

ANNUAL REPORT 2012



A forward-looking resource company with integrated operations in exploration, extraction and production of high-end minerals and metals.





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CEO'S REPORT

Dear shareholder,

Despite a continuous, increasing demand for minerals and metals, the year of 2012 was a year where the recent years of remarkable rise to a certain extent were balanced out. China's economic growth leveled off from double digits and has stabilized at around 7% on an annualized basis. Reduced demand growth of iron ore and other metals have resulted in a weakening of prices. Similar correction has materialized for a number of minerals where the demand growth has created an increase in production from new projects and from brown field expansions.

As a result of an uncertain economic development in the US, and a lasting pressure on the European economy, the world feedstock markets are strongly influenced by the fluctuations in the growth in Asia. Within titanium minerals there was an expected correction in the price level. The price level for rutile has decreased, however, the long term forecasts indicate a future price level of USD 1,500 USD per tonne, still being 300% above the historic level of USD 500 per tonne.

The Engebø Rutile project; development and employment

Nordic Mining has confidence in the regulatory process in Norway and has used its best endeavors to develop its projects according to applicable laws and regulations. In 2012 and the first months of 2013, the company's projects have been impacted by a number of processes beyond the control of the company, and which have required substantial resources and management attention.

The outcome has, however, resulted in important clarifications related to the final permits of the Engebø project. After an apparent strong political battle within the government, it is now laid down that the Norwegian government will not accept a veto against sea disposal of mine tailings. The government clearly underlines that in some cases sea disposal can be the most sustainable solution from an environmental perspective. Further, the government's new mineral strategy, which was launched in March 2013, also states that the various options for disposal shall be evaluated separately for each project.

Kvinnherad Quartz, a high potential project

The quartz deposit in Kvinnherad which in 2012 was advanced with great enthusiasm, appears to be a future oriented project with an exciting potential. Additional exploration, sampling and test processing during the last year have demonstrated a continuous high mineral quality and exceptional high product quality. The project will focus on mineral beneficiation and processing and represents to a large extent advanced processing industry rather than a mining project. The project will benefit from being developed in a region that has extensive experience from industrial activity and ample resources of hydroelectric power.

High purity quartz has unique properties that are essential in a number of new technologies and applications. In the combination between a

favorable location and its rare and particular quality, the Kvinnherad deposit represents a genuine strategic resource.

What will the future bring?

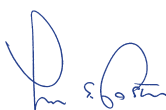
Seen in the perspective of a century, the oil and gas era in Norway is pretty young. This perspective clearly visualizes what may happen, far beyond any expert based scenarios or predictions. That is why we have founded Nordic Ocean Resources (NORA). NORA is the only Norwegian company focusing on possible mineral resources on the seabed within the Norwegian continental shelf. The joint early phase cooperation between Statoil, the Norwegian University of Science and Technology and NORA proves the emerging interest in exploring information about marine minerals. At the same time, a possible industrialization will enjoy the vast benefit from Norway's pioneering efforts within subsea oil and gas technology.

Minerals, part of social development

In the modern and rapidly changing society, we strive for a continuous reduction of environmental footprints. The way we utilize minerals will probably be further changed in the coming 50 years, compared to the last 50 years. At the same time, our dependency of various minerals, and their various unique properties will increase.

This challenge forms the strategic platform for Nordic Mining, and our goal remains to explore and refine strategic and critical minerals and metals in a sustainable manner, and thus contribute positively to the social development.

Oslo, 29 April 2013



Ivar S. Fossum,
CEO



CSR

CORPORATE SOCIAL RESPONSIBILITY



Nordic Mining assumes responsibility for how the core operations of the Company may impact social, environmental and financial aspects of local communities and internal and external stakeholders. The presentation on corporate social responsibility (CSR) in this annual report presents the current work with CSR related matters in Nordic Mining, as well as a method for achieving the Company's short and long term CSR goals.

Corporate responsibility in Nordic Mining is established in the corporate structure through the Board of Directors and the executive management team. CSR in Nordic Mining is founded on three pillars:

- environmental responsibility
- value creation in a social context
- health, safety, environment and anti-corruption.

Corporate Social Responsibility in Nordic Mining

Nordic Mining endeavours to maintain a high standard of corporate governance with an emphasis on integrity, ethical guidelines and respect for people and the environment. Nordic Mining reports transparently on the current CSR situation as well as the goals and processes which the Company has established in CSR related matters.

From 2013 the Norwegian Accounting Act will require Norwegian companies to present their strategy on CSR, how this is followed up in the day to day operations as well as the guiding principles and CSR policy which the company utilizes to achieve their CSR related goals.

Nordic Mining is aware of its role in the development of local communities as well as how it affects and interacts with internal and external stakeholders. The Company strives to ensure that its activities are regarded as positive contributions to the local communities in which the Company operates.

During 2012 the Company has worked to ensure that the corporate policy has been followed concerning environmental responsibility, value creation and social responsibility, health, safety, environment and anti-corruption in all its operations.

The mineral industry in society

Generally, the reputation of the extractive industries has improved over the last years due to improved environmentally friendly methods of surveying, developing and mining minerals. Today, the process of extracting minerals is closely monitored and controlled throughout all phases of the operation. Before a company can engage in surveying deposits several official permits must be acquired. These permits require the company to present documentation and plans on how to achieve sustainable and environmentally friendly projects.

Today the mineral industry cannot meet the demand for raw materials. Mineral deposits have to be mined where they are found, often located in rural areas close to fragile local communities. In order for extractive industries to maintain their responsibility towards society and the environment, companies engage local stakeholders in open, ethical and responsible dialogue.

Nordic Mining extracts and plans to extract strategic mineral resources, all of which are used in applications in environmental, healthcare or high-tech products. The Company strives to be proactive in its environmental impact assessments and include local communities, authorities and stakeholders throughout the lifecycle of the project. The ongoing permitting process for the Engebø rutile project is a good example of extensive dialogue with stakeholders to ensure a sustainable relationship between company and society.

Value creation and social responsibility

The social responsibility for Nordic Mining is closely linked to the local communities in which the Company operates through subsidiaries. Minerals are often found in areas, where prior to mining the communities were small, so the possibility of a long term mining excavation opens new routes for local value creation.

Nordic Mining aims to create value, both directly and indirectly, in the regions where the Company operates. Directly, the shareholders will receive dividend, while local authorities will receive tax payment in form of income and estate taxes. The Company further adds to local value creation through local job opportunities and purchase of services.

Where practical and possible, Nordic Mining uses local suppliers and contractors to buy services and goods. Ahead of new projects, Nordic Mining engages with independent research and reports in order to analyze the benefits and possibilities for local value creation resulting from a Nordic Mining subsidiary's project.

Nordic Mining engages all local communities in open dialogue throughout the lifecycle of the project. Local authorities and stakeholders are invited to dialogue meetings to maintain an open line of communication between the Company and community.

An independent study of the Nordic Rutile operation at Engebø in Naustdal municipality has indicated that an active rutile deposit would generate a total of 170 local positions. A further 330 positions would be generated nationally as an indirect cause of the mineral extraction. Following the start of the project, Nordic Rutile has played an important role in the industrial and commercial development of the region.

Environmental responsibility

Nordic Mining and its subsidiaries strive to ensure that all activities are within the scope of the Company's environmental responsibilities. Nordic Mining aims to be a positive, active and contributing force in ensuring a sustainable local community and environment.



*Exploration manager Mona Schanche gives a presentation of the quartz project for the Kvinnherad municipality board.
Photo: Morten Nygård/Grenda*



Environmental protection is exercised throughout the extractive process, and the surveying, excavation and processing of minerals should be conducted in an environmental and safe way. Disposal of excess material should in a similar way be handled after environmental principles to ensure no negative effects caused by the project.

Nordic Mining will, where possible, process the raw materials locally. This enables shorter chains of transportation, which in turn saves the infrastructure and environment. The majority of the minerals mined and planned to be mined by Nordic Mining are destined for European markets. When possible the Company seeks the use of sea transport through deep-water ports to enable shorter and more environmental alternatives than land transport.

The environmental effect of the mining process on local communities is limited and temporary. Nordic Mining strives to utilize new technology and methods for safe and environmentally friendly extraction of minerals, resulting in a positive ecological and environmental footprint.

Nordic Mining strives to use the extracted mineral as well as by-products. Rutile is used in “green tech”, while the by-product Garnet can be used in the production of environmentally friendly industrial sands which benefit health and environment while replacing products which are harmful to the human body. Anorthosite is a mineral used in the production of insulation materials such as stonewool. Better quality insulation materials lower the energy requirements for heating, which in the long run helps save the environment. Lithium will be mined in Finland by the associated company Keliber, the lithium carbonate is used in hybrid and electric car batteries, cell phone batteries and laptops. The demand for lithium has increased significantly over the last years, and the use of rechargeable batteries in high-tech appliances and cars results in a positive environmental benefit.

Health, safety & environment and anti-corruption

The employees of Nordic Mining and its subsidiaries are the Company's most important resource. The mining and extractive industries are by nature challenging to operate, with ever present

**LONG-TERM VALUE CREATION**

Scan the QR code to see video regarding Nordic Mining's plan for long-term, rutile production at Engebø.



Dialogue meeting in Naustdal in connection with the Engebø rutile project.



Keliber's corporate profile and identity is well known in the Kaustinen area.

risks to personnel and machine safety. The HSE policy in Nordic Mining is therefore a prioritized aspect in day to day operations. The Company works to ensure the safest operating environment for its employees and utilizes internal risk assessment strategies to ensure a safe work environment.

The annual reporting figures on HSE related matters can be found in the Board of Directors' Report.

Nordic Mining's ethical guidelines entail a set of guiding principles for the employees of the Company in the day to day operations. The ethical guidelines are established to ensure that the staff does not engage in, or participate either knowingly or by get complicit in corruption or bribery. The Company's ethical guidelines are also communicated and followed by the subsidiary companies.

Goals and further work with CSR in Nordic Mining

Nordic Mining acknowledges the need for continued, strategic and operational work with CSR. The Board of Directors and executive

management will work to further develop the Company's CSR profile. The forthcoming reporting requirement in the Norwegian Accounting Act has initiated an internal process in which Nordic Mining will develop a set of short and long term CSR goals.

Nordic Mining intends to engage in a process to analyse and identify how the core operations of the Company and subsidiaries may impact social, environmental and economic aspects, and through this develop a set of goals. The Company further recognizes the need to familiarize itself with possible guidelines and guiding principles which can be the basis of its CSR policy and strategy. The Company has yet to decide which set of guidelines to adhere to, but CSR in Nordic Mining is a work in progress, and must be done in accordance with the Company's size, goals and pace of development.

OPERATIONS

NORDIC RUTILE – rutile (titanium dioxide)



Nordic Mining's wholly owned subsidiary Nordic Rutile holds the rights to a significant rutile deposit in Engebøfjellet in the municipality of Naustdal. Rutile is a titanium feedstock, high in demand and used in the production of pigments and titanium metal. The market outlook for rutile is positive and product prices have increased strongly over the last years. The Engebø Project will significantly increase economic activity and value creation in Naustdal and in the wider Sunnfjord and western Norway regions.

The industrial area plan and the application for a discharge permit for the Engebø Project are being considered by the Ministry of the Environment. In March 2013, the Ministry requested supplementary information for its final consideration.

The Engebø Project

Through its subsidiary Nordic Rutile, Nordic Mining intends to establish industrial production of rutile concentrate (TiO_2) based on its rutile deposit at Engebø. The project will represent modern industrial mining and processing practice and use of technology in the mineral industry. Extraction and production at Engebø and transport of products by sea provide environmental advantages compared with existing long distance transport to European industrial customers.

Rutile is an environmentally friendly mineral and important titanium feedstock. It is considered a strategic mineral by the EU. Rutile is a high-end raw material used in the production of environmentally friendly pigments for paints, plastics and paper, and in the production of titanium metal. Rutile is of major industrial importance and has a number of applications within health and medicine, environmental technologies and consumer products. For example, titanium-based materials contribute to significant weight reduction in modern airplanes, which results in lower fuel consumption and reduced greenhouse gas emission. Due to its high bio-compatibility titanium is particularly suitable and demanded in prostheses and implants for the human body.

The deposit in Engebø also contains significant quantities of garnet, and Nordic Mining plans to produce high quality garnet as a by-product. Garnet has various industrial applications and can replace industrial sands containing free silica, which is harmful for health and environment.

Nordic Mining strives to ensure environmentally friendly production, extraction, and shipping, as well as a sustainable solution for disposing of mineral residues.

Industrial area plan and discharge permit

The municipal councils of Naustdal and Askvoll approved the industrial area plan for the planned rutile production at Engebø in May 2011. The approvals marked an important milestone in the process of establishing long-term, profitable and sustainable rutile production at Engebø. In June 2011, the county governor of Sogn and Fjordane forwarded the industrial area plan, including an objection from the Directorate of Fisheries to the Ministry of the Environment for a decision. The county governor recommended approval of the industrial area plan.

Since then, the Ministry of the Environment has been considering the objection to the industrial area plan, and the application for a discharge permit for the project. The Ministry has in 2012 received recommendations and advice from other ministries and its subordinate

agencies, the Climate and Pollution Agency and the Directorate for Nature Management. The Ministry of Trade and Industry recommends that the industrial area plan is approved and that an initial permit for waste disposal is granted based on a tailings disposal up to a threshold level of the fjord at -220 meter. For waste disposal permit extending the threshold level, the Ministry of Trade and Industry recommends that additional flow investigations and model calculations are executed, and that supplementary information is submitted regarding processing agents. The recommendation from the Ministry of Trade and Industry coincides well with an alternative solution presented by the Climate and Pollution Agency to the Ministry of the Environment.

Despite the comprehensive environmental impact assessments undertaken by Nordic Mining and the recommendation from the Ministry of Trade and Industry, the Ministry of the Environment in March 2013 requested supplementary information for its final consideration. The Ministry's request for supplementary information is related to e.g. sea water circulation, solution for mineral residue disposal, use of fresh water etc. Nordic Mining perceives a broad political consensus that a sea disposal will represent an environmentally appropriate storage solution for the mine tailings from Engebø.



Large rutile crystals are outcropping on the Engebø mountain.



RUTILE

| | |
|-----------------------------|-------------------------|
| Titanium 22 Ti | Oxygen 8 O |
|-----------------------------|-------------------------|

PROPERTIES

The mineral rutile is composed of titanium and oxygen, and is a titanium dioxide (TiO_2). Rutile has among the highest refractive indices of any known mineral. Natural rutile is often found as deep reddish brown crystals. Rutile is used to produce titanium metal.

Nordic Mining has an ongoing dialogue with the local municipalities. The municipalities have demanded predictability and progress for the Engebø project. Discussions are scheduled with the authorities in order to secure a time and cost efficient process in general, and specifically according to the areas where the Ministry of the Environment has requested supplementary information. The purpose for a dialogue is to improve predictability for a final permitting of the project. Nordic Mining will emphasize to clarify how the Ministry's wish for more information may be accommodated in order to achieve a joint solution which will ensure the realisation of the vast values that the Engebø project will bring to society.

Commercial situation

Rutile is an important, strategic mineral with a significant number of applications within the pigment industry, in health and medicine, in environmental technologies, and in various consumer products.

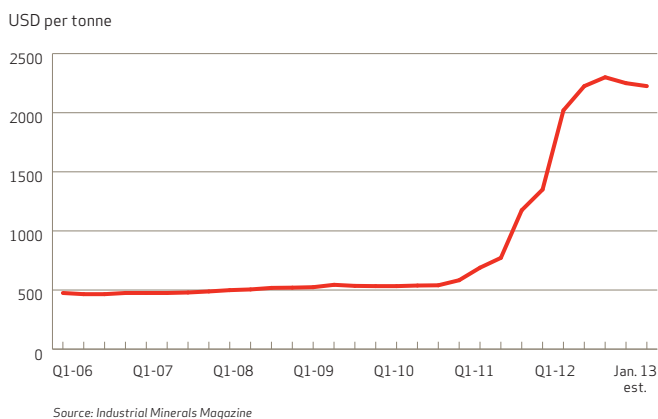
The market for rutile products has developed very positively the last two years. In the beginning of 2013, the price level for rutile is at a level above USD 2,000 per tonne FOB Australia for bulk products. This is approximately 4 times the price level by year-end 2010.

The markets for titanium feedstock, i.e. rutile, are affected by the general development of the global economy. Compared with industrialised countries emerging economies like for example China and India, have a low consumption of titanium feedstock (TiO_2). Future demand for titanium feedstock is expected to be higher than the supply as new production capacity is expected to be restricted. Overall this provides grounds for assuming the long-term market outlook to prevail on a positive note.

Due to its high grade and positive properties in processing rutile is a particularly attractive feedstock. Long-term rutile prices are expected to remain on a high level, however, price variations will occur due to shifting market conditions.

Rutile concentrate price development

(min. 95% TiO_2)



Europe has a significant supply deficit in titanium feedstock. Currently, the main volumes of rutile and other feedstock into Europe come from Australia, Africa and North-America. For industrial customers in Europe supply from Engebø represents a substantial logistical advantage compared to overseas alternatives.

Applications for mineral residues

Nordic Mining has implemented a number of activities to assess potential products and applications for mineral residues from the production process in Engebø. Mineral residues are inert minerals without any heavy metals or radioactive elements, and have been approved as capping materials for contaminated sediments, e.g. in harbours or other polluted areas. This may represent a significant market segment in both Norway and Europe. Further, the mineral residues are considered in various concrete applications, as a soil conditioner, and as raw material for various construction purposes. The deep water port facilities at Engebø and the short distance to the European markets represent a significant logistical advantage also for the commercial use of mineral residues.

In the future, various by-products from mineral residues may represent an important additional value for the Engebø project, financially and with regard to new industrial activity. At the same time the need to dispose of tailings can be reduced. Nordic Mining intends to strengthen commercial activities when production has started and mineral residues are available for industrial testing in various applications.

