approvals.

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

Comments to the Interim Financial Statements for the period ended 30 September 2008

Unless specifically noted, all figures below relate to the consolidated interim 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 third quarter was NOK 4.2 million (NOK 5.7 million). Accumulated sales income per 30 September 2008 was NOK 12.1 million (NOK 6.8 million; for the period June – September 2007).

Operating loss in the third quarter was NOK 16.1 million (NOK –6.4 million). The main activity in the period have been development of the Company's rutile project at Engebøfjellet (TiO₂) with focus on environmental impact assessment and application for permit regarding waste disposal. Operating loss in Gudvangen Stein in the third quarter was NOK 1.1 million. An impairment charge of NOK 6.3 million related to the mining operation in Gudvangen Stein has been recognized and included in the operating loss in the third quarter 2008. Share-based payments related to option agreements granted in August have been recognized with NOK 1.3 million. Accumulated operating loss per 30 September 2008 was NOK 24.0 million (NOK 24.8 million).

Net loss per 30 September 2008 was NOK 24.9 million (NOK –27.7 million). Included in the result per 30 September 2008 is net financial cost of NOK 0.9 million (NOK 8.0 million including loss related to non-recurring repayment of bond loan of NOK 7.3 million). Nordic Mining recognized an income tax benefit of NOK 5.1 million as a result of the business combination related to the acquisition of Gudvangen Stein in 2007.

Per 30 September 2008, cash flow from operating activities was negative with NOK 17.3 million (NOK -17.0 million).

Nordic Mining's balance sheet as of 30 September 2008 was NOK 155.5 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.

As per 30 September 2008, the Group's cash and cash equivalents amounted to NOK 46.3 million (NOK 23.7 million) securing ample financial flexibility. As per 30 June 2008 the cash position amounted to NOK 53.5 million. The cash is placed on bank accounts with DnBNOR.

Activities in Nordic Mining in the period ended 30 September 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 significantly higher value compared to the current operation.

The activity level in Gudvangen Stein has been lower than expected in the third quarter of 2008. Technical problems have caused irregular production, low capacity utilisation and higher production costs. Operating loss in the third quarter 2008 was NOK 1.1 million (NOK +0.6 million). Accumulated operating loss per 30 September 2008 was NOK 2.8 million (NOK 0; for the period June – September 2007).

Several rectifying actions has been taken in order to increase sales, improve productivity and enhance capacity utilisation, in combination with tight cost control routines in Gudvangen Stein. These immediate measures are expected to show positive effect as from the fourth quarter of 2008.

Operating performance in Gudvangen Stein has been lower than anticipated in connection with Nordic Mining's acquisition in 2007. New operating assets, certain technical challenges as well as change of local management in Gudvangen have provided valuable knowledge of the framework for future operation based on current concepts. 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 6.3 million on the Group's book values related to Gudvangen Stein.

Nordic Mining's strategy for Gudvangen Stein is, through active product development, to identify new applications for anorthosite. The goal is to achieve a higher margin for the products, reflecting to a larger extent the valuable mineral composition of the anorthosite. The recent co-operation agreement with StatoilHydro related to use of CO₂ in minerals processing is part of this strategy. The co-operation program includes testing of anorthosite in CO₂/carbonatisation plant to evaluate the possibility to produce e.g. aluminium oxide.

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 200 million tons, giving a mine life of 30 - 40 years.

Nordic Mining has extensive activity related to regulation planning and environmental impact assessment in connection with development of the titanium feedstock project at Engebøfjellet. NIVA (Norwegian institute for water research) has been appointed to coordinate all aspects of the environmental impact assessment. Asplan Viak is engaged in connection with regulation issues. For the various environmental impact studies well-reputed, independent institutions are engaged in order to have a best possible documentation of consequences and impact for environment, natural resources and society of the contemplated industrial development.

So far, the work is progressing according to plan. The target is to conclude all work related to planning regulation and environmental impact assessment before year-end.

In August 2008, Nordic Mining filed an application to the Norwegian pollution control authorities (SFT) for permit regarding waste disposal related to the Engebø project. Evaluation of the application will be done by the County Governor of Sogn and Fjordane. When all documentation in connection with regulation planning and environmental impact assessment have been filed with the Naustdal and Askvoll municipalities, Nordic Mining will emphasise communication and contact with relevant authorities in order to secure an efficient process for approvals.