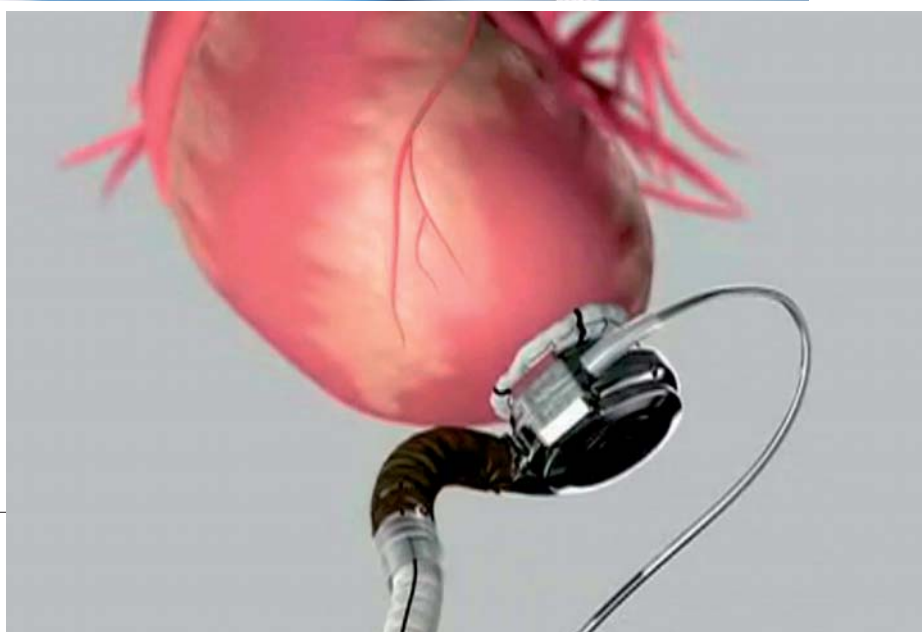
Mineral processing

Nordic Mining has gained a sound fundamental understanding of the critical parameters affecting the processing of ore from Engebø. This knowledge has been acquired through methods such as liberation milling tests, various electrical crushing tests and high intensity magnetic separation tests.

In 2012, Nordic Mining produced a new reference crude ore sample of 100 tonnes from the Engebø deposit. The sample is a blend of ore from 5 separate locations from the central part of the planned open pit deposit. The crude ore composition represents the ore type that will be milled in the initial phase of the mining operation.

SGS Minerals Services UK Limited and Eriez Magnetics Europe Ltd have carried out an extensive laboratory scale test work to optimise the magnetic separation of crude ore materials. Samples from the test work have been characterised by chemical and mineralogical methods. The work has been performed to define critical processing parameters to be used for a later pilot scale test.

Cowi AS has carried out a conceptual study on arrangements for deep sea disposal of tailing materials in the 320 meter deep Førdefjord. The study includes flow balances as well as alternative technical solutions.



TITANIUM HEARTS

Scan the QR code to see video of new life-saving titanium technology.

OPERATIONS

NORDIC QUARTZ – high-purity quartz



In 2011, Nordic Mining entered into an agreement with landowners and secured exclusive rights for exploration and development of a quartz deposit in Kvinnherad municipality in Hordaland in Norway. Extensive testing and processing trials have shown that the quartz has a low content of contaminants and therefore can be regarded as high-purity type quartz. Nordic Mining's wholly owned subsidiary Nordic Quartz is a vehicle for the Group's development work related to quartz.

Processing tests demonstrate homogenous high-purity quartz

A comprehensive analysis and test program was executed in 2011 at Dorfner Anzaplans laboratory in Germany. The results confirmed the Kvinnherad deposit as world class, and indicated potential for several high-value applications and a significant commercial value. The tests involved various separation methods to remove impurities, including mechanical separation and acid leaching techniques. High-purity concentrate products similar to the highest priced quartz products on the market were produced. The total level of alkalis (K, Na, Li) was reduced to 0.3 ppm. This is in the range of "Iota 6" which is one of the highest grade products on the market. Melting tests demonstrated that the bubble content in glass production is at an acceptable level.

In spring 2012, three new quartz samples were taken for processing tests. The samples were taken from other parts along the whole length of the quartz vein. The aim of the tests was to investigate whether high quality products, similar to the qualities produced from the first sample in 2011, could be reproduced for a larger part of the deposit. Product qualities that matched the purity of the best qualities on the market were obtained for all the new samples. Melting tests also showed that glass of highest market quality could be produced from the samples.

Geological surveys indicate a larger deposit

The deposit in Kvinnherad has previously been estimated by the Geological Survey of Norway (NGU) at 2.7 million tonnes of quartz (not JORC compliant) based on field mapping and appears along an around 12x600 meter long and outcropping vein of quartz. Nordic Mining together with the Norwegian University of Science and Technology has mapped the deposit in further detail.

In October 2012, geophysical measuring was executed. The purpose was to make a 3D interpretation of the orientation, volume and depth of the vein. The magnetic survey aimed at distinguishing between the non-magnetic quartz vein and the more magnetic granitic gneiss side rock. The results from the measuring support NGU's preliminary estimate and indicates an even larger extension of the quartz vein both horizontally and vertically.

The wider parts of the non-magnetic body projected in the magnetic measuring can be related to unexposed quartz that is not yet surface mapped. Depth interpretation showed that it is likely that the vein extends to at least 150 meters depth below the highest surface outcrop. There are also indications of a possible further continuation to about 300 meters depth. The indicated wider parts of the quartz vein will be further investigated by surface mapping. The actual depth of the vein and the down dip quality will be verified by drilling and analysis.

Scoping study outlines a viable and profitable project

In 2012, Dorfner Anzaplans carried out an independent preliminary evaluation (scoping study) of the high purity quartz project. The scoping study described the current status for development of the deposit. It covered a review of previous work and studies (e.g. exploration, geology, deposit size, processing etc.), a general description of location and its characteristics, a proposed mining and processing method for the quartz, and a preliminary economic analysis. Further, the scoping study gave principal recommendations and described risk factors to be considered in the project development going forward.

The Kvinnherad quartz deposit was considered to contain raw quartz sufficient for minimum 60 years of production of high purity quartz products at a rate of 5,000 tonnes per year. The scoping study outlined an industrial base case with mine life assumption of 30 years, estimated investments of approximately USD 50 million, a preliminary net present value after tax of USD 60 million based on 8% discount rate, and an undiscounted payback period of 4.3 years. Thus, the results from the scoping study clearly indicated the potential of a viable and profitable industrial project.

Commercial progress

Nordic Mining has established contacts with industrial companies in different market segments and intends to test various applications for the quartz. The processing tests indicate that the Kvinnherad quartz will satisfy the requirements in the main application areas for high-purity quartz, e.g. optical glass, high temperature light bulbs, crucibles, semiconductors and microelectronics.

Nordic Mining will consider partnership models in order to advance the quartz project towards industrial production.



High-purity quartz is essential in optical glass and lenses.



QUARTZ

| | |
|----------------------------|-------------------------|
| Silicon 14 Si | Oxygen 8 O |
|----------------------------|-------------------------|

PROPERTIES

Quartz is a hard mineral composed of silicon and oxygen (SiO₂). Common quartz is white (milky quartz) or colourless (rock crystal). Quartz also occurs in a number of other colours.

OPERATIONS

GUDVANGEN STEIN – anorthosite



Gudvangen Stein produces anorthosite from its own mine in Gudvangen in Aurland municipality. The area of Nærøydalen in which the mine is located, contains one of Europe's largest deposits of anorthosite. The most important current applications for the Gudvangen anorthosite include its use as a raw material in the production of stonewool (insulation material) and its use as a light admixture for asphalt used for road surfaces.

The anorthosite in Gudvangen contains around 30% aluminum oxide, which provides interesting opportunities in relation to product and processing development. Nordic Mining's goal is to develop products that better reflect the valuable minerals contained in the anorthosite, i.e. aluminum, calcium and silicon.

Current market segments

The sales volume in 2012 was 213,000 tonnes, which was approximately the same as in 2011. The stonewool insulation industry is the largest market segment for Gudvangen Stein (approximately 70% of the sales volume in 2012). There is an increasing focus nationally and internationally on insulation and energy efficiency in buildings and other technical installations, and this is expected to have a long-term positive effect on sales of anorthosite. Gudvangen Stein targets to be a preferred and long-term supplier of quality raw material for stonewool production.

Deliveries to the European asphalt industry accounted for approximately 15% of the sales volume in 2012. Development and test work related to anorthosite in asphalt aggregates are ongoing in several countries. The purpose is to develop improved solutions for lighter road surface in order to increase traffic safety and reduce street lightning investments. Gudvangen Stein will evaluate its position with regard to a possible growth in the asphalt aggregates market segment.

New applications and product development

Nordic Mining and Institute for Energy Technology (IFE) have produced high-grade alumina from the Gudvangen anorthosite. The production has been done in laboratory at moderate process conditions which means low temperature, atmospheric pressure and with moderate acids. The alumina content of the Gudvangen anorthosite is approximately 30%, and thus, anorthosite is potentially a major alumina source.

The development work in 2012 has primarily focused on optimisation of the leaching process to extract the alumina from the anorthosite. Efforts have also been made into testing of by-products from the process stream, and to regenerate acid for recirculation. Positive results from leaching of alumina have been demonstrated with effective leaching of approximately 95% alumina within few hours.

A process evaluation has indicated that it is feasible to recover at least 70% of the acid consumed in the metal extraction process and up to 99% of the acid specifically used in connection with the alumina purification. The results will have significant impact on the processing costs, and thus on the total project economics. Laboratory test work has also proved that a high quality precipitated calcium carbonate concentrate (PCC) and silica are formed as by-products from the process.

The next phase of the project will be to test the developed process in a lab pilot scale. This will give increased confidence in the process viability. Focus will also be on optimising purity of alumina and

by-products, as well as minimising acid loss. Evaluation of project economics will be an integral part of the overall project development and assessment. The project is planned to be finalised in the fall 2013.

In addition to processing of anorthosite for alumina production Gudvangen Stein is developing anorthosite concentrates as feedstock for various industrial applications; i.a. ceramics, glass related products and as filler in various industries. Dialogue is ongoing with various international companies regarding product development and testing. Test production of anorthosite concentrates is executed in third party production facilities.

Operational situation

The production volume in 2012 was 202,000 tonnes which was lower than in 2011. Measures have continued to improve operating routines, technical installations, quality and cost control, and productivity. Installation of a screen to remove unwanted fine materials from coarser production fractions has proven its intention to improve product qualities for the stonewool industry. New electrical installations in 2013 are expected to improve production stability and unit production costs.



In the hall of the mountain kings in Gudvangen.



ANORTHOSITE

| | | | |
|------------------------------|----------------------------|----------------------------|-------------------------|
| Aluminium 13 Al | Silicon 14 Si | Calcium 20 Ca | Oxygen 8 O |
|------------------------------|----------------------------|----------------------------|-------------------------|

PROPERTIES

Anorthosite is an igneous rock formed deep down in the earth's crust under high pressure and temperature. The rock is almost exclusively composed of plagioclase feldspar. Other minerals such as pyroxene, amphibole, ilmenite and olivine may occur in small quantities. Anorthosite has a high content of silicon, aluminium and calcium.

OPERATIONS

KELIBER – lithium/lithium carbonate



Through its associated company Keliber in Finland, Nordic Mining develops deposits of high quality lithium mineral suitable for extraction and production of high-purity lithium carbonate. Lithium carbonate has a variety of industrial applications, i.a. for advanced batteries which takes up an increasing share of the total global lithium consumption. Keliber has made significant exploration progress in 2012 and the first part of 2013. Revised resource and reserve estimates are expected in May 2013.



Extensive boulder mapping is essential in Keliber's exploration strategy.

Financing secured for project development

In September 2012, agreements were made related to a private placement in Keliber with cash proceeds of €4 million. The equity issue was completed in October 2012. The financing is used for further mineral exploration with the purpose to document a larger resource base for Keliber's lithium project. Further, new metallurgical test work and preparations for feasibility studies will be executed.

Following from the private placement Keliber has got several new shareholders, e.g. Finnish Industry Investment Ltd. and Ilmarinen Mutual Pension Insurance Company with approximately 15.6% and 13.0%, respectively. Nordic Mining remains the largest shareholder in Keliber with approximately 38%; down from approximately 65% before the private placement.

Improve resource base and significant regional potential

Keliber's current preliminary lithium containing spodumene ore reserve has been estimated by independent experts at 1.26 million tonnes (proven and probable). An ore reserve is that portion of a mineral resource considered technically and economical feasible in a viable mineral project. The ore reserve was estimated on the basis of exploration and drilling in the Länttä and Outovesi deposits.

In October 2012, Keliber entered into an agreement with the government of Finland regarding acquisition of the Leviäkangas and Syväjärvi lithium deposits. The two deposits are located adjacent to Keliber's other activity. The Leviäkangas and Syväjärvi deposits have previously been investigated by the Geological Survey of Finland (GTK), i.a. with a total of 9,400 meter of core drilling.

Keliber commenced drilling at Leviäkangas in November 2012. In total 21 drilling holes (1,352 meters) have been drilled and analysis of drill core assays has been executed. The lithium content in the best intercepts varies between 0.86 – 1.57% Li_2O .

In January 2013, drilling started at Syväjärvi. As per end of March 2013, 37 drill holes (3,425 meters) have been drilled. The drill holes have intersected spodumene pegmatite up to 36 meters width. Some of the holes have two substantial spodumene pegmatite intersections. The first analytical results from Syväjärvi are positive.

In addition, Keliber has exploration rights for other deposits which will be investigated with core drilling in 2013.

The first update on Keliber's JORC compliant resource and reserve estimates, i.a. from Leviäkangas and Syväjärvi are expected in May 2013.

Commercial situation

Demand for lithium carbonate and prices for derived products have increased in 2012. A positive long-term market trend is expected, mainly driven by strong growth in the battery sector as a consequence of increased sales of electric and hybrid cars, portable tools, and batteries for other industrial applications. Lithium has favorable properties in various combinations with other minerals/materials in modern batteries, and extensive international product development is ongoing within the segment. Lithium carbonate and lithium minerals are also used in other industrial segments, including in various glasses and melting industries. The substantial development work taking place internationally, in particular with regard to battery technology, is increasingly expected to make greater demands on raw materials and chemicals. Keliber's lithium carbonate will be well positioned for this development.



Growing demand for electrical and hybride vehicles.



LITHIUM

| | |
|---------------------------|-------------------------|
| Lithium 3 Li | Oxygen 8 O |
|---------------------------|-------------------------|

PROPERTIES

Lithium is a silver white metal that belongs to the alkali metal group. It is the lightest of all metals and so soft it can be cut with a knife. Lithium is highly reactive and never occurs freely in nature, but only appears in compounds.

OPERATIONS

REINFJORD – mineral exploration



Nordic Mining's exploration work at Reinfjord has provided significant insight to a prospective geological province. Although in an early phase, the results are encouraging and inspire further field work.

In February/March 2012, Nordic Mining executed ground geophysical measurements in the Reinfjord area on the Øksfjord peninsula. The ground geophysical measuring confirmed the results from previous exploration activities indicating interesting mineralization (i.a. copper, nickel, cobalt, PGE) in the area.

Exploration drilling of two bore holes was executed in May 2012. Chemical analyses of the drill cores have shown broader metal bearing zones than indicated from the geophysical measuring. The metal content of the best assays is comparable with mines in commercial production.

The Geological Survey of Norway (NGU) is planning an extensive program for geophysical measuring in the northern parts of Norway, including the Øksfjord region. Nordic Mining looks forward to the results from this measuring. The Company will consider partnership models in order to advance the exploration activity in the Reinfjord area which, based on the limited exploration work executed, appears to be an area of particular geological interest and potential.

OPERATIONS

NORDIC OCEAN RESOURCES

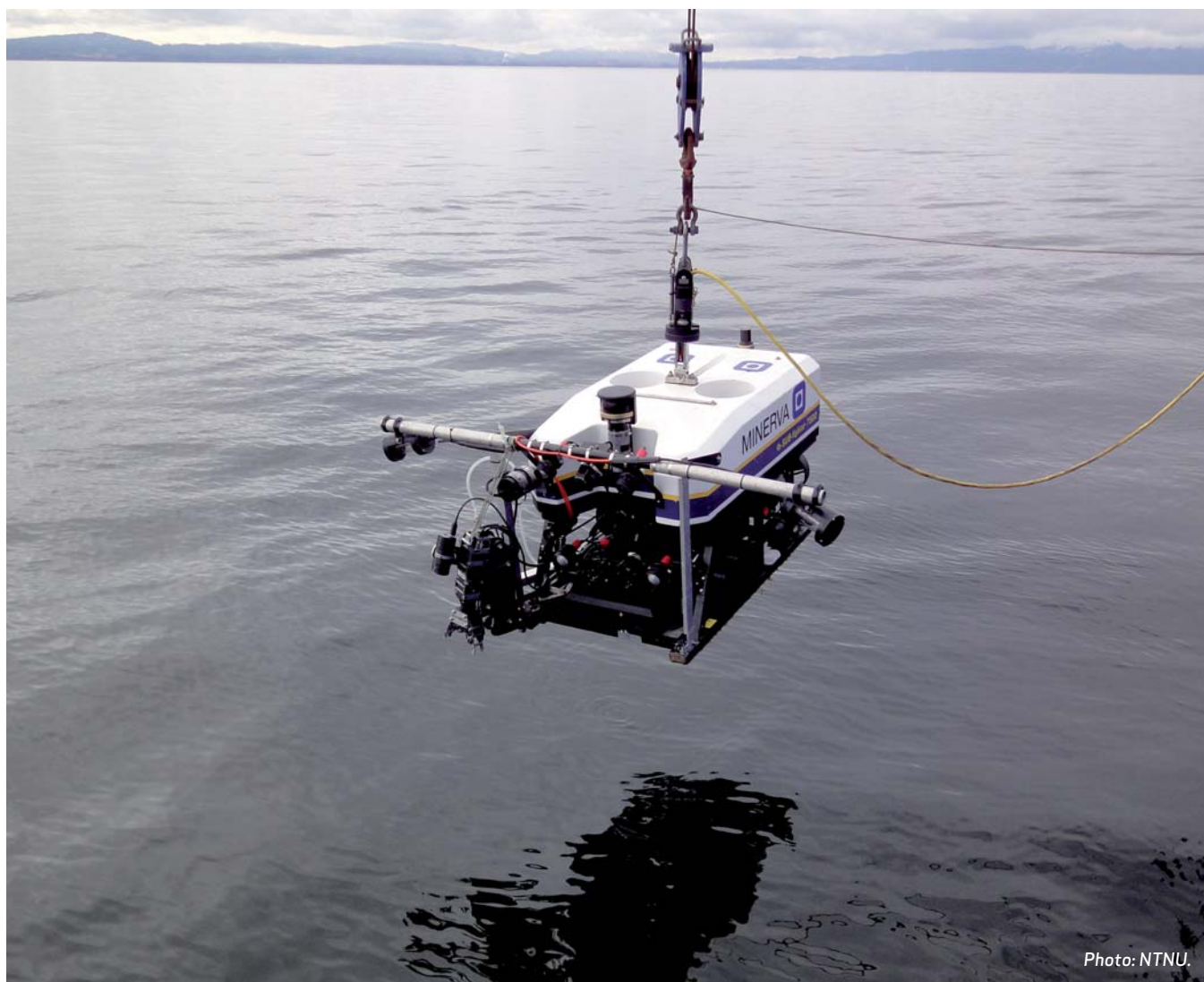


Photo: NTNU.