Nordic Mining has implemented evaluation and tests of methods for ore dressing and beneficiation process for rutile production. High quality garnet has materialized 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. The study which will be ready before year-end, will give an independent description and evaluation of important assumptions and economic potential of the project. Nordic Mining has previously assigned Wheeler as competent person in connection with JORC compliant mineral resource estimation for the Engebø project. Nordic Mining is planning a core drilling program in order to have supplementary geological information included in the assessment.

On a continuous basis, Nordic Mining is evaluating potential markets for TiO₂ and garnet from Engebø and possible international contacts and alliances related to marketing and project participation.

Keliber Oy - lithium

Keliber has one of Europe's largest deposits of lithium spodumene mineral. Keliber has concessions and permits to start mining operations and plans to be the first producer of lithium carbonate in Europe.

The global demand for lithium carbonate is expected to grow substantially 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.

Nordic Mining is exploring various development scenarios for the lithium project, and have received an offer for a bankable feasibility study with the purpose to establish a complete project documentation for financing and possible joint venture assessment. In connection with this, a limited drilling program in order to increase the estimated mineral resources at Keliber's main deposit at Länttä is evaluated.

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 uncertainties in Ecuador. The authorities in Ecuador are currently preparing a new minerals and mining legislation. Related to this, measures have been implemented causing uncertainty for the mining industry both regarding exploration activity and ownership principles. Nordic Mining will await further progress of exploration until conditions are normalised and predictable.

Outlook

The underpinning demand for industrial minerals focused by Nordic Mining is considered positive. As an emerging player, Nordic Mining has competence, mineral rights and projects that attract interest from several international companies.

It is an increasing international focus on availability and sourcing of raw materials, and the European markets are dependant on imports 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 to supply, political stability and commercial/operational risk.

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

Mining activity have historically had environmental challenges. Increased environmental awareness and consistent focus from the industry open possibilities for improved analysis, actions, and use of modern technology in order to minimize the environmental consequences. Nordic Mining's ambition is to have a leading role in this area. The co-operation agreement with StatoilHydro is part of this development.

Nordic Mining is at comfort financially despite the prevailing instability in the financial markets. The company's cash position secures financial flexibility to meet important value driving milestones into 2010.

Oslo, 6 November 2008

Nordic Mining ASA

Condensed consolidated income statement
Per 30 September 2008

	2008	2007	2008	2007	2007
	01.07-30.09	01.07-30.09	01.01-30.09	01.01-30.09.	01.01-31.12
<i>(Amounts in NOK thousands)</i>	Unaudited	Unaudited	Unaudited	Unaudited	Audited
Sales	4 207	5 716	12 050	6 794	12 105
Other income	6	200	140	259	466
Cost of sales	(1 099)	(2 075)	(1 420)	(2 688)	(3 477)
Payroll and related costs	(3 302)	(2 872)	(7 672)	(3 503)	(5 375)
Management fee/Business service fee	(670)	(872)	(2 012)	(10 056)	(10 715)
Share-based payment	(1 273)	(201)	(1 273)	(2 956)	(2 956)
DD&A	(959)	(839)	(3 132)	(1 266)	(2 588)
Impairment assets	(6 300)	-	(6 300)	-	-
Other operating expenses	(6 745)	(5 472)	(14 427)	(11 390)	(17 746)
	-				
Operating profit/(loss)	(16 135)	(6 414)	(24 046)	(24 807)	(30 285)
	-				
Financial income	771	362	1 489	909	1 448
Financial costs	(1 364)	(421)	(2 356)	(1 643)	(2 449)
Loss on settlement of debt	-	-	-	(7 270)	(7 270)
Profit/(loss) before tax	(16 728)	(6 474)	(24 912)	(32 811)	(38 556)
Income Tax	-	-	-	5 074	5 074
Net profit/(loss)	(16 728)	(6 474)	(24 912)	(27 736)	(33 482)
Profit/(loss) attributable to equity holders c	(16 621)	(6 474)	(24 805)	(27 736)	(33 482)
Profit/(loss) attributable to minority	(107)	-	(107)	-	-
Basic and diluted earnings per share	(0,18)	(0,12)	(0,35)	(0,66)	(0,75)

Condensed consolidated balance sheet
Per 30 September 2008 and 31 December 2007

<i>(Amounts in NOK thousands)</i>	<i>2008</i> <i>30 September</i> <i>Unaudited</i>	<i>2007</i> <i>31 December</i> <i>Audited</i>
ASSETS		
Non-current assets		
Goodwill	8 218	-
Licences	3 196	3 196
Minerals, property, plant and equipment	86 888	47 622
Shares	85	85
Total non-current assets	98 387	50 903
Current Assets		
Inventory	1 539	1 291
Other receivables and prepayments	9 351	4 877
Cash and cash equivalents	46 260	23 692
Total current assets	57 150	29 860
Total assets	155 537	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	(64 107)	(39 302)
Translation adjustment	999	-
Minority interest	9 339	-
Total equity	90 566	45 958
Non-current liabilities		
Interestbearing loan	8 667	4 865
Deferred tax	10 404	-
Lease obligations	10 909	9 759
Other liabilities	18 241	7 432
Total non-current liabilities	48 221	22 056
Current liabilities		
Current portion of long-term debt	2 734	3 726
Bank overdraft	-	2 995
Trade Payable	3 566	3 025
Provision and other current liabilities	10 449	3 002
Total current liabilities	16 750	12 748
Total liabilities	64 971	34 804
Total shareholders' equity and liabilities	155 537	80 762

Condensed consolidated statement of changes in equity
Per 30 September 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	-	(4 596)	-	-	-	-	(4 596)
Options issued in business combination	-	-	230	-	-	-	230
Share-based payment	-	-	2 957	-	-	-	2 957
Loss for the period	-	-	-	(27 736)	-	-	(27 736)
Equity at 30 September 2007	5 348	76 083	4 031	(33 556)	-	-	51 906
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	-	-	-	-	999	332	1 331
Loss for the period	-	-	-	(24 805)	-	(107)	(24 912)
Equity at 30 September 2008	9 547	129 484	5 304	(64 107)	999	9 339	90 566

Condensed consolidated cash flow statement
Per 30 September 2008

	<i>2008</i>	<i>2007</i>
	<i>01.01-30.09</i>	<i>01.01-30.09</i>
<i>(Amounts in NOK thousands)</i>	<i>Unaudited</i>	<i>Unaudited</i>
Net cash used in operating activities	(17 295)	(17 025)
Purchases of property, plant & equipment	(237)	(5 896)
Business acquisition	(8 538)	(15 411)
Net cash used in investing activities	(8 775)	(21 307)
Share issuance	49 993	57 308
Payments of loan	(6 673)	(1 985)
Payment of overdraft facility	(2 995)	
Proceeds from new loans	10 000	-
Principal payments on finance leases	(1 661)	2 380
Net cash from financing activities	48 664	57 703
Net change in cash and cash equivalents	22 594	19 371
Effect of changes in foreign exchange rates	(25)	-
Cash and cash equivalents at beginning of period	23 692	10 275
Cash and cash equivalents at end of period	46 260	29 646
Non-cash transaction:		
Restricted cash used to settle bond loan	-	(88 683)
Change in lease obligation	(2 294)	-

Notes to the Interim Financial Statements for the period ended 30 September 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 and the Group for the year ended 31 December 2007.

These interim financial statements were approved by the Board of Directors on 6 November 2008.

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

On 19 June 2008, Nordic Mining acquired 68% of the outstanding shares in Keliber Oy 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 a 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 was recognized 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 will pay an additional EUR 816 000.

The recognized 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 25.4 million. Keliber did not recognize sales income in the period.

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 will get their options extended, the subscription price will remain 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, shall be 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 Company's share price at the grant date was NOK 1.35. The options were fully vested and immediately exercisable from the grant date. The options are valid till June 2010.

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 2.0 million from Dag Dvergsten AS in the first 9 months of 2008.

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

In the third quarter of 2008, the Group 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 have been less than expected when acquiring Gudvangen Stein AS in May 2007.

The evaluation led to an impairment charge of NOK 6.3 million that was recognized in the income statement in the third quarter 2008. The recoverable amount for the cash generating unit has been determined using value in use calculations. The Group used a discount rate of 11.8% 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 - 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 30 September 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, 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 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 with a total remaining balance of NOK 8.5 million in connection with establishment of new agreements for financing with a new bank. The Group entered into an agreement for new bank loan of NOK 10 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 re-negotiated the terms of financial lease agreements related to the operations in Gudvangen Stein. The repayment periods were extended, and consequently 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 minimum 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 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, Nordic Mining's application for refund of all VAT paid since its incorporation in May 2006 has been approved. As a result of the VAT refund, Nordic Mining recognized 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 recognized as "Financial income".