Nordic Ocean Resource is a "first-mover" initiative related to seabed mineral exploration in Norway.

The Norwegian University of Science and Technology (NTNU), Statoil and Nordic Ocean Resources entered in 2012 into a cooperation regarding seabed mineral resources. The project is targeting knowledge increase within marine mineral resources and will focus on current knowledge and future areas for research. The project has a total budget of NOK 2 million.

Globally, the interest for marine mineral resource has increased strongly over the last years, and a race to secure prospective

exploration areas has started among countries and certain industrial companies. The Norwegian continental shelf is an interesting area for seabed minerals. In addition, the Norwegian oil and gas industry has developed advanced technology for subsea operations which could be applicable also for mineral exploration.

Nordic Ocean Resources is currently the sole company in Norway with focus on seabed minerals. Through Nordic Ocean Resources Nordic Mining is in position for the future development in this exciting area.

BOARD OF DIRECTORS' REPORT

Nordic Mining ASA ("Nordic Mining" or "the Company") is a resource company with operating activity and focus on high-end industrial minerals and metals in Norway and internationally. The Company's project portfolio is of high international standard and holds a significant economic potential. The Company's assets are mainly in the Nordic region.

Nordic Mining produces anorthosite at Gudvangen in Sogn and Fjordane through its subsidiary Gudvangen Stein AS ("Gudvangen Stein"). Through the subsidiary Nordic Rutile AS ("Nordic Rutile") Nordic Mining is undertaking large-scale project development at Engebøfjellet in Sogn and Fjordane where the Company has rights to a substantial eclogite deposit with rutile and garnet. Nordic Mining has rights for exploration and production of high-purity quartz in Kvinnherad in Hordaland and develops the project through its subsidiary Nordic Quartz AS ("Nordic Quartz"). Through Keliber Oy in Finland, Nordic Mining plans to start mining of lithium bearing spodumene and production of lithium carbonate. Nordic Mining holds explorations rights in the Seiland region in Troms and Finnmark where the Company in 2012 has discovered a prospective area of sulphide mineralization. Through the subsidiary Nordic Ocean Resources AS, Nordic Mining is exploring opportunities related to seabed mineral resources.

Nordic Mining is listed on Oslo Axess.

Important events

Nordic Rutile (Engebø Project)

- In March 2012, the Climate and Pollution Agency presented its recommendation to the Ministry of the Environment that supplementary information should be obtained. The Agency has described an alternative solution that addresses the desire to acquire more knowledge, and at the same time approves the industrial area plan and the project's discharge permit.
- The Ministry of Trade and Industry (NHD) has recommended that the industrial area plan is approved and that an initial permit for waste disposal is granted based on tailings disposal up to a threshold level of the fjord at -220 meter. For a permit for waste disposal extending the threshold level, NHD recommends that additional flow investigations and model calculations are executed, and that supplementary information is submitted regarding processing agents.
- In March 2013, the Ministry of the Environment informed that the current information in the matter is, in the Ministry's opinion, not sufficient to resolve the industrial area plan and the application for waste disposal. The Ministry has requested additional information regarding e.g. sea water circulation, solution for waste disposal, use of fresh water etc. At the date of this report, discussions are ongoing with the Ministry to clarify the actual content of the requested supplementary information.

Nordic Quartz

- Test work in 2011 and 2012 has confirmed quartz of the highest quality and indicates homogeneity for the Kvinnherad deposit.
- In 2012 Nordic Mining has executed geophysical measuring at the quartz deposit in Kvinnherad. The results from the measuring indicate that the deposit may be larger than previously anticipated.
- In December 2012, a scoping study coordinated by Dorfner Anzoplan outlined an industrial base case with mine life assumption of 30 years, estimated investments of approximately USD 50 million and a preliminary NPV after tax of USD 60 million based on an 8% discount rate. The scoping study verified the main assumptions and framework for a viable industrial quartz project.

Gudvangen Stein

- In 2012, Nordic Mining and IFE have proceeded with development work related to optimization of the leaching process for alumina. Positive results have been achieved with effective leaching of approximately 95% alumina within a few hours. In addition, important improvements have been achieved with regard to acid recovery. The project has received financial support from Gassnova SF, a Norwegian state enterprise established to support carbon capture and storage activities.

- Production activities
- Development projects
- Exploration activities



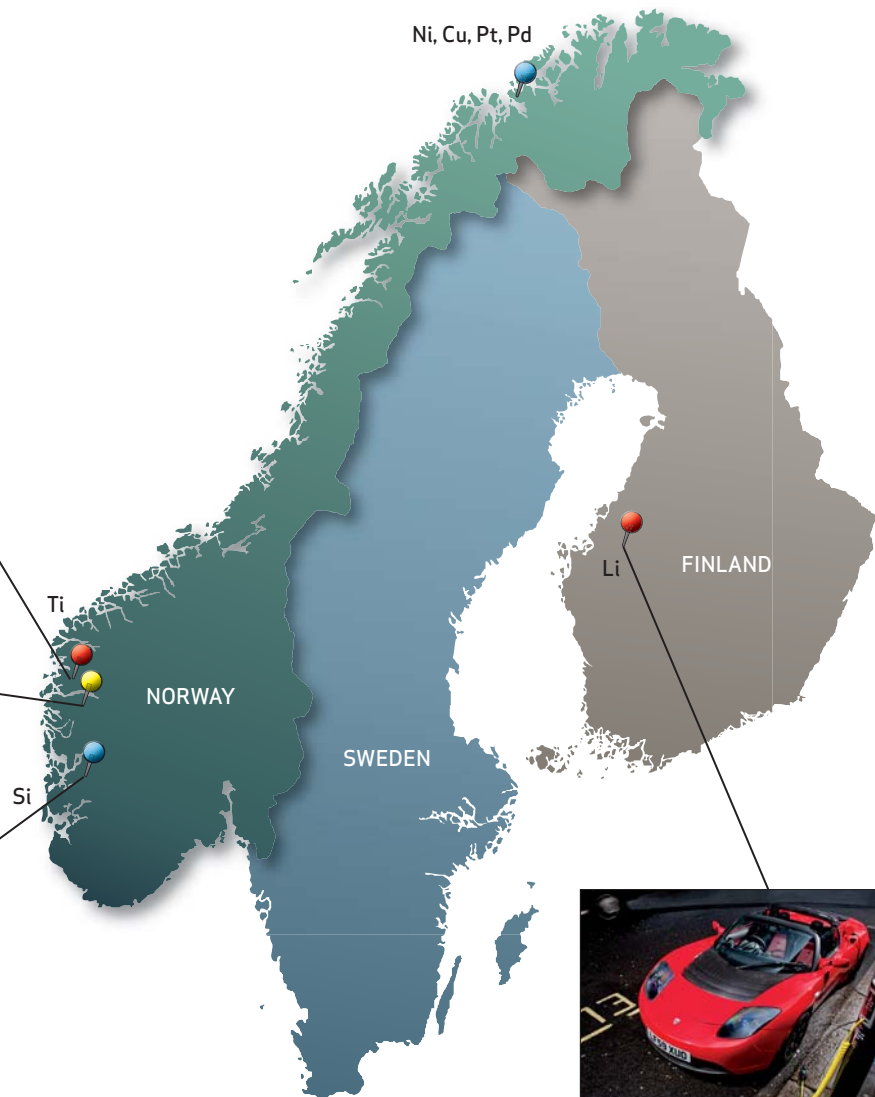
Titanium - rutile



Anorthosite



High-purity quartz



Lithium

Keliber

- In October 2012, a €4 million equity financing of Keliber was executed. Nordic Mining has retained a 38% shareholding and considerable influence in the company.
- In October 2012, Keliber acquired two lithium deposits, Syväjärvi and Leviäkangas, from the Finnish government. The two deposits have previously been investigated by the Geological Survey of Finland (GTK).
- A new drilling program has been initiated, and reports indicate wide zones of spodumene pegmatite in Syväjärvi and positive results also from Leviäkangas. The first results from analysis of drill core assays are positive. Update on JORC compliant resource estimates are expected in May 2013.

Exploration activities

- Geophysical surveys and exploration drilling on the Øksfjord Peninsula have indicated promising potential of sulphide mineralization.

- In 2012, chemical analysis of assays from the exploration drilling has shown metal containing zones that are wider than previously indicated. The metal content of the best assays is comparable with mines in commercial production.

Nordic Ocean Resources

- The Norwegian University of Science and Technology (NTNU), Statoil and Nordic Ocean Resources have entered into a cooperation regarding seabed mineral resources. The project is targeting knowledge increase within marine mineral resources and will focus on current knowledge and future areas for research. The project has a total budget of NOK 2 million.

Financial performance

For comparison, numbers in brackets relate to the same period 2011. The 2011 figures have been adjusted to reflect Nordic Mining's loss of control in Keliber.

Nordic Mining's operational activity relates to production and sales of anorthosite in Gudvangen Stein. Sales revenue in 2012 amounted to NOK 24.6 million (NOK 25.3 million) and were based on a sales volume of 213,000 tonnes (215,000 tonnes).

The Group's operating loss amounted to NOK -30.0 million (NOK -24.7 million). The operating loss was related to costs in connection with development of the projects at/in Engebøfjellet, Gudvangen Stein, Nordic Quartz/Kvinnherad and the exploration activity on the Øksfjord Peninsula. An impairment loss of NOK 4.0 million (NOK 0.0 million) related to Gudvangen Stein has been recognized in the consolidated accounts. Costs related to share based remuneration of NOK 1.8 million (NOK 0.0 million) in connection with option agreements with leading employees and resource persons have been recognized in 2012.

As a consequence of Nordic Mining's reduced shareholding in Keliber completed in October 2012, the Group's investment in Keliber has been classified as shares in an associated company. In 2012, net loss from the associated company was NOK -0.7 million (NOK 0.0 million). The Group's loss in 2012 for the period up to the transaction in October has been classified as loss from discontinued operations.

The Group's total net loss amounted to -36.5 million (NOK -28.6 million). Net loss from continued operations was NOK -31.5 million (NOK -26.2 million). Net financial costs associated with ongoing operations of NOK -0.8 million (NOK -1.4 million) were charged to the Group's result. The Group's net loss from discontinued operations was NOK -5.0 million (NOK -2.5 million).

Cash flow from the Group's operating activities was negative with NOK -20.6 million (NOK -24.0 million). Net cash used in investment activities amounted to NOK -3.5 million (NOK -2.6 million). The investments related to i.a. capitalized drilling expenses in connection with exploration on the Øksfjord Peninsula. In January 2012, Nordic Mining completed a rights issue with gross proceeds of NOK 36.0 million. As per 31 December 2012, the Group's cash and cash equivalents amounted to NOK 6.2 million (NOK 3.3 million).

Nordic Mining's balance sheet as of 31 December 2012 was NOK 59.2 million (NOK 92.2 million). Following from the equity issue in Keliber in October 2012 Nordic Mining no longer has a controlling interest in Keliber and thus the shareholding has been classified as shares in an associated company. As per 31 December 2012, total equity amounted to NOK 36.9 million (NOK 45.1 million). This gives an equity ratio for the Group of 62.3% (49.0%).

The Group's current liabilities as per 31 December 2012 amounted to NOK 12.0 million (NOK 15.1 million). The majority of the current liabilities are related to the short-term portions of loans and financial lease commitments, as well as trade creditors.

The net loss for the parent company, Nordic Mining, was NOK -27.8 million. The parent company's loss was due to costs related to exploration and development activities as well as general overhead and administration costs. The Company's shares in Keliber and

Gudvangen Stein were written down by NOK 4.9 million and NOK 5.7 million, respectively.

The Board confirms that the financial statements have been prepared on the basis of a going concern assumption and in accordance with section 3-3a of the Accounting Act. In February and April 2013, Nordic Mining executed a private placement and a subsequent offering which in total have raised gross proceeds of around NOK 10.5 million (estimated net proceeds are around NOK 8.7 million).

The Board emphasizes that the liquidity situation represents a challenge going forward, and hence Nordic Mining is evaluating alternatives to ensure adequate liquidity for its prioritized project activities and provide for future financial strength and flexibility. The assessment includes considering to attract industrial or financial investors/partners at project level in order to progress with value increasing activities and/or realization of assets. This may possibly lead to changes in the Group's project portfolio.

The Board emphasizes that there are elements of risk related to further financing and the realization of strategic alternatives, and consequently to the long term ability to continue as a going concern. The Board refers to the discussion of risk factors below for further information. The Board also underlines the fact that Nordic Mining in the whole period from its establishment in 2006 has been financed by equity from shareholders. Although there are no guarantees that further equity financing will be available, the Board has confidence that Nordic Mining will be able to find solutions to the current financial challenges and move forward with the projects.

Main activities

The Company's activities in 2012 included the operation in Gudvangen Stein and the following development and exploration projects:

- planned rutile production at Engebø through Nordic Rutile
- planned production of high-purity quartz in Kvinnherad through Nordic Quartz
- development work associated with the potential extraction of alumina and other product development activities based on anorthosite in Gudvangen
- planned lithium production in Finland through Keliber
- exploration work on the Øksfjord Peninsula in Troms and Finnmark
- strategic assessments regarding the potential for seabed mineral through Nordic Ocean Resources
- The Company's operations and development projects are extensively described in this annual report and the Board refers readers to relevant sections of this for further information.

Risk management

The Company's operations are exposed to various forms of risk associated with regulatory, market, operational and financial factors. In the opinion of the Board the Company has established management systems that address the need for satisfactory risk management and internal control.

Regulatory risk

Nordic Mining depends on permits and licenses from various authorities. Whether and when such permits will be granted, and the terms stipulated in connection with regulatory matters, are beyond the Company's control.

Of particular importance is the outcome of the pending process of the industrial area plan and the permit for waste disposal related to rutile production at Engebø. The industrial plan and the permit for waste disposal are subject to approval from the Ministry of the Environment. As mentioned above, the Ministry has informed the Company that further information related to the environmental impacts of the project has to be obtained before a decision in the matter can be made. A negative result will have an adverse effect for the Company. Also the Kvinnherad quartz project, the Keliber lithium project and other projects will depend on additional necessary governmental approvals regulating mining operations and environmental matters.

Financial risk

Financing, accounts and monitoring of the Group's liquidity situation is coordinated by the Company's CFO with the assistance of Accepta AS, which has been hired to provide accounting services. The Board has established rules governing the authority of the CEO, and the CEO has established rules governing the authority of the CFO and the general managers of each subsidiary.

Nordic Mining's cash holdings are placed in bank accounts in Norwegian Kroner (NOK). The Group is exposed to fluctuations in exchange rates to some degree due to sales in EUR via Gudvangen Stein.

Nordic Mining will require further financing in order to continue its development and exploration activities. The progress of the development of the Company's projects can be affected by financing factors. The development of the Group's properties, licenses and Exploration Rights depends on the Company's ability to obtain financing through equity financing, debt financing, project financing or other means.

The Company will have to attract further financing in order to obtain sufficient working capital for its normal operations for the next 12 months. There is no assurance that the Company will be successful in obtaining the required financing. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations or anticipated expansion, or delay or indefinitely postpone exploration, development or production on any or all of the Group's projects. As discussed above, the Board has confidence that Nordic Mining will be able to find solutions to its financial challenges and move forward with the projects.

Market risk

Mineral prices, which can be affected by a number of factors such as the development of the global economy, practical factors, etc., are beyond Nordic Mining's control.

Operational risk

Mineral extraction is a high risk activity and only a few of the areas surveyed will subsequently be developed into producing mining operations. Long-term returns in Nordic Mining depend on the costs and success rates of the Company's exploration and development activities.

Nordic Mining is exposed to normal business risk associated with contracts with various suppliers.

Corporate governance

Corporate governance in Nordic Mining is defined as processes and control measures established to protect the interests of the Company's shareholders and other stakeholders. Nordic Mining's corporate governance policy is founded on prevailing statutory and regulatory requirements. The Company's principles will be revised in accordance with prevailing laws and regulations.

The Company has established principles for corporate governance, ethical guidelines and a general management structure based on the principles of "The Norwegian Code of Practice for Corporate Governance". The Board has provided a detailed report on corporate governance pursuant to the Code of Practice elsewhere in this annual report. Please refer to this for further information.

Organisation, health, safety and the environment

Nordic Mining currently has 13 employees at Group level; 8 in Gudvangen Stein and 5 in the Company. The Company has an office and service agreement with Dag Dvergsten AS. The agreement covers the leasing of an office, administrative functions, etc. Accepta AS provides accounting services to the Group.

The Board of Nordic Mining consists of three men and two women. Tarmo Tuominen took over as Chairman of the Board in 2011. In 2012, Thorhild Widvey and Kjell Roland were elected as new board members. The composition of the Board will be evaluated in connection with the next annual general meeting of the Company in line with normal procedures.

The Company facilitates equal opportunities for professional and personal development regardless of gender. The Company strives to ensure a good gender balance in its management and organisation.

Nordic Mining strives to maintain high standards with regard to health, safety and the environment in relation to its mining activities. The working environment is considered good.

Sick leave in Nordic Mining was very limited in 2012 (less than 0.5%).

Nordic Mining's activities had a limited impact on the environment in 2012.

Shareholders and capital situation

The total number of outstanding shares in Nordic Mining as per 31 December 2012 was 185,470,091. The Company has one class of shares, each with a nominal value of NOK 0.10. The shares are listed on Oslo Axess and may be traded without restrictions.

The Company has around 2,700 shareholders. As per 9 April 2013, around 26% of the Company's shares were held by shareholders domiciled outside Norway. The international shareholding in Nordic Mining has increased over the last years.

In June 2012, the annual general meeting approved a share-based incentive program for leading employees and qualified resource persons. The Board was authorised to award options that in total gives the right to subscribe to up to 6 million new shares in Nordic Mining. In 2012, the Board has awarded options for 4,550,000 shares to leading employees and resource persons at an exercise price of NOK 1.05 per share. The option agreements are valid until June 2014.

In June 2012, the annual general meeting gave an authorization to the Board to increase the share capital by issuing up to 70 million new shares. The authorization is valid for one year. The Board has used the authorization in February and April 2013 in connection with completion of a private placement and a subsequent offering in which 15,034,714 new shares were issued. The share issues were carried out at a price of NOK 0.70 per share. As a result the number of shares in the Company has increased from 185,470,091 to 200,504,805, which is the number of shares as per the date of this report. Estimated net proceeds from the equity issues in February and April 2013 is approximately NOK 8.7 million.

Outlook

The supply of raw materials is the subject of intense international attention and the European market is dependent on imports of a number of strategic minerals. Nordic Mining's geographic location in a stable, Nordic business climate with good infrastructure is considered a competitive advantage with regard to stability, risk and the ability to supply. The Company's position is considered to be attractive in relation to markets outside Europe as well.

Norway has important mineral deposits, but these have for many years been under-prospected. This is in part due to oil activities on the continental shelf having so far attracted the greatest attention from geological players.

The government's strategy for the mineral industry in Norway, which was presented in March 2013, provides a solid base for the development of a profitable and sustainable mineral industry in Norway. The government's ability to implement the strategy in a reliable and efficient manner will be important for the investors' interest for mineral projects. The government has advised that measures will be taken with the purpose to increase predictability in the planning process, and concrete results from that will have to be demonstrated.

Annual result

The Board proposes that the year's loss of NOK 27,763,432 in Nordic Mining ASA be transferred to retained losses.

The Company had no distributable equity as per 31 December 2012.

Oslo, 29 April 2013

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman



Camilla Fiskevoll



Thorhild Widvey



Kjell Roland



Tore Viana-Rønningen



Ivar S. Fossum
CEO



THE BOARD OF DIRECTORS



Tarmo Tuominen
Chairman

Tuominen is Chief Technology Officer (CTO) in the Finnish group Nordkalk. He graduated as a geologist from Åbo Academy and has held various positions in the Nordkalk Group, including geologist, mining engineer, general manager of subsidiaries, and business area manager. Tuominen is chairman of the Finnish Association of Extractive Resources (FinMin) and board member of the similar association in Sweden, SveMin.



Camilla Fiskevoll
Deputy Chairman

Fiskevoll graduated as a lawyer from the University of Oslo. She is a partner in the law firm Bing Hodneland Advokatselskap DA and practices law within the areas of taxation, corporate law, acquisitions, mergers and business restructuring.



Tore Viana-Rønningen
Board member

Viana-Rønningen holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH) in Bergen. He is a Vice President in Dag Dvergsten AS. He has previously worked in private equity and corporate finance in Barclays Natural Resource Investments, a \$2.2 billion PE fund.



Kjell Roland
Board member

Roland is CEO of Norfund, the Norwegian Investment Fund for Developing Countries. Roland holds a Master of Science in Economics from the University of Oslo. Roland previously worked as partner and CEO in ECON Management AS and ECON Analysis. As consultant, he has worked on macro-economics, energy and environmental issues for private and public clients, in Norway and internationally.



Thorhild Widvey
Board member

Widvey is a former politician. She was Minister in Norway for Petroleum and Energy from 2004 to 2005, and she has been a Member of the Norwegian Parliament from 1989 to 1997. She is today member of Boards of Directors for different companies, both listed and private.

THE MANAGEMENT TEAM



Ivar S. Fossum
CEO

Fossum holds a Master of Science in Mechanical Engineering from the Norwegian University of Science and Technology (NTNU) in Trondheim. He has previously held various managerial positions in the Norsk Hydro Group.



Mona Schanche
Exploration Manager

Schanche holds a Master of Science in Resource Geology from the Norwegian University of Science and Technology (NTNU) in Trondheim. Schanche previously worked as project geologist at Titania AS.



Lars K. Grøndahl
CFO

Grøndahl holds a Master of Science in Economics and Business Administration from the Norwegian School of Economics and Business Administration (NHH) in Bergen. He has previously held various managerial positions in Aker, Scancem and Heidelberg Cement.



Ottar Nakken
VP Commercial

Nakken holds a Master in International Economy and Science in Business from Copenhagen Business School. He has previously held various managerial positions in the Norsk Hydro Group and Jebsen Management AS.



Paul Inge Norkyn
VP Mining Operations

Norkyn holds a Master of Science in Minerals Processing from the Norwegian University of Science and Technology (NTNU) in Trondheim. He has wide-ranging experience from the mining industry and has held various technical managerial positions in Titania AS, Sydvaranger AS, AS Bleikvassli Gruber, Grong Gruber AS etc.

CORPORATE GOVERNANCE

Nordic Mining's corporate governance principles are of key importance for ensuring confidence in the Company and provide a basis for securing long-term value creation for the Company's shareholders, employees and the society as a whole.

Nordic Mining's objective is to secure the long-term value creation through exploration, extraction and processing of high-end industrial minerals and metals. In order to attain this objective, the Company shall endeavor to maintain a high standard of corporate governance with an emphasis on integrity, ethical guidelines and respect for people and the environment.

The parent company Nordic Mining ASA owns 100% of the shares in the subsidiaries Gudvangen Stein AS, Nordic Rutile AS and Nordic Quartz AS, together with 85% of the shares in Nordic Ocean Resources AS. Further, Nordic Mining ASA owns 38% of the shares in Keliber Oy which is an associated company in the Nordic Mining Group (the "Group").

Corporate governance report

Nordic Mining's corporate governance policy is founded on prevailing statutory and regulatory requirements. The Company establishes its routines in line with such laws and regulations as are in force at any given time. The Company's guidelines are based on the principles recommended in the 'Norwegian Code of Practice for Corporate Governance', as most recently amended on 23 October 2012 (the "Code of Practice").

In the opinion of the Board, Nordic Mining's operations in 2012 complied with the Code of Practice.

This report provides a point-by-point review of how the Company has conformed to the 15 main themes in the Code of Practice, and how the Company complies with the recommendations.

Nordic Mining has prepared its own guidelines concerning corporate, social and ethical conduct. These are available on the Company's website (www.nordicmining.com) under 'Investors' and 'Corporate Governance'.

Operations

Nordic Mining's objectives are defined in the Company's articles of association: "The object of the Company is to carry out exploration for coal, minerals and ores, mining activity, technology development, activities that may be associated herewith, and participate in other companies anywhere in the world."

The articles of association are reproduced in full on page 86 of the annual report and are also available on the Company's website.

Objectives and strategies are drawn up both for each individual company/project and for the Group as a whole. The key strategies related to our projects can be summarised as follows:

- Establish profitable production of rutile concentrate (TiO₂) and garnet products from the Company's Engebø deposit
- Establish profitable production of high-purity quartz products from the Kvinnherad deposit
- Develop and commercialise new products from anorthosite from Gudvangen, including to investigate the potential for a profitable production of alumina from anorthosite
- Establish profitable production of lithium carbonate in Finland
- Establish a sound knowledge platform related to marine mineral resources and possible subsequent exploration and development

Nordic Mining aims to participate actively in structural changes within the industrial minerals and metals sector with a view to growth and long-term value creation. This also includes evaluation of industrial or financial investors/partners in the Group's projects in order to progress with value increasing activities. As described in the Board of Directors' report, under the current financial circumstances for the Group realization of assets will also be considered. This may lead to changes in the Group's project portfolio.

Equity and dividend policy

Equity

The Group's equity as per 31 December 2012 amounts to NOK 36.9 million, i.e. 62.3% of the Group's total assets. Equity issues that raised total gross proceeds of NOK 10.5 million were carried out in February and April 2013.

In the Board of Directors' report the Board emphasizes that the liquidity situation is challenging going forward, and hence, Nordic Mining is evaluating alternatives to ensure adequate liquidity for its prioritized project activities and provide for financial strength and flexibility in a longer perspective.

Dividend policy

Nordic Mining aims to adhere to a dividend policy that is favorable to shareholders. Distribution of dividends will be adjusted in accordance with investment requirements and other financial circumstances within the Company.

Nordic Mining has so far not paid any dividends. As per 31 December 2012 the Company has no distributable equity that could be distributed as dividends to shareholders.



Board authorisations

On 12 June 2012, the annual general meeting adopted a resolution authorising the Board to increase share capital by issuing up to 70 million new shares. The authorisation is valid for one year. Equivalent authorisations have regularly been granted by previous general meetings. The purpose is to simplify the process in the event it becomes relevant for the Group to acquire companies in return for remuneration in the form of shares in Nordic Mining, or to increase share capital through share issues. The Board used the authorisation to carry out equity issues in February and April 2013 in which approximately 15 million new shares were issued.

The annual general meeting held on 12 June 2012 also authorised the Board to issue up to 6 million shares in connection with an options program for leading employees and qualified resource personnel. This authorisation deviates from the recommendations of the Code of Practice in that it was granted for two years, until 12 June 2014. In the opinion of the Board, it is in the Company's best interests to have certain flexibility with regard to duration of the incentive program.

The Company has, as per 31 December 2012, no distributable equity that could be used to purchase its own shares. The Board has no authorisation to purchase treasury shares.

Equal treatment of shareholders and transactions with related parties

Nordic Mining has one class of share and each share entitles the holder to one vote at the general meeting. The articles of association do not place any restrictions on shareholders' voting rights. All shareholders are equal and shall be treated equally.

In the opinion of the Board, satisfactory arguments and information have been provided in connection with deviations from existing shareholders' priority rights in connection with equity issues by the Company.

The Company reports transactions with related parties on a quarterly basis. All transactions with related parties comply with the 'arm's length principle'. The Company's transactions with related parties in 2012 are described in note 24 to the consolidated financial statements.

The Company's ethical guidelines include rules intended to avoid conflicts of interest and establish that anyone who acts on behalf of Nordic Mining shall act honestly and in line with the principles for good business ethics. Nordic Mining's guidelines provide that board members and senior employees must notify the Board in the event that they either directly or indirectly have a material interest in a contract being signed by the Company. The Board is of the opinion that it is important to exercise transparency and caution in connection with transactions involving related parties.

Freely negotiable shares

All Nordic Mining shares carry equal rights and are freely negotiable. No special restrictions on transactions are contained in Nordic Mining's articles of association.

General meeting

The Board of Directors seeks to ensure that as many shareholders as possible are able to participate in, and exercise their rights, at general meetings. The shareholders exercise supreme authority in Nordic Mining through the general meeting. It is important for the Company that the general meeting provides an effective forum for the shareholders and the Board.

The Company's articles of association and the provisions of the Norwegian Public Limited Companies Act assign the following functions to the general meeting:

- Election of members of the nomination committee
- Election of the external auditor and determination of the auditor's remuneration
- Approval of the annual report as required by Norwegian law, as well as the financial statements and any distribution of dividend recommended by the Board
- Consideration of any other items listed on the agenda attached to the notice of the general meeting

Nordic Mining's annual general meeting in 2012 was held on 12 June 2012. The date of the Company's forthcoming annual general meeting is 13 June 2013.

The Company's articles of association were amended in an extraordinary general meeting on 1 March 2010. The amendment entails notices of general meetings here after being published in stock exchange messages and on the Company's website. Notices must be published at least 21 days before a general meeting. The Company's annual report will be published on Nordic Mining's website at least 21 days prior to the general meeting.

General meeting notices will be distributed in Norwegian and an English translation will be supplied to foreign shareholders. Shareholders have the right to submit proposals to the general meeting and attend and vote in the general meeting, either in person or by proxy. The deadline for notifying attendance is normally five days before the date of the general meeting.

The nomination committee's recommendations concerning the election of board members and member of the nomination committee will be published together with the notice of the general meeting. In line with the Company's guidelines, the general meeting will vote on each candidate separately.

Nordic Mining has around 2,700 shareholders who are widely distributed geographically. By means of a separate information section in the notice of meeting and a separate form of proxy, the Company provides its shareholders with the opportunity to vote on every item on the agenda, even if they are unable to attend the meeting in person. The Company's share registrar, DNB Verdpapirservice, assists in connection with preparations for and practical matters in relation to the holding of the general meeting. This helps to ensure that general meetings are conducted professionally and impartially.

Representatives of the Board, executive management and the Company's auditor are always represented at the general meetings. Normally the Company's legal advisor is also present. The general meeting is normally chaired by the chairman or the deputy chairman of the Board. In the event of disagreement as regards specific agenda items where the chairman of the meeting either supports one of the factions or for other reasons cannot be considered impartial, Nordic Mining has procedures in place to ensure that the meeting is chaired impartially. In such cases the general meeting will have an opportunity to appoint an alternative chairman to ensure impartiality in relation to the items on the agenda.

Nomination committee

Pursuant to the articles of association, Nordic Mining's nomination committee consists of three members, all of whom are elected by the general meeting. The committee is independent of the Company's Board and executive management. The remuneration of the members of the nomination committee is determined by the general meeting. The members of the nomination committee are elected terms of two years. The guidelines for the nomination committee are available on Nordic Mining's website.

The nomination committee's duties are to:

- Provide reasoned recommendations to the general meeting concerning the election of members and deputy members of the Company's Board of Directors
- Provide a reasoned proposal to the general meeting regarding the remuneration of the board members

As of 31 December 2012, the nomination committee of Nordic Mining had the following members:

- Ole G. Klevan (chairman); lawyer with the law firm Schjødt
- Hans Olav Kvalvåg (member); employed in Ard Group AS
- Bent Nordbø (member); employed in Dag Dvergsten AS

Ole G. Klevan and Hans Olav Kvalvåg have no relationships with board members or the management in Nordic Mining. Bent Nordbø is employed in Dag Dvergsten AS, which also employs the Company's board member Tore Viana-Rønningen.

Corporate assembly and Board of Directors: composition and impartiality

Pursuant to the Public Limited Liability Companies Act, Nordic Mining is not required to have a corporate assembly.

The Board of Nordic Mining has five members. The management team is not represented on the Board. The Chairman of the Board and the other board members are elected by the general meeting for terms of two years following the recommendations of the nomination committee.

All board members are independent of Nordic Mining's major shareholders.

Relevant information concerning the individual board members is available in the annual report and on the Company's website. Information about candidates recommended by the nomination

committee will be contained in the documents accompanying the notice of the general meeting and published on the website.

Information about board members' remuneration, the number of shares held in Nordic Mining etc. is provided in the notes to the annual report. As of 31 December 2012, the Board of Nordic Mining had the following members:

- Tarmo Tuominen, Chairman
- Camilla Fiskevoll, Deputy Chairman
- Thorhild Widvey, board member
- Kjell Roland, board member
- Tore Viana-Rønningen, board member

The Board of Directors' work

The Board of Nordic Mining has the overall responsibility for managing Nordic Mining, which includes guiding the Company and the Group in its implementation of goals and strategy. In addition, the Board is responsible for monitoring and controlling Nordic Mining's operations with a view to ensuring the highest possible level of value creation for the Company and its shareholders.

At the start of each calendar year, the Board schedules board meetings for the coming year, with an outline of the main points on the agenda for each meeting. The agenda items reflect the Board's main duties as the organ responsible for the overall governance of the Group and for the general monitoring of the Group's activities. Goals/milestones are established for the coming year of operations as well as plans for how to achieve them. The status of the milestone plan is reported to the Board by the management and is regularly discussed by the Board.

The Board has laid down instructions for the Board and the CEO, and the CEO has laid down instructions for the CFO. These instructions cover issues such as the rules concerning the Board's duties and responsibilities, the CEO's duty to inform the Board, and procedural rules for the Board's work.

The Board is aware of its responsibilities when dealing with items in which the Chairman or other board members either is, or has been, actively involved. So far the Board has not established a subcommittee or board committee to prepare items for consideration by the Board. The Board has considered the establishment of an audit committee, but has concluded that at present there is no need for an audit committee. An audit committee will be established when the Company fulfills the applicable criteria. Further, the Board has decided that at present there is no need to establish a separate compensation committee. In the Board's opinion, evaluations linked to the remuneration of senior management are undertaken most appropriately, given the Company's current phase of development, by the Board acting as a whole.

The Board of Nordic Mining regularly reviews the Board's work and the need for competence in the Company as a whole. The Board has so far not deemed it appropriate to produce a special annual report on the Board's work. When required the Board discusses matters related to the Board's work with the nomination committee.

Risk management and internal control

The Board is responsible for ensuring that the Company has good internal controls in place and well-functioning systems for risk management. The Board's annual plan includes a review of the Company's risk areas and internal control systems, as well as of the Company's core values and ethical guidelines. The Board and the management are of the opinion that the current governance systems satisfactorily address the need for risk management and internal control.

The management of Nordic Mining is responsible for establishing and maintaining an adequate level of internal control with regard to the Company's financial reporting. Internal control with regard to financial reporting is a process that is designed to provide reasonable certainty that financial reporting is reliable and that financial statements for external purposes are prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The accounting principles applied by the Group conform with the IFRS as published by the International Accounting Standards Boards (IASB). A summary of significant accounting principles as well as discussion of risk factors are included in note 2 and note 21, respectively, to the consolidated financial statements.

The Company has hired Accepta AS as the Group's accountants. Routines have been established for accounting work and reporting.

Some types of risk are insured with external insurers. Nordic Mining has agreed various policies to insure both people and property, together with liability insurance for board members.

Remuneration of the Board of Directors

Remuneration for the board members is fixed annually on a retrospective basis by the general meeting following recommendations from the Company's nomination committee. The level of remuneration shall reflect the individual board member's responsibilities, competence, and time spent, as well as the complexity of the business. Remuneration does not depend on Nordic Mining's financial performance.

No option agreements have been entered into with board members.

Information concerning remuneration and fees paid to board members in 2012 is presented in note 24 to the consolidated financial statements.

Remuneration of the management team

Pursuant to section 6-16a of the Public Limited Liability Companies Act, the Board prepares an annual statement on the setting of salaries and other remuneration for senior management. The statement is presented to and considered by the general meeting. The key principles underlying the remuneration of senior management for 2012 have been that the total packages should reflect the responsibilities and duties undertaken by each individual within the executive management, and that the employee should contribute to the creation of long-term value within the Group. In the opinion of the Board, it is crucial for Nordic Mining to offer competitive salaries

and conditions in order to attract the qualities and expertise necessary to promote the strategic development of the Company.

In addition to regular salaries, share option agreements have been entered into with the members of the management team. The option agreements entitle the holders to purchase a limited number of shares at a fixed price (NOK 1.05 per share). The share price on the allocation date was NOK 1.03 per share. The Company's option program was approved by the annual general meeting on 12 June 2012 and is a continuation of programs the Company has operated since its establishment in 2006. The current program will continue until June 2014.

Information concerning remuneration paid to senior management in 2012 is presented in note 24 to the consolidated financial statements.

Information and communication

Nordic Mining has adopted guidelines designed to ensure that its information policy is based on the principles of openness and the equal treatment of all shareholders and participants in the securities market. The objective is to have accounting and financial reporting systems in which investors have confidence. Nordic Mining's accounting and financial statements in accordance with IFRS are therefore very transparent.

The Company's management is responsible for communication with the capital markets and for relations between the Company and the shareholders and potential new investors. In some cases the board members also participate in the Company's dialogue with investors. Nordic Mining's annual and interim reports provide extensive information about the Company's operations.

The Company's financial reports and other information are published electronically and provided simultaneously to all target audiences. All shareholders are treated equally in relation to access to financial information. All reports, press releases, presentations etc. are available on Nordic Mining's website.

The Company's financial calendar is published on the website and is included on page 86 in the annual report.

Take-over

Nordic Mining's articles of association do not set any restrictions on acquisition of the shares in the Company. In the event of a take-over bid for Nordic Mining, the Board will follow the overriding principle of equal treatment of all shareholders. Further, the Board will strive to ensure that the Company's business activities are not unnecessarily disrupted. The Board will strive to ensure that the shareholders are given sufficient information and time to assess the offer.

The Board will not seek to prevent any take-over bids unless it believes that the interests of the Company and the shareholders justify such actions. The Board will not exercise mandates or pass any resolutions with the intention of obstructing any take-over bid unless it is approved by the general meeting following the announcement of the bid.

The Board will issue a statement in accordance with statutory requirements and the recommendations in the Code of Practice, including considering to obtain a valuation from an independent expert.

Transactions that in effect have as a consequence a sale of Nordic Mining's business as a whole will be subject to approval by the general meeting.

Auditor

Nordic Mining's auditor is elected by the general meeting and is independent in relation to the Company.

The auditor's work is based on a plan that is presented to the Board on an annual basis. The auditor attends board meetings that discuss and approve the Group's and the Company's annual reports. At such meetings the auditor gives a statement of any material changes to Nordic Mining's accounting principles and provides an assessment of material accounting estimates, as well as a complete account of any situations where there has been disagreement between the auditor and the management. The auditor shall, at least once a year, provide the Board with a review of the Company's control routines and potential areas of improvement in relation to accounting. When required and at least once a year, the auditor meets with the Board with no members of the management present.

The Board is of the opinion that it enjoys good communications with the auditor. The Board also has contact with the auditor as and when required outside the situations mentioned above.

Nordic Mining has only to a very limited extent assigned the auditor for services other than auditing. If and when required, the Board will prepare guidelines regarding the Company's use of the auditor's services for purposes other than auditing.

The Board briefs the general meeting on the breakdown of the auditor's remuneration between statutory auditing and other assistance/services. The auditor's remuneration is determined by the general meeting.

Fees paid to the auditor in 2012 are informed in note 6 of the consolidated financial statements.

Oslo, 29 April 2013

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman



Camilla Fiskevoll



Thorhild Widvey



Kjell Roland



Tore Viana-Rønningen



Ivar S. Fossum
CEO

SHAREHOLDER MATTERS

Nordic Mining ASA is a resource company with operating activity and focus on high-end industrial minerals and metals in Norway and internationally. The Company's project portfolio is of a high, international standard with significant economic potential. Nordic Mining's shares are listed on Oslo Axess with the ticker NOM.

Nordic Mining has one class of share and each share in the Company entitles the holder to one vote. The share's face value is NOK 0.10. The shares are freely negotiable and have been listed on Oslo Axess since 14 September 2007. The Company's ticker on Oslo Axess is NOM. Shares in Nordic Mining are registered with the Norwegian Central Securities Depository (VPS) with the identification number (ISIN) NO 0010633183.

Share capital

As per the date of the annual report, Nordic Mining's share capital amounts to NOK 20,050,480.10 divided into 200,504,805 shares. The Company's share capital and number of shares has developed as shown in the table below.

On 16 June 2011, the annual general meeting adopted a resolution authorising the Board to increase share capital by issuing up to 50 million new shares. The Board used the authorisation to carry out a rights issue in January 2012 in which 40 million new shares were issued. On 12 June 2012 the annual general meeting adopted a resolution authorising the Board to increase share capital by issuing up to 70 million new shares. The Board used the authorisation to carry out a private placement in February 2012 and a subsequent equity issue in April 2013 in which a total of approximately 15 million new shares were issued.

The Company's annual general meeting held on 12 June 2012 also authorised the Board to issue up to 6 million new shares in connection

with an options programme for senior management and qualified key personnel. The authorisation is valid for two years. The Board has awarded options for 4,550,000 shares to employees and associated key people at an exercise price of NOK 1.05 per share. The option agreements are valid until June 2014. The Company does not own any of its own (treasury) shares, and no authorisation exists to purchase its own shares.

Shareholders

The Company's largest shareholders as per 15 April 2013 are listed on the next page. Information about the largest shareholders as per 31 December 2012 is provided in note 23 to the consolidated financial statements.

The number of shareholders in Nordic Mining as per April 2013 was around 2,700. Over time the proportion of shareholders based abroad has increased. As per April 2013, the foreign proportion was around 26%.

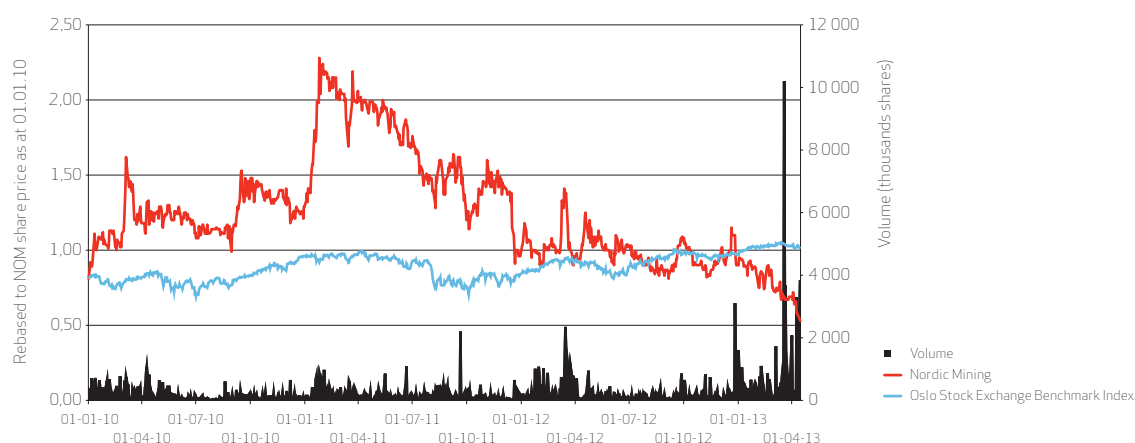
The Company's Board and management team own a total of around 3% of the shares in the Company.

Trading of share and price development

Shares in Nordic Mining are traded on an almost daily basis on Oslo Axess. Around 65 million shares were traded in 2011. The Company has no agreement with brokers or financial institutions concerning liquidity guarantees relating to the share.

| Year | Transaction | Change in share capital (NOK) | Face value per share (NOK) | Sub. price per share (NOK) | No. of shares after transaction | Share capital (NOK) |
|------|------------------------------|-------------------------------|----------------------------|----------------------------|---------------------------------|---------------------|
| 2006 | Demerger from Rocksource ASA | n/a | 0.10 | n/a | 14 359 070 | 1 435 907.00 |
| 2006 | Share issue | 1 435 907.00 | 0.10 | 1.10 | 28 718 148 | 2 871 814.00 |
| 2007 | Private placement | 1 090 000.00 | 0.10 | 2.50 | 39 618 140 | 3 961 814.00 |
| 2007 | Share issue | 1 386 183.50 | 0.10 | 2.50 | 53 479 975 | 5 347 997.50 |
| 2008 | Private placement | 3 333 333.30 | 0.10 | 1.50 | 86 813 308 | 8 681 330.80 |
| 2008 | Share issue | 510 400 | 0.10 | 1.53 | 91 917 308 | 9 191 730.80 |
| 2008 | Share issue | 355 278.30 | 0.10 | 1.50 | 95 470 091 | 9 547 009.10 |
| 2010 | Private placement | 2 000 000.00 | 0.10 | 1.00 | 115 470 091 | 11 547 009.10 |
| 2010 | Share issue | 1 000 000.00 | 0.10 | 1.00 | 125 470 091 | 12 547 009.10 |
| 2011 | Private placement | 1 250 000.00 | 0.10 | 1.45 | 137 970 091 | 13 797 009.10 |
| 2011 | Share issue | 750 000.00 | 0.10 | 1.45 | 145 470 091 | 14 547 009.10 |
| 2012 | Share issue | 4 000 000.00 | 0.10 | 0.90 | 185 470 091 | 18 547 009.10 |
| 2013 | Private placement | 896 601.70 | 0.10 | 0.70 | 194 436 108 | 19 443 610.80 |
| 2013 | Share issue | 606 869.70 | 0.10 | 0.70 | 200 504 805 | 20 050 480.10 |

Development of Nordic Mining's share price



Key figures for the Nordic Mining share

| Year | Share price as per 31.12 (NOK) | High (NOK) | Low (NOK) | No. of shares traded | Market cap. as per 31.12 (NOK) |
|------|-----------------------------------|---------------|--------------|-------------------------|-----------------------------------|
| 2009 | 0.97 | 1.75 | 0.55 | 17 million | 93 million |
| 2010 | 1.41 | 1.67 | 1.04 | 40 million | 177 million |
| 2011 | 0.96 | 2.28 | 0.91 | 50 million | 140 million* |
| 2012 | 0.90 | 1.48 | 0.79 | 65 million | 167 million |

* Exclusive value of subscription rights listed as per year-end.

The largest shareholders of Nordic Mining as per 15 April 2013

| Shareholder | No. of shares | % |
|--|--------------------|---------------|
| 1 Nordnet Bank AB | 16 989 500 | 8.74% |
| 2 Skagen Vekst | 15 974 776 | 8.22% |
| 3 MP Pensjon PK | 10 235 922 | 5.26% |
| 4 Finnish Industry Investment Ltd | 8 358 949 | 4.30% |
| 5 Holberg Norge Verdipapirfondet | 7 618 230 | 3.92% |
| 6 Nordea Bank Plc Finl. Clients Acc. | 7 050 859 | 3.63% |
| 7 Danske Bank A/S 3887 Operations Sec. | 6 536 723 | 3.36% |
| 8 Dybvad Consulting AS | 5 606 148 | 2.88% |
| 9 VPF Nordea SMB c/o JPMorgan Europe | 4 337 386 | 2.23% |
| 10 Magil AS | 3 250 000 | 1.67% |
| 11 Citibank NA London B S/A Pohjola Bank Plc | 2 990 041 | 1.54% |
| 12 Snati AS | 2 810 077 | 1.45% |
| 13 Ove Klungland Holding Nil | 2 351 183 | 1.21% |
| 14 Audstein Dybvad | 2 034 572 | 1.05% |
| 15 Avanza Bank AB Meglerkonto | 1 938 655 | 1.00% |
| 16 Julimar AS c/o Dag Birkeland | 1 421 017 | 0.73% |
| 17 Ole Kristian Gundersen Stokken | 1 300 000 | 0.67% |
| 18 North Sea Engineering | 1 241 926 | 0.64% |
| 19 Clearstream Banking | 1 240 933 | 0.64% |
| 20 Nordnet Pensjonsfors. | 1 199 482 | 0.62% |
| Total 20 largest shareholders | 104 486 379 | 53.76% |

CONSOLIDATED INCOME STATEMENTS

| <i>(Amounts in NOK thousands)</i> | Notes | 2012 | 2011* |
|--|-------|-----------------|-----------------|
| Sales | 3 | 24 580 | 25 342 |
| Other income | | 1 282 | 264 |
| Cost of sales | | (5 733) | (6 577) |
| Payroll and related costs | 4 | (16 373) | (12 679) |
| Office costs and business service fee | 24 | (2 240) | (2 691) |
| Depreciation, depletion and amortization | 12 | (2 744) | (2 931) |
| Impairment | 12 | (4 000) | - |
| Other operating expenses | 6 | (24 781) | (25 464) |
| Operating profit/(loss) | | (30 009) | (24 736) |
| Share of profit of an associate | 13 | (702) | - |
| Financial income | 7 | 471 | 453 |
| Financial costs | 7 | (1 300) | (1 875) |
| Loss from continuing operations before tax | | (31 540) | (26 158) |
| Income Tax | 8 | 32 | - |
| Loss from continuing operations | | (31 508) | (26 158) |
| Loss from discontinued operations | 10 | (4 971) | (2 486) |
| Loss for the period | | (36 479) | (28 644) |
| PROFIT/(LOSS) ATTRIBUTABLE TO | | | |
| Equity holders of parent | | (35 343) | (27 841) |
| Non-controlling interest | | (1 136) | (803) |
| <i>(Amounts in NOK)</i> | | | |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY SHAREHOLDERS | | | |
| Basic and diluted earnings per share for continuing operations | 9 | (0,17) | (0,18) |
| Basic and diluted earnings per share for discontinued operations | 9 | (0,02) | (0,01) |
| Basic and diluted earnings per share | 9 | (0,19) | (0,19) |

* Amounts in 2011 have been reclassified for discontinued operations presentation.

STATEMENTS OF COMPREHENSIVE INCOME

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|-----------------|-----------------|
| Net profit/(loss) for the period | (36 479) | (28 644) |
| OTHER COMPREHENSIVE INCOME | | |
| Currency translation differences | (1 589) | (246) |
| Reclassification of translation differences | 1 998 | - |
| Other comprehensive income directly against equity | 409 | (246) |
| Total comprehensive income for the period | (36 070) | (28 890) |
| PROFIT/(LOSS) ATTRIBUTABLE TO | | |
| Equity holders of parent | (35 159) | (28 033) |
| Non-controlling interest | (911) | (857) |

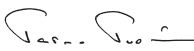
CONSOLIDATED BALANCE SHEETS


| <i>(Amounts in NOK thousands)</i> | Notes | 2012 | 2011 |
|---|-------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Goodwill | 11 | - | 7 206 |
| Licences | 11 | 6 136 | 7 110 |
| Minerals, property, plant and equipment | 12 | 14 813 | 64 904 |
| Investment in associate | 13 | 23 450 | - |
| Other long-term assets | 25 | 434 | 472 |
| Total non-current assets | | 44 833 | 79 692 |
| Current Assets | | | |
| Inventory | 14 | 2 806 | 3 163 |
| Trade and other receivables | 15 | 5 431 | 5 970 |
| Cash and cash equivalents | 16 | 6 164 | 3 340 |
| Total current assets | | 14 401 | 12 473 |
| Total assets | | 59 234 | 92 165 |


| (Amounts in NOK thousands) | Notes | 2012 | 2011 |
|---|-------|---------------|---------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 17 | 18 547 | 14 547 |
| Share premium | | 206 821 | 177 416 |
| Other paid-in capital | | 8 856 | 7 033 |
| Retained losses | | (196 911) | (161 567) |
| Translation adjustment | | (416) | (600) |
| Equity attributable to ordinary shareholders | | 36 897 | 36 829 |
| Non-controlling interest | | - | 8 314 |
| Total equity | | 36 897 | 45 143 |
| Non-current liabilities | | | |
| Interestbearing loan | 18 | 6 417 | 7 421 |
| Deferred tax | 8 | - | 7 686 |
| Lease obligations | 19 | 3 522 | 6 085 |
| Other liabilities | 25 | 399 | 10 728 |
| Total non-current liabilities | | 10 338 | 31 920 |
| Current liabilities | | | |
| Current portion of long-term debt | 18,19 | 3 334 | 3 554 |
| Trade payables | | 5 168 | 4 509 |
| Other current liabilities | 20 | 3 497 | 7 039 |
| Total current liabilities | | 11 999 | 15 102 |
| Total liabilities | | 22 337 | 47 022 |
| Total shareholders' equity and liabilities | | 59 234 | 92 165 |

Oslo, 29 April 2013

The Board of Directors of Nordic Mining ASA



Tarmo Tuominen
Chairman


Camilla Fiskevoll


Thorhild Widvey


Kjell Roland


Tore Viana-
Rønningen


Ivar S. Fossum
CEO

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| (Amounts in NOK thousands) | Attributed to equity holders of the parent | | | | | | Non-controlling interest | Total equity |
|---|--|----------------|-----------------------|------------------------|-------------------|---------------|--------------------------|---------------|
| | Share capital | Share premium | Other paid-in capital | Translation adjustment | Retained earnings | Total | | |
| Equity 1 January 2011 | 12 547 | 153 337 | 7 033 | (408) | (133 649) | 38 860 | 7 526 | 46 386 |
| Total comprehensive income for the period | - | - | - | (192) | (27 841) | (28 033) | (857) | (28 890) |
| Conversion of debt | - | - | - | - | (78) | (78) | 1 631 | 1 553 |
| Sale of shares | - | - | - | - | - | - | 15 | 15 |
| Share issue | 2 000 | 27 000 | - | - | - | 29 000 | - | 29 000 |
| Transaction costs | - | (2 921) | - | - | - | (2 921) | - | (2 921) |
| Equity 31 December 2011 | 14 547 | 177 416 | 7 033 | (600) | (161 568) | 36 828 | 8 315 | 45 143 |
| Equity 1 January 2012 | 14 547 | 177 416 | 7 033 | (600) | (161 568) | 36 828 | 8 315 | 45 143 |
| Total comprehensive income for the period | - | - | - | 184 | (35 343) | (35 159) | (911) | (36 070) |
| Share based payment | - | - | 1 823 | - | - | 1 823 | - | 1 823 |
| Shares to non-controlling | - | - | - | - | - | - | 75 | 75 |
| Loss of control in subsidiary | - | - | - | - | - | - | (7 479) | (7 479) |
| Share issue | 4 000 | 32 000 | - | - | - | 36 000 | - | 36 000 |
| Transaction costs | - | (2 595) | - | - | - | (2 595) | - | (2 595) |
| Equity 31 December 2012 | 18 547 | 206 821 | 8 856 | (416) | (196 911) | 36 897 | - | 36 897 |

CONSOLIDATED CASH FLOW STATEMENTS

| (Amounts in NOK thousands) | Notes | 2012 | 2011 |
|---|-------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Loss before income tax | | (36 511) | (29 500) |
| Depreciation | 12 | 2 744 | 3 062 |
| Impairment | 12 | 4 420 | - |
| Share of loss in investee | 13 | 702 | - |
| Loss on disposal of subsidiary | 10 | 1 474 | - |
| Share-based expenses | 5 | 1 823 | - |
| Amortization of interest | | 488 | 828 |
| Changes in assets and liabilities | | | |
| Inventory | | 357 | (418) |
| Other receivables and prepayments | | (1 066) | (628) |
| Trade payables | | 4 747 | 469 |
| Other | | 224 | 2 201 |
| Net cash used in operating activities | | (20 598) | (23 986) |
| Investing activities | | | |
| Acquisition of intangible assets | 11 | (2 776) | (854) |
| Purchases of property, plant and equipment | 12 | (668) | (1 768) |
| Loss of control in subsidiary | | (21) | - |
| Sale of shares | | - | 15 |
| Net cash used in investing activities | | (3 465) | (2 607) |
| Financing activities | | | |
| Share issuance | | 33 405 | 26 079 |
| Payments of loan | 18 | (1 000) | (916) |
| Payment of other liabilities | 10 | (3 023) | - |
| Principal payments on finance leases | 19 | (2 477) | (2 411) |
| Net cash from financing activities | | 26 905 | 22 752 |
| Net change in cash and cash equivalents | | 2 842 | (3 841) |
| Effect of changes in foreign exchange rates | | (18) | 116 |
| Cash and cash equivalents at beginning of period | | 3 340 | 7 065 |
| Cash and cash equivalents at end of period | | 6 164 | 3 340 |
| Interest paid | | 739 | 756 |
| NON-CASH TRANSACTION | | | |
| Change in lease obligation | | - | 1 122 |
| Settlement of contingent liability | | 2587 | - |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Nordic Mining ASA ("the Company") and its subsidiaries (together "the Group") focus on exploration, extraction and production of high-end industrial minerals and metals. The address to Nordic Mining's office is Munkedamsveien 45, N-0250 Oslo, Norway.

These financial statements have been approved for issue by the Board of Directors on 29 April 2013.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Basis of preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied unless otherwise stated.

The consolidated financial statements of Nordic Mining ASA have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The consolidated financial statements have been prepared under the historical cost convention.

The annual accounts are based on the going concern assumption. However, there are uncertainties related to this assessment. See the Board of Directors' report and note 21 for further information.

New and amended standards and interpretations

Amendments to standards effective for the accounting period starting 1 January 2012 did not have any impact on the Group's financial statements.

IFRS and IFRIC issued but not adopted by the Group

Standards, amendments and interpretations to existing standards that are not yet effective, have not been early adopted by the Group, are listed below.

It is assessed that none of the standards, amendments and interpretations to existing standards will have material impact on the financial statements as currently presented, however, they may have impact in the future.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment may affect presentation only and has therefore no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

The implementation of IAS 19R in 2013 will have the following effects in 2012:

- The implementation effect on opening equity 1 January 2012 is estimated to reduce equity by NOK 1.54 million (recognition of unrecognized actuarial losses)
- An estimated actuarial gain of NOK 1.05 million is recognized in Other Comprehensive Income/profit and loss

IAS 27 Separate Financial Statements (as revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

IAS 32 - Amendment: Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the IAS 32 offsetting criteria to settlement. The amendment becomes effective for annual periods beginning on or after 1 January 2014.

IFRS 7 Financial Instruments - Amendment: New disclosure requirements - Offsetting of Financial Assets and Financial Liabilities

The IASB has introduced new disclosure requirements regarding the effect of netting arrangements. The amendment becomes effective for annual periods beginning on or after 1 July 2013.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. According to IASB the standard is effective for annual periods beginning on or after 1 January 2015. EU has not yet decided on effective date. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets and financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 *Consolidation – Special Purpose Entities*. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013). In October 2012, IFRS 10 was amended to provide a consolidation exception for investment entities, however, this does not effect the Group.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly-controlled Entities – Non-monetary Contributions by Venturers*. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. Currently it is assessed that the application of this new standard not will impact the financial position of the Group. This standard becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after 1 January 2014 (IASB effective date is 1 January 2013).

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013.

Annual Improvements May 2012

Several changes are effective from 1 January 2013, however it is currently assessed that these amendments does not affect the financial statements of the Group.

Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key areas of estimation uncertainty:

- *Utilization of tax loss carryforwards (note 8):*
The Group has incurred significant tax loss carryforwards but has not recognized a deferred tax asset related to these tax losses beyond offsetting deferred tax liabilities.
- *Depreciation of mineral property using the unit-of-production method (note 12):*
Mineral properties are depreciated on the basis of produced reserves over total estimated reserves. The Group's mineral property in Gudvangen contains reserves enabling production beyond the foreseeable future, but management has estimated total reserves based on an estimated useful life of the mine of approximately 15 years.
- *Evaluation of recognized amounts for minerals, properties plant, and equipment (note 12):*
The Group assesses whether there are any indicators of impairment for non-financial assets at each reporting date. When preparing an estimate for value in use, management must estimate the expected cash flows from the assets or cash-generating unit. Management also calculates a discount rate that takes into account the risk associated with the asset or cash-generating unit.
- *Impairment evaluation of intangible assets (note 11):*
The Group performs annual tests to evaluate potential impairment of intangible assets not yet in use. The recoverable amount from cash generating units is determined by estimating value in use. The value in use calculations require the use of estimates. Management must estimate expected cash flows, including sales prices, margins, etc. as well as the discount rate. For cash generating units not yet available for use, value in use includes estimates of investments necessary to complete the unit for use.
- *Share based compensation (note 5):*
The Group measures fair value of options granted to employees that are equity settled by using the Black Scholes model on the grant date. Management must choose the right model and estimate the assumptions to the model. Choice of assumptions requires estimates for volatility, expected life of options and number of options expected to vest.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and the subsidiaries controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of another entity so as to obtain benefits from its activities.

The 100% owned Nordic Rutile AS, located in Oslo, the 85% owned Nordic Ocean Resources AS, located in Oslo, the 100% owned Nordic Quartz AS, located in Oslo and the 100% owned Gudvangen Stein AS, located in Aurland, have been consolidated. The accounting principles of the subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interest:

Non-controlling interest is presented as a separate line item in the Group's equity. The non-controlling interest's share of the net profit/loss is included in net loss in the income statement. Non-controlling interest includes part of the excess purchase price allocated to identifiable assets and liabilities at the acquisition date. Non-controlling interest's share of total comprehensive income/loss is allocated even if this results in a negative non-controlling interest.

Business combinations

The acquisition method of accounting is used to account for the acquisition of businesses and subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Directly attributable transaction cost related to the business combination are expensed as incurred.

Investment in associates

The Group uses the equity method of accounting for investment in associates. Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence normally exists when the Group controls between 20% and 50% of the voting rights.

Under the equity method, the investment in the associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The income statement reflects the Group's share of the results of operations of the associate. When there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

If the Group loses control over a subsidiary but retains significant influence, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interest
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of the investment in associate
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Foreign currency translation**Functional and presentation currency**

Assets and liabilities in foreign entities, including goodwill and fair value adjustments related to business combinations are translated to NOK at the exchange rate at the balance sheet date. Revenues, expenses, gains and losses are translated using the average exchange rate during the period. Translation adjustments are recognized directly to equity.

Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as other operating expenses in the income statement.

Goodwill

Goodwill that arises on business combinations represents the difference between acquisition cost and fair value of the Group's share of net identifiable net assets in the acquired entity at the acquisition date. Goodwill is initially recognized at cost and subsequently measured at cost less accumulated impairments.

Acquisition of mining and mineral properties and exploration and development of such properties

IFRS 6 "Exploration for and evaluation of mineral resources" requires that exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets acquired. Some exploration and evaluation assets should be classified as intangibles, such as drilling rights and capitalized exploration costs. When technical feasibility and commercial viability of extracting a mineral resource is demonstrable, the assets should be reclassified as tangible assets. Evaluation and exploration assets that are classified as intangible assets are tested for impairment prior to reclassification.

Mining and mineral properties

Mining interests represent capitalized expenditures related to the acquisition, exploration and development of mining properties and related plant and equipment. Capitalized costs are depreciated and depleted using a unit of production method over the estimated economic life of the mine to which they relate.

Exploration and development for mineral properties

The Group employs the successful efforts method to account for exploration and development costs. All exploration costs, with the exception of acquisition costs of licenses and direct drilling costs of exploration wells are charged to expenses as incurred. Drilling costs of exploration holes are temporarily capitalised pending the evaluation of the potential existence of mineral reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration holes are expensed. Costs of acquiring licenses are capitalized and assessed for impairment at each reporting date.

Property, plant and equipment

The Group's property, plant and equipment, consisting of property, buildings, machinery and equipment, are recorded at cost less accumulated depreciation. Acquisition costs include costs directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the asset and is presented as a net gain or net loss in the income statement.

Depreciation is calculated on a straight-line basis over the useful life of the asset (land is not depreciated):

- Machinery and equipment: 4-10 years
- Buildings: 20-40 years
- Transportation vehicles: 5-7 years

The asset's useful life and residual amount are reviewed on an annual basis and are revised if necessary. The carrying amount of the asset is written down to recoverable amount when the carrying amount is higher than the estimated recoverable amount (further detail is provided under Impairment of non-financial assets below).

Impairment of non-financial assets**Non-financial assets other than goodwill**

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill

When testing goodwill for impairments, the goodwill is allocated to each of the Group's cash generating units that is expected to benefit from the synergies arising in the business combination. Cash generating units that include goodwill are tested for impairment annually or more frequently if there are indicators of impairment. If the recoverable amount to the cash generating unit being tested is less than the carrying amount of the assets in the unit, the impairment is allocated first to goodwill and then to the other assets in the unit on a pro rata basis. Goodwill impairments are not reversed in later periods.

Leases

The Group has entered into lease agreements for some items of property, plant and equipment. The lease agreements whereby substantially all the risks and rewards of ownership are transferred to the Group are classified as finance leases. Finance leases are recognized at the lower of fair value and the present value of minimum lease payments at the commencement of the lease.

Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. The corresponding financial lease liability is classified as lease obligations on the balance sheet. The interest element is recognized in the income statement at a constant periodic interest rate base on the remaining liability for each period. A leased asset under finance lease agreements are amortized over the shorter of useful life of the asset and the lease term.

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group may not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at banks and other short-term highly liquid investments with original maturities of three months or less.

Share capital

Ordinary shares are classified as equity.

Share issuance costs that are incremental and directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Interest-bearing liabilities

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loss and borrowings are subsequently measured at amortised cost using the effective interest method; any difference between proceeds (net of transaction costs) and the redemption value is recognized on the income statement over the period of the interest bearing liabilities.

Derecognition of financial liabilities

The Group derecognizes a financial liability (or a part of a financial liability) from its balance sheet when, and only when, it is extinguished. A financial liability is extinguished when the obligation specified in the contract is discharged or cancelled, or when it expires.

Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Share-based compensation**Share-based payment transactions**

The Company uses share-based, equity settled warrants to compensate service providers. The fair value of the services received is recognized as an expense in the financial statements over the period the options vest. The fair value of options that are fully vested on the grant date are fully recognized in the income statement when granted. Share-based compensation to employees and others providing a similar service is measured by reference to the fair value of equity instruments issued. The Company uses the Black Scholes model to measure the fair value of options and warrants.

Income taxes

Income tax expense represents the sum of the taxes currently payable and deferred tax. Taxes payable are provided based on taxable profits at the current tax rate. Deferred taxes are recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred income tax is not recognized on temporary differences arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Revenue recognition

Revenue from mineral sales is based on the value of minerals sold, net of value added tax, and is recognized at the time that mineral ore is delivered to the customer, title and risks of ownership have passed, and it is probable that the economic benefits associated with the transaction will flow to the Group and the consideration can be measured reliably.

Pensions

The Group has different pension plans for its employees that meet the Norwegian statutory requirement. Under the contribution plan, the Group pays fixed contributions into a separate fund and has no legal or constructive obligation to pay further amounts. Obligations for contributions are recognized in the income statement as incurred.

The recognized liability (asset) related to defined benefit plans is the present value of the defined benefits on the balance sheet date less fair value of the plan assets, adjusted for non-recognized actuarial gains/losses and non-recognized past service costs. The pension liability (asset) is estimated annually by an independent actuary using a linear vesting method.

Provisions

A provision is recognized for environmental restoration, restructuring, and legal claims when:

- as a result of a past event, the Group has a present legal or constructive obligation
- it is probable that an outflow of economic benefits will be required to settle the obligation, and
- the obligation can be reliably measured

Contingent liabilities

Contingent liabilities are defined as:

- possible obligations resulting from past events whose existence depends on future events
- obligations that are not recognized because it is not probable that they will lead to an outflow of resources
- obligations that cannot be measured with sufficient reliability

Contingent liabilities are not recognized on the balance sheet unless arising from assuming assets and liabilities in a business combination. Significant contingent liabilities are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Cash flow statement

The Group reports the cash flow statement using the indirect method. That involves that the result for the period are adjusted for the effects of transactions without effect on cash and changes in assets and liabilities to show net cash flow from operations. Cash flow relating to investment activities and financing activities are shown separately.

Related party transactions

All transactions, agreements and business activities with related parties are conducted according to ordinary business terms and conditions. Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also related if they are subject to common control or common significant influence. The Group provides note disclosure for related party transactions and balances.

Earnings per share

The calculation of basic earnings per share is based on the profit (loss) attributable to ordinary shareholders using the weighted average number of shares outstanding during the year after deduction of the average number of treasury shares held over the period. The calculation of diluted earnings per share is consistent with the calculation of basic earnings per share while giving effect to all dilutive potential ordinary shares that were outstanding during the period, that is:

- The net profit for the period attributable to ordinary shares is increased by the after-tax amount of dividends and interest recognised in the period in respect of the dilutive potential ordinary shares and adjusted for any other changes in income or expense that would result from the conversion of the dilutive potential ordinary shares.
- Weighted average number of shares which includes the effect of all potential dilutive shares as if converted at the beginning of the period or from the issue date if later.

NOTE 3 - SEGMENTS

The Group shows segments on the basis of products or products under development. The three reportable segments are:

- Anorthosite which is produced by Gudvangen Stein AS.
- Quartz which can be produced from the quartz deposit in Kvinnherad. A scoping study executed in 2012 outlines the potential for a profitable industrial quartz project.
- Titanium feedstock which can be produced by Nordic Rutile from the mineral deposit at Engebøfjellet; the Ministry of the Environment considers the industrial area plan for the project and the application for waste disposal.

As a result of the ownership percentage in Keliber being reduced in 2012 and because the Group no longer controls the company, the investment in Keliber has been classified as a investment in associate. As a result of these changes, Lithium is no longer a reportable segment in the Group. The Quartz segment is a new reportable segment which has been upgraded to a reportable segment in 2012 as a result of the positive scoping study and plans for increased exploration activities. The segment reporting and comparable numbers from prior year have been updated to reflect the Group's new segment structure.

The reconciling column "Adjustments and eliminations" includes the Group's administration costs and other unallocated corporate business development costs as well as elimination entries related to preparing consolidated financial statements. The Group uses the segments' profit/(loss) before tax as the basis for the segment results including some allocations of corporate expenses, but excluding purchase price allocations related to business combinations. All the numbers in the table below are in NOK thousands and present the period 1 January–31 December.

2012:

| <i>(Amounts in NOK thousands)</i> | Anorthosite | Quartz | Titanium | Adjustments and eliminations | Consolidated |
|--|--------------------|---------------|-----------------|-------------------------------------|---------------------|
| Revenues | 24 580 | - | - | - | 24 580 |
| Segment result before tax | (12 291) | (1 808) | (9 534) | (7 907) | (31 540) |
| Depreciation, depletion and amortization | (1 431) | - | - | (1 313) | (2 744) |
| Impairment assets | (4 000) | - | - | - | (4 000) |
| Financial income | 40 | - | - | 431 | 471 |
| Financial costs | (765) | - | - | (535) | (1 300) |

2011:

| <i>(Amounts in NOK thousands)</i> | Anorthosite | Quartz | Titanium | Adjustments and eliminations | Consolidated |
|--|--------------------|---------------|-----------------|-------------------------------------|---------------------|
| Revenues | 25 342 | - | - | - | 25 342 |
| Segment result before tax | (7 246) | (582) | (8 918) | (9 412) | (26 158) |
| Depreciation, depletion and amortization | (1 431) | - | - | (1 500) | (2 931) |
| Impairment assets | (4 000) | - | - | - | (4 000) |
| Financial income | 28 | - | - | 425 | 453 |
| Financial costs | (1 043) | - | - | (832) | (1 875) |

The following table reconciles the results from the reporting segments to consolidated results before tax:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|-----------------|-----------------|
| Profit/(loss) from segments | (23 633) | (16 746) |
| Not allocated consolidated costs | (7 804) | (9 005) |
| Not allocated net finance | (104) | (407) |
| Profit/(loss) before tax | (31 540) | (26 158) |

Geographical allocation of sales revenue:**2012:**

| (Amounts in NOK thousands) | | Percentage distribution |
|----------------------------|---------------|-------------------------|
| Norway | 5 591 | 23 % |
| Poland | 4 349 | 18 % |
| Germany | 4 029 | 16 % |
| Denmark | 3 503 | 14 % |
| Lithuania | 2 964 | 12 % |
| Sweden | 2 233 | 9 % |
| Netherlands | 1 772 | 7 % |
| Malta | 140 | 1 % |
| Total | 24 580 | 100 % |

In 2012, four group customers accounted for 10% or more of the total sales. Sales to these customers accounted for 61% of the Group's total sales with the following portions: 18%, 17%, 14% and 12%, respectively.

2011:

| (Amounts in NOK thousands) | | Percentage distribution |
|----------------------------|---------------|-------------------------|
| Germany | 8 355 | 33 % |
| Norway | 6 010 | 24 % |
| Denmark | 3 207 | 13 % |
| Sweden | 2 576 | 10 % |
| Lithuania | 2 186 | 9 % |
| Netherlands | 1 686 | 7 % |
| Poland | 1 321 | 5 % |
| Total | 25 342 | 100 % |

In 2011, four group customers accounted for 10% or more of the total sales. Sales to these customers accounted for 53% of the Group's total sales with the following portions: 18%, 13%, 13% and 10%, respectively.

NOTE 4 – SALARIES

| (Amounts in NOK thousands) | 2012 | 2011 |
|---|---------------|---------------|
| Wages and salaries | 11 660 | 10 230 |
| Social security costs | 1 792 | 1 623 |
| Pension costs defined contribution plan | 1 316 | 795 |
| Other personnel costs | 22 | 31 |
| Share-based payment | 1 582 | 0 |
| Total | 16 373 | 12 679 |
| Average number of full time employees | 14 | 18 |

For more detailed information about guidelines for salaries for management, we refer to information in note 4 of the parent company's accounts. See also note 24 for information about remuneration for senior management.

NOTE 5 – SHARE-BASED COMPENSATION

The annual shareholders meeting of Nordic Mining in June 2012 decided to implement an incentive program for senior management and qualified resource persons. The Board was given authority to allocate options that in full gives the right to sign up to 6 million new shares in Nordic Mining. In June 2012 the Board decided to grant options of 4 550 000 shares to employees and associated resource persons at an exercise price of NOK 1.05 per share. The share price on the allocation date was NOK 1.03. The options had no vesting requirements and may be exercised until June 2014.

| | 2012 | | 2011 | |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding 1 January | 3 500 000 | 1.60 | 3 500 000 | 1.60 |
| Granted during the year | 4 550 000 | 1.05 | - | - |
| Cancelled during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | (3 500 000) | 1.60 | - | - |
| Outstanding 31 December | 4 550 000 | 1.05 | 3 500 000 | 1.60 |
| Exercisable 31 December | 4 550 000 | 1.05 | 3 500 000 | 1.60 |

Average fair value of options granted in 2012 was NOK 0.40 per share. Weighted average assumptions used to calculate the real price of the granted options, using the Black Scholes model, were:

| | 2012 |
|--------------------------|--------|
| Volatility | 71 % |
| Expected life (in years) | 2.00 |
| Risk free interest | 1.40 % |
| Share price (NOK) | 1.03 |
| Exercise price (NOK) | 1.05 |

NOTE 6 – OTHER OPERATING COSTS

| (Amounts in NOK thousands) | 2012 | 2011 |
|----------------------------------|---------------|---------------|
| Operating costs - Gudvangen mine | 12 706 | 13 785 |
| Project costs – Engebøfjellet | 3 137 | 3 929 |
| Other business development | 2 106 | 367 |
| Exploration costs (Norway) | 1 439 | 2 175 |
| Other consulting fees | 1 311 | 260 |
| Total | 24 781 | 25 464 |

Auditor fees:

| (Amounts in NOK thousands) | 2012 | 2011 |
|----------------------------|------------|------------|
| Statutory audit | 628 | 623 |
| Other assurance | 57 | 49 |
| Tax services | - | 1 |
| Other | - | 28 |
| Other financial audit | 43 | - |
| Total | 728 | 701 |

The amounts are excluding VAT.

NOTE 7 – FINANCIAL INCOME AND FINANCIAL COSTS

| (Amounts in NOK thousands) | 2012 | 2011 |
|--|--------------|--------------|
| Interest income on bank deposits | 279 | 241 |
| Other interest income | - | 113 |
| Other finance income | - | - |
| Foreign exchange gains | 192 | 100 |
| Finance income | 471 | 453 |
| Interest expense on bank loans and bonds | 685 | 815 |
| Interest on bank overdraft | 54 | 55 |
| Other finance costs | 292 | 870 |
| Foreign exchange losses | 269 | 135 |
| Finance costs | 1 300 | 1 875 |

NOTE 8 - TAXES

The Group has incurred substantial losses to be carried forward. As per 31 December 2011 they stood at NOK 201 million. NOK 65.8 million of this represents a loss to be carried forward in connection with the de-merger from Rocksource ASA in 2006. At this stage the units of the Group cannot substantiate that there will be sufficient future income to be able to realise the Group's losses to be carried forward. The Group has therefore not posted deferred tax advantage on the balance. There are no limits in years for tax loss carry forward in Norway.

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|------------------------------------|-------------|--------------|
| Taxes payable | - | - |
| Deferred tax | (32) | (856) |
| Income tax expense (income) | (32) | (856) |

The Group's income tax expense of NOK 856,000 in 2011 has been reclassified to loss from discontinued operations.

Tax effects of temporary differences at 31 December were as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|---------------|---------------|
| Intangible assets | (371) | 30 |
| Mineral properties/PP&E | (2 700) | (15 497) |
| Inventory | (298) | (372) |
| Receivables and prepayments | (2) | (2) |
| Financial lease liability | 1 640 | 2 333 |
| Other long-term debt | (10) | (188) |
| Other short-term debt | - | - |
| Tax loss carryforwards | 56 359 | 50 611 |
| Total deferred taxes | 54 618 | 36 915 |
| Recognized deferred tax in the balance sheet: | | |
| Deferred tax assets | - | - |
| Deferred tax | - | 7 686 |

The Group transferred assets to a subsidiary with tax impact in 2011. The tax expense of the transaction was settled against tax loss carry forward in Nordic Mining ASA. The Group has a significant net tax asset in Norway that has not been posted on the balance sheet.

The deferred tax liability in 2011 is related to the Group's activities in Finland, but was derecognized when the Group lost control in Keliber. The Group now uses the equity method to account for its investment in Keliber (see note 13).

The Group recorded NOK 2.6 million in direct attributable transaction costs of the 2012 share issues directly against equity (in 2011 NOK 2.9 million). The amount is included in the carried forward losses, but the related tax impact of NOK 0.7 million has not been posted against equity since the Group has not posted tax assets in 2012 (in 2011 NOK 0.8 million).

The following table shows the reconciliation of expected tax using the nominal tax rate to the actual tax expense/(income):

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|-------------|----------|
| Loss before tax | (31 540) | (26 158) |
| Nominal tax rate | 28 % | 28 % |
| Expected tax loss | (8 831) | (7 324) |
| Non-deductible costs | 673 | 113 |
| Non-taxable income | (286) | - |
| Tax effect of associates | 197 | - |
| Non-recognized tax assets | 8 215 | 7 211 |
| Tax expense/income | (32) | - |

NOTE 9 – EARNINGS PER SHARE

| <i>(Amounts in NOK thousands and number of shares in thousands)</i> | 2012 | 2011 |
|--|-----------------|-----------------|
| Earnings | | |
| Loss attributable to ordinary shareholders from continuing operations | (31 508) | (26 158) |
| Loss attributable to ordinary shareholders from discontinued operations | (3 835) | (1 683) |
| Total | (35 343) | (27 841) |
| Number of shares | | |
| Weighted average number of ordinary shares outstanding | 181 973 | 143 655 |
| Earnings per share attributable to ordinary shareholders (amounts in NOK) | | |
| Basic and diluted earnings per share for continuing operations | (0.17) | (0.18) |
| Basic and diluted earnings per share for discontinued operations | (0.02) | (0.01) |
| Basic and diluted earnings per share | (0.19) | (0.19) |

The effect of 4.55 million potentially diluting shares is not included in the calculation of diluted results per share for 2012 since they were anti-dilutive.

NOTE 10 – DISCONTINUED OPERATIONS

In September 2012, Nordic Mining and the other shareholders in Keliber entered into an agreement with new investors related to a private placement in Keliber with cash proceeds of EUR 4 million. The agreement was conditioned, and the transaction was completed in October 2012. Following from the transaction, Nordic Mining's shareholding in Keliber was reduced to 38%. As Nordic Mining no longer has a controlling interest in Keliber, the shareholding was classified as shares in an associated company, and was initially recognized at an estimated fair value of NOK 24,6 million on the balance sheet. In connection with the transaction Nordic Mining paid the remaining liability to Keliber's founding shareholders. The repayment was made with a combination of shares in Keliber and cash amounting to approximately NOK 3 million.

Discontinued operations

The transactions in Keliber leading to loss of control of subsidiary and classification as investment in an associate are in the consolidated financial statements presented as discontinued operations.

The following table specifies amounts from the condensed income statements that have been reclassified to loss from discontinued operations:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|----------------|----------------|
| Other income | 14 | 34 |
| Payroll and related costs | (1 347) | (1 415) |
| Depreciation, depletion and amortization | (79) | (131) |
| Other operating expenses | (1 387) | (1 313) |
| Operating loss | (2 799) | (2 825) |
| Other costs/income | (278) | 339 |
| Loss from discontinued operations before remeasurement to fair value | (3 077) | (2 486) |
| Impairment | (420) | - |
| Loss on disposal | (1 474) | - |
| Total loss for discontinued | (4 971) | (2 486) |
| Basic and diluted earnings per share for discontinued operations | (0,02) | (0,01) |

The following table shows the cash flows related to operations:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|----------------|----------------|
| Cash flow used in operations | (76) | (1 793) |
| Cash flow used for investments | (1 188) | (1 113) |
| Cash flow from financing | - | - |
| Total | (1 264) | (2 906) |

NOTE 11 – INTANGIBLE ASSETS

| <i>(Amounts in NOK thousands)</i> | Goodwill | Concessions |
|---|-----------------|--------------------|
| Cost | | |
| 1 January 2011 | 7 260 | 6 272 |
| Acquisition through business combinations | - | - |
| Additions | - | 854 |
| Effect of movements in exchange rates | (54) | (16) |
| 31 December 2011 | 7 206 | 7 110 |
| 1 January 2012 | 7 206 | 7 110 |
| Additions | - | 2 776 |
| Disposal of subsidiary | (6 869) | (3 652) |
| Adjustment contingent liability | (70) | - |
| Effect of movements in exchange rates | (267) | (99) |
| 31 December 2012 | (0) | 6 136 |
| Depreciation and impairment losses | | |
| 1 January 2011 | - | - |
| Amortization | - | - |
| 31 December 2011 | - | - |
| 1 January 2012 | - | - |
| Amortization | - | - |
| Impairment loss | 420 | - |
| Disposal of subsidiary | (424) | - |
| Effect of movement in exchange rates | 4 | - |
| 31 December 2012 | - | - |
| Carrying amounts | | |
| 1 January 2011 | 7 260 | 6 272 |
| 31 December 2011 | 7 206 | 7 110 |
| 31 December 2012 | - | 6 136 |

Mining concessions

The mining concessions are for the Engebø mineral deposit which will be depreciated according to the unit of production method when production starts. The depreciation rate will be set according to the portion of the total remaining reserves that has been produced.

In accordance with an agreement with the seller, Nordic Mining shall pay a conditional compensation to the seller of NOK 40 million if or when there is commercial production from the Engebø deposit.

Proposal for industrial area plan and application for waste disposal permit are considered by the Ministry of the Environment. Please see note 26 for further information.

NOTE 12 – MINERALS, PROPERTY, PLANT & EQUIPMENT

| <i>(Amounts in NOK thousands)</i> | Mining properties | Land and buildings | Machinery and other equipment | Total |
|--|--------------------------|---------------------------|--------------------------------------|---------------|
| Cost | | | | |
| 1 January 2011 | 65 287 | 2 901 | 24 674 | 92 863 |
| Acquisition through business combinations | - | - | - | - |
| Effect of movements in exchange rates | (323) | (2) | (3) | (329) |
| Other additions | - | 579 | 2 312 | 2 891 |
| Disposals | - | - | - | - |
| 31 December 2011 | 64 964 | 3 478 | 26 983 | 95 425 |
| Acquisition through business combinations | | | | |
| Effect of movements in exchange rates | (1 584) | (30) | (24) | (1 638) |
| Other additions | - | 4 | 663 | 667 |
| Disposal of subsidiary | (41 279) | (783) | (625) | (42 687) |
| 31 December 2012 | 22 101 | 2 669 | 26 997 | 51 767 |
| Depreciation and impairment losses | | | | |
| 1 January 2011 | 10 313 | 307 | 16 839 | 27 458 |
| Depreciation | 701 | 78 | 2 283 | 3 062 |
| Impairment loss | - | - | - | - |
| Disposals | - | - | - | - |
| 31 December 2011 | 11 014 | 385 | 19 122 | 30 520 |
| Depreciation | 632 | 78 | 2 113 | 2 823 |
| Impairment loss | 4 000 | - | - | 4 000 |
| Effects of movements in exchange rates | - | - | (12) | (12) |
| Disposal of subsidiary | - | - | (377) | (377) |
| 31 December 2012 | 15 646 | 463 | 20 846 | 36 954 |
| Carrying amounts | | | | |
| 1 January 2011 | 54 974 | 2 595 | 7 835 | 65 404 |
| 31 December 2011 | 53 950 | 3 093 | 7 862 | 64 905 |
| 31 December 2012 | 6 455 | 2 206 | 6 152 | 14 813 |

Leased equipment and machines

The Group has a number of financial leasing agreements for production equipment. NOK 3.8 million has been posted on the balance sheet for leased equipment and machines as of 31.12.2012 (as of 31.12.11: NOK 5.1 million).

Impairment of mineral property

The Group accounts include an impairment charge of NOK 4 million (2011 nil) regarding certain mining properties in Gudvangen Stein.

The impairment charge reflects the uncertainty related to the fair value of the Group's investment in Gudvangen Stein, taking into account accumulated losses, negative equity and the liquidity situation at the subsidiary level.

NOTE 13 – INVESTMENT IN ASSOCIATES

The Group holds an investment of 38% in Keliber Oy in Finland. See note 10 Discontinued operations for a description of the transaction that led to the Group losing control in the former subsidiary. Since the Group has significant influence in Keliber, the investment is accounted for as an associate.

The summary of the associate's assets and liabilities below is on a 100% basis and reflects the amounts recorded in Keliber's financial statements and do not include the Group's purchase price allocation values.

Summary of the associate's assets and liabilities:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|---------------|----------|
| Current assets | 19 212 | - |
| Non-current assets | 8 153 | - |
| Current liabilities | (2 698) | - |
| Non-current liabilities | (4 548) | - |
| Equity | 20 119 | - |
| Carrying amount of investment in associate: | | |
| Initial fair value 26.10.2012 | 24 568 | - |
| Loss for period 26.10 - 31.12.2012 | (702) | - |
| Translation adjustments | (416) | - |
| Balance at 31.12.2012 | 23 450 | - |

NOTE 14 – INVENTORIES

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|--------------|--------------|
| Products | 2 409 | 2 808 |
| Materials | 397 | 355 |
| Total | 2 806 | 3 163 |

The inventory of finished products consists of finished minerals in Gudvangen Stein. There is no obsolescence. The inventory is part of the collateral for the Group's loans; ref. note 18.

NOTE 15 – TRADE AND OTHER RECEIVABLES

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|--------------|--------------|
| Accounts receivable | 2 431 | 3 103 |
| Other receivables | 239 | 81 |
| Prepaid to Dag Dvergsten AS | - | 670 |
| Other prepayments | 1 709 | 1 338 |
| Accounts receivable VAT | 1 052 | 778 |
| Totalt | 5 431 | 5 970 |

The following table displays the aging of overdue receivables as of 31 December 2012 for which there has been no loss provision:

| <i>(Amounts in NOK thousands)</i> | Overdue accounts receivable |
|-----------------------------------|-----------------------------|
| Number of days overdue: | |
| 0-30 days | 723 |
| 31-60 days | 12 |
| 61-90 days | - |
| More than 90 days | 10 |
| Total | 745 |

NOTE 16 – CASH AND CASH EQUIVALENTS

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|--------------|--------------|
| Bank deposits | 6 164 | 3 340 |
| Total cash and cash equivalents | 6 164 | 3 340 |
| Included in cash and cash equivalents at 31 December; Employee withholding tax | 459 | 447 |
| Foreign currency | - | 256 |

NOTE 17 – SHARE CAPITAL

| Number of shares outstanding | Ordinary Shares |
|-------------------------------------|------------------------|
| 2011: | |
| Opening balance | 125 470 091 |
| Share issuance | 20 000 000 |
| 31 December 2011 | 145 470 091 |
| 2012: | |
| Opening balance | 145 470 091 |
| Share issuance | 40 000 000 |
| 31 December 2012 | 185 470 091 |

All shares have equal rights. The nominal value is NOK 0.10 per share.

In January 2012, Nordic Mining completed a rights issue with gross proceeds amounting to NOK 36.0 million. The net proceeds was approximately NOK 33.4 million after deducting directly attributable transaction costs of NOK 2.6 million. 40 million new shares were issued at a subscription price of NOK 0.90 per share. After the share issue, Nordic Mining had 185,470,091 issued shares.

On 12 June 2012 the Company's annual general meeting approved an incentive program for senior management and qualified resource personnel. The Board was given authority to grant options that in total give the rights to issue up to 6 million new shares in Nordic Mining. A total of 4,550,000 new options were granted in 2012, as described in note 5 Share-based remuneration. This authority was granted for two years, until 12 June 2014. Please see note 26 for information of equity issues in 2013, up to the date of this report.

NOTE 18 - LOANS**2012:**

| <i>(Amounts in NOK thousands)</i> | Interest per 31.12.12 | Maturity | Nominal amount | Carrying amount |
|-----------------------------------|-----------------------|----------|----------------|-----------------|
| Bank loan Sparebanken Vest | 8,85 % | 2020 | 7 417 | 7 417 |
| Current portion of long term debt | | | | (1 000) |
| Total at 31 December 2012 | | | | 6 417 |

2011:

| <i>(Amounts in NOK thousands)</i> | Interest per 31.12.11 | Maturity | Nominal amount | Carrying amount |
|-----------------------------------|-----------------------|----------|----------------|-----------------|
| Bank loan Sparebanken Vest | 8,55 % | 2020 | 8 417 | 8 417 |
| Current portion of long term debt | | | | (996) |
| Total at 31 December 2011 | | | | 7 421 |

The Group pays annual instalments of NOK 1 million.

The carrying amount of assets placed as collateral for bank loans are as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|---------------|---------------|
| Mineral property | 6 455 | 11 087 |
| Property, plant and equipment | 4 527 | 4 759 |
| Inventory | 2 806 | 3 163 |
| Trade receivables | 2 431 | 2 454 |
| Total | 16 219 | 21 463 |

Nordic Mining ASA has granted security for the bank loan of NOK 3.5 million to Sparebanken Vest.

NOTE 19 – FINANCIAL LEASE OBLIGATIONS**2012:**

| <i>(Amounts in NOK thousands)</i> | Minimum lease payments | Interest | Present value of minimum lease payment |
|-----------------------------------|------------------------|------------|--|
| Less than 1 year | 2 520 | 186 | 2 334 |
| From 1 to 5 years | 3 692 | 170 | 3 522 |
| More than 5 years | - | - | - |
| Total | 6 212 | 356 | 5 856 |
| Current portion | - | - | (2 334) |
| Balance 31.12.2012 | | | 3 522 |

2011:

| <i>(Amounts in NOK thousands)</i> | Minimum lease payments | Interest | Present value of minimum lease payment |
|-----------------------------------|------------------------|------------|--|
| Less than 1 year | 2 759 | 282 | 2 477 |
| From 1 to 5 years | 6 212 | 356 | 5 856 |
| More than 5 years | - | - | - |
| Total | 8 971 | 638 | 8 333 |
| Current portion | - | - | (2 248) |
| Balance 31.12.2011 | | | 6 085 |

The balance sheet posting of assets under financial lease agreements consists of machines and equipment used in the mining operation of Gudvangen Stein. The posted value of leased machines and equipment as of 31 December 2012 was NOK 3.8 million (as of 31.12.2011: NOK 5.1 million) and has been posted under Mineral assets and other fixed assets as described in note 12. The last lease period is November 2017.

NOTE 20 – OTHER CURRENT LIABILITIES AND CURRENT PORTION OF LONGTERM DEBT

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|--------------|--------------|
| Tax withholding and social security accrual | 948 | 874 |
| Employee salary and holiday pay accrual | 1 317 | 1 100 |
| Accrued expenses | 1 232 | 5 065 |
| Total | 3 497 | 7 039 |
| Current portion of long term debt | | |
| Current portion of bank loan (note 18) | 1 000 | 996 |
| Current portion of financial lease obligation (note 19) | 2 334 | 2 248 |
| Current portion of debt concerning Keliber | - | 310 |
| Total | 3 334 | 3 554 |

NOTE 21 - FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Management of financial risk**

Nordic Mining is exposed to various types of financial risk related to the Group's financial instruments, primarily credit risk related to customer receivables and other financial claims, market risk related to floating interest rate, risk on cash and cash equivalents and interest bearing debts, currency risk and liquidity risk.

The management of Nordic Mining manages the Group's financial risk. Risk management is primarily done by identifying and evaluating potential risk areas. Management focus is primarily on management of the liquidity risk to secure continuing operation and financing of the Group's capital intensive projects. The Group has until now not found it necessary to use derivatives or other financial instruments to manage financial risks.

Liquidity risk

The liquidity risk is the risk that the Group will not be able to pay financial obligations on their due date. The Group has to a large degree used equity financing in order to meet liquidity requirements related to financial obligations, covering of operational losses and for acquisition of companies. The following chart shows the maturity structure of financial obligations (due dates for financial lease obligations are shown in note 19). Projected interest payments based on today's interest rate are included in the cash flow.

| <i>(Amounts in NOK thousands)</i> | Bank loans | Other current liabilities | Total |
|-----------------------------------|--------------|---------------------------|---------------|
| 0 - 1 year | 1 616 | 8 142 | 9 758 |
| 1 - 2 years | 1 527 | - | 1 527 |
| 2 - 5 years | 4 051 | - | 4 051 |
| More than 5 years | 2 684 | - | 2 684 |
| Total | 9 878 | 8 142 | 18 020 |

The Group currently has cash for less than one year with the current operating losses and debt payments. The Group will need to either raise more equity or to issue debt instruments to continue operations. Alternatively, the Group can seek strategic partners for one or more of its business segments.

Market risk

Market risk consists of the risk that real value or future cash flow related to financial instruments will vary as a consequence of market prices.

Variable interest rate risk

The Group is exposed to interest rate risk through the Group's long-term loans with variable interest rate and financial lease agreements. The Group's cash and cash equivalents are also exposed to changes in the market interest rate on bank deposits. The sensitivity analysis below shows that Group's exposure to changes in the variable market interest rate.

Currency exchange risk

The Group's sales are primarily in NOK or EUR. In 2012, 18% (2011: 33%) of sales were in EUR. The Group is therefore to some degree exposed to currency exchange risk for receivables in EUR. The Company is also exposed to currency exchange risk related to financial obligation in EUR.

Credit risk

Credit risk is the risk of financial losses if a customer or counterpart of a financial instrument is unable to meet contractual obligations. A substantial portion of the Group's sales revenue is concentrated between 4-5 large customers with good credit. Only to a very limited extent financial losses have occurred related to the large customers. The four biggest customers accounted for 61% of sales revenue in 2012 and 53% of the sales revenue in 2011. Gudvangen Stein also sells to smaller customers, mainly in the construction sector. At times there have been some bad debts on claims to smaller customers. There has been no allocation for bad debts in 2012. Losses on accounts receivable totalled NOK 0 in 2012, and NOK 30,000 in 2011.

Only to a limited degree routines for evaluation of credit risk have been introduced, however discretionary evaluations are done on a case-by-case basis. Management will on an on-going basis evaluate the necessity of implementing stricter credit evaluations. Maximal exposure to credit risk is related to receivables which on the date of the accounts were NOK 2.5 million in 2012 and NOK 3.3 million in 2011. The Group's credit risk related to export has been insured through GIEK.

Categories and real value of financial instruments

The carrying amounts on the balance sheet of cash and cash equivalents, receivables, payables to suppliers and other short term financial items are close to fair value due to the short time period till maturity. The Group's interest carrying debts have variable interest rate, including a credit line with variable interest rate. The fair value of the variable interest loans approximates fair value.

| (Amounts in NOK thousands) | 2012 | | 2011 | |
|--|-----------------|---------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans and receivables | 2 301 | 2 301 | 3 911 | 3 911 |
| Cash and cash equivalents | 6 164 | 6 164 | 3 340 | 3 340 |
| Total financial assets | 8 465 | 8 465 | 7 251 | 7 251 |
| Financial liabilities measured at amortized cost: | | | | |
| Interest bearing bank loans | 7 417 | 7 417 | 8 417 | 8 417 |
| Financial liabilities | - | - | 5 192 | 5 192 |
| Accounts payable | 5 168 | 5 168 | 4 509 | 4 509 |
| Other current financial liabilities | 2 974 | 2 974 | 6 847 | 6 847 |
| Total financial liabilities | 15 559 | 15 559 | 24 965 | 24 965 |

Interest rate sensitivity

A change in interest rate of 1% on the date of the accounts would have increased or reduced the result by the following amounts:

| (Amounts in NOK thousands) | 2012 | | 2011 | |
|----------------------------|--------------|-------------|--------------|-------------|
| | 1 % increase | 1% decrease | 1 % increase | 1% decrease |
| Cash and cash equivalents | 62 | (62) | 33 | (33) |
| Interest bearing debt | (74) | 74 | (84) | 84 |
| Total | (13) | 13 | (51) | 51 |

Currency exchange rate sensitivity

There is no substantial currency exchange risk related to financial instruments as of 31.12.2012.

Capital management

The Group has used equity financing to a large degree to finance research, operations, purchase of licenses and acquisitions. The Group also has a long-term interest bearing loan and financial lease obligations. The goal of the Group's capital management is to secure liquidity for operations and for development of the Group's projects. The Group's ratio of net debt (debt less cash) divided by total capital (net debt and equity) as of 31.12.12 is 28% (as of 31.12.11 it was 49%).

NOTE 22 – INVESTMENT IN SUBSIDIARIES

| <i>(Amounts in NOK thousands)</i> | Location | Year incorp. | Share capital | Owner- ship | Equity 31.12.12 | Net loss 2012 | Carrying amount 31.12.12 |
|-----------------------------------|-----------------|-------------------------|--------------------------|------------------------|----------------------------|--------------------------|-------------------------------------|
| Nordic Rutile AS | Oslo, Norway | 2006 | 13 725 | 100 % | 20 781 | (5 102) | 27 365 |
| Gudvangen Stein AS | Aurland, Norway | 2007 | 450 | 100 % | (2 122) | (3 251) | - |
| Nordic Ocean Resources AS | Oslo, Norway | 2011 | 110 | 85 % | (260) | (650) | 645 |
| Nordic Quartz AS | Oslo, Norway | 2011 | 110 | 100 % | (688) | (1 197) | 1 100 |

NOTE 23 – SHAREHOLDERS

The following 20 shareholders held most shares in the Company as of 31 December 2012:

| Shareholders | Number of shares | % ownership |
|-------------------------------|-----------------------------|------------------------|
| Nordnet Bank AB | 17 251 951 | 9.3% |
| Skagen Vekst | 15 241 972 | 8.2% |
| MP Pensjon PK | 9 160 000 | 4.9% |
| Finnish Industry Investment | 8 358 949 | 4.5% |
| Nordea Bank Plc Finl Clients | 7 267 424 | 3.9% |
| Holberg Norge | 6 618 230 | 3.6% |
| Danske Bank A/S | 5 723 387 | 3.1% |
| Dybvad Consulting AS | 5 203 148 | 2.8% |
| VPF Nordea SMB | 3 558 183 | 1.9% |
| Magil AS | 3 250 000 | 1.8% |
| Citibank NA London | 3 235 977 | 1.7% |
| Snati AS | 2 900 000 | 1.6% |
| Avanza Bank AB | 2 703 573 | 1.5% |
| Solon AS | 2 242 333 | 1.2% |
| Ove Klungland Holding NIL | 2 108 326 | 1.1% |
| Audstein Dybvad | 2 034 878 | 1.1% |
| Dag Dvergsten AS | 1 826 276 | 1.0% |
| Ole Kristian Stokken | 1 555 000 | 0.8% |
| Julimar AS | 1 421 017 | 0.8% |
| Frank Robert Sunde | 1 410 000 | 0.8% |
| Total 20 largest shareholders | 103 070 624 | 55.6% |
| Others | 82 399 467 | 44.4% |
| Total | 185 470 091 | 100 % |

NOTE 24 – RELATED PARTIES AND COMPENSATION OF MANAGEMENT**Transactions with related parties**

Transactions with related parties adhere to the "arm's length principle". In 2012, expenses of NOK 2.2 million (2011: NOK 2.7 million) were posted as office and service expenses from Dag Dvergsten AS. The agreement can be cancelled by both parties on six months notice.

Compensation of board members and key management in 2012:

| <i>(Amounts in NOK thousands)</i> | Salary | Board member fees | Other compensation | Pension cost | Share based payment | Total |
|---------------------------------------|--------------|-------------------|--------------------|--------------|---------------------|---------------|
| Ivar Sund Fossum, CEO | 1 852 | - | 239 | 200 | 401 | 2 691 |
| Lars K. Grøndahl, CFO | 1 403 | - | 162 | 209 | 280 | 2 055 |
| Ottar Nakken, VP Commercial | 1 273 | - | 165 | 208 | 220 | 1 866 |
| Paul I. Norkyn, VP Mining operations | 1 272 | - | 139 | 190 | 220 | 1 821 |
| Mona Schanche, Exploration manager | 846 | - | 26 | 99 | 280 | 1 251 |
| Tarmo Tuominen, Board chairman | - | 191 | - | - | - | 191 |
| Dag Dvergsten, retired Board chairman | - | 210 | - | - | - | 210 |
| Camilla Fiskevoll, Board member | - | 196 | - | - | - | 196 |
| Tore Viana-Rønningen, Board member | - | 23 | - | - | - | 23 |
| Thorild Widvey, Board member | - | - | - | - | - | - |
| Kjell Roland, Board member | - | - | - | - | - | - |
| Anne Dæhlie, retired Board member | - | 175 | - | - | - | 175 |
| Egil M. Ullebø, retired Board member | - | 175 | 3 | - | - | 178 |
| Total | 6 645 | 971 | 734 | 905 | 1 402 | 10 658 |

Compensation of board members and key management in 2011:

| <i>(Amounts in NOK thousands)</i> | Salary | Board member fees | Other compensation | Pension cost | Share based payment | Total |
|---------------------------------------|--------------|-------------------|--------------------|--------------|---------------------|--------------|
| Ivar Sund Fossum, CEO | 1 697 | - | 173 | 181 | - | 2 051 |
| Lars K. Grøndahl, CFO | 1 290 | - | 162 | 186 | - | 1 639 |
| Ottar Nakken, VP Commercial | 1 237 | - | 144 | 177 | - | 1 558 |
| Paul I. Norkyn, VP Mining operations | 1 236 | - | 129 | 128 | - | 1 493 |
| Mona Schanche, Exploration manager | 715 | - | 18 | 68 | - | 801 |
| Tarmo Tuominen, Board chairman | - | 75 | - | - | - | 75 |
| Dag Dvergsten, retired Board chairman | - | 225 | - | - | - | 225 |
| Camilla Fiskevoll, Board member | - | 150 | - | - | - | 150 |
| Anne Dæhlie, retired Board member | - | 150 | - | - | - | 150 |
| Egil M. Ullebø, retired Board member | - | 150 | 4 | - | - | 154 |
| Tore Viana-Rønningen, Board member | - | - | - | - | - | - |
| Total | 6 174 | 750 | 632 | 740 | - | 8 296 |

Receivables from management:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--------------------------------------|--------------|------------|
| Ivar Sund Fossum, CEO | (53) | - |
| Lars K. Grøndahl, CFO | (88) | - |
| Ottar Nakken, VP Commercial | (13) | - |
| Paul I. Norkyn, VP Mining operations | (10) | (4) |
| Mona Schanche, Exploration manager | - | - |
| Tarmo Tuominen, Board chairman | (5) | - |
| Egil M. Ullebø, retired Board member | - | (2) |
| Total | (169) | (6) |

Shares owned by members of the board and senior management and those related to them as of 31 December 2012:

| Name | Position | Number of shares | % ownership |
|-------------------------------|----------------------|------------------|---------------|
| Ivar Sund Fossum | CEO | 975 877 | 0.53% |
| Lars K. Grøndahl ¹ | CFO | 3 250 000 | 1.75% |
| Ottar Nakken ² | VP Commercial | 1 540 000 | 0.83% |
| Paul I. Norkyn | VP Mining operations | 285 755 | 0.15% |
| Mona Schanche | Exploration manager | 86 306 | 0.05% |
| Tarmo Tuominen | Board chairman | 30 000 | 0.02% |
| Camilla Fiskevoll | Board member | - | - |
| Tore Viana-Rønningen | Board member | 20 000 | 0.01% |
| Thorild Widvey | Board member | - | - |
| Kjell Roland | Board member | - | - |
| Total | | 6 187 938 | 3.34 % |

1) Lars K. Grøndahl owns the shares through his company Magil AS.

2) Ottar Nakken owns 475,000 of the shares through his controlled company Femti 5 B AS.

Options granted to board members and key management as of 31 December 2012:

| Name | Position | Total granted and outstanding | Granted in 2012 |
|----------------------|----------------------|-------------------------------|------------------|
| Ivar Sund Fossum | CEO | 1 000 000 | 1 000 000 |
| Lars K. Grøndahl | CFO | 700 000 | 700 000 |
| Ottar Nakken | VP Commercial | 550 000 | 550 000 |
| Paul I. Norkyn | VP Mining operations | 550 000 | 550 000 |
| Mona Schanche | Exploration manager | 700 000 | 700 000 |
| Tarmo Tuominen | Board chairman | - | - |
| Camilla Fiskevoll | Board member | - | - |
| Tore Viana-Rønningen | Board member | - | - |
| Thorild Widvey | Board member | - | - |
| Kjell Roland | Board member | - | - |
| Total | | 3 500 000 | 3 500 000 |

NOTE 25 – PENSIONS

The Group has two benefit plans for Norwegian employees with a total of 13 active members.

Pension cost:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--------------------------------------|--------------|--------------|
| Pension entitlements for the year | 1 188 | 1 167 |
| Interest cost on pension obligations | 304 | 309 |
| Yield on pension funds | (397) | (405) |
| Actuarial gains/losses | 52 | - |
| Sum net pension costs | 1 147 | 1 071 |
| Other | 169 | 195 |
| Total pension related costs | 1 316 | 1 266 |

The movement in pension obligations during the year were as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|--------------|--------------|
| Pension obligations January 1 | 8 989 | 7 602 |
| Current value of pension benefits for the year | 1 289 | 1 167 |
| Interest costs | 304 | 309 |
| Actuarial gains and losses | (1 183) | 288 |
| Payments | (338) | (377) |
| Pension obligations as of 31 December | 9 061 | 8 989 |

Movements in pension funds during the year were as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|--------------|--------------|
| Pension funds 1 January | 8 008 | 7 001 |
| Projected gain from pension funds | 397 | 405 |
| Actuarial gains and losses | (382) | (386) |
| Deposits | 1 290 | 1 509 |
| Payments | (338) | (377) |
| Other | (160) | (144) |
| Pension funds as of 31 December | 8 815 | 8 008 |

Pension obligations posted on balance are as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|--------------|--------------|
| Pension funds | 8 815 | 8 008 |
| Pension obligations | (9 061) | (8 989) |
| Total | (246) | (981) |
| Unrecognized actuarial gains and losses | 319 | 1 172 |
| Other | (38) | (30) |
| Net pension asset | 35 | 161 |

Pension assets/liability shown in the balance sheet as:

| | | |
|------------------------|-------|-------|
| Other long-term assets | 435 | 472 |
| Other liabilities | (399) | (311) |

Assumptions:

| | 2012 | 2011 |
|--|--------|--------|
| Discounted interest rate | 3.90 % | 3.30 % |
| Projected gain from pension funds | 4.00 % | 4.80 % |
| Annual projected increase in salary | 3.50 % | 4.00 % |
| Annual projected G- regulation | 3.25 % | 3.75 % |
| Annual projected regulation of pension under payment | 0.20 % | 0.70 % |

NOTE 26 – EVENTS AFTER THE BALANCE SHEET DATE

Positive results from drilling program in Keliber

In stock market releases 18 February 2013 and 3 April 2013 Nordic Mining has informed of a positive results from an ongoing drilling program at Keliber's Leviäkangas and Syväjärvi deposits in Finland. Intersections of spodumene pegmatite up to 36 meter have been drilled. The first analytical results are positive. Update on JORC compliant resource estimates are expected in May 2013.

The Ministry of the Environment has requested supplementary information regarding the Engebø rutile project

Despite the comprehensive environmental impact assessments undertaken by Nordic Mining in relation to the Engebø rutile project, the Ministry of the Environment on 13 March 2013 requested supplementary information for its final consideration. The Ministry's request for supplementary information is related to e.g. sea water circulation, solution for mineral residue disposal, use of fresh water etc. Nordic Mining will emphasize to clarify how the Ministry's wish for more information may be accommodated in a time and cost efficient manner in order to achieve a joint solution which will ensure the realization of the Engebø project. The purpose is to improve predictability for a final permitting of the project. Nordic Mining perceives a broad political consensus that a sea disposal will represent an environmentally appropriate storage solution for the mine tailings from Engebø.

Completed equity issues

On 26 February 2013, Nordic Mining executed a private placement of 8,966,017 shares directed towards existing shareholders and Norwegian investors. The subscription price was NOK 0.70 per share, resulting in gross proceeds of NOK 6,276,212. Following from the private placement, Nordic Mining resolved to conduct a subsequent offering which was concluded 8 April 2013. In the subsequent offering 6,068,697 shares were subscribed at a subscription price of NOK 0.70 per share, raising gross proceeds of NOK 4,248,088.

The net proceeds from the equity issues, estimated at around NOK 8.7 million will be used for expenditures related to the development of the Company's projects and general corporate purposes.

After the equity issues and at the date of the annual report Nordic Mining's share capital is NOK 20,050,480.50 consisting of 200,504,805 shares, each with a nominal value of NOK 0.10.

Strategic assessment

In stock market release 5 April 2013 Nordic Mining informed that the Company has initiated an assessment of strategic options and alternatives for the various parts of its business with a purpose to continue project development and strengthen the Company's financial position. The assessment will include considerations related to bringing on board industrial or financial investors/partners in the Group's projects in order to progress the value increasing activities. Other strategic options will also be considered. This may possibly lead to changes in the Group's project portfolio.

Corporate accounts for Nordic Mining ASA



INCOME STATEMENTS

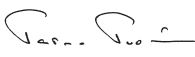
| <i>(Amounts in NOK thousands)</i> | Note | 2012 | 2011 |
|--|-------------|-----------------|---------------|
| Other income | 3 | 1 020 | 48 013 |
| Payroll and related costs | 4 | (8 798) | (8 428) |
| Office costs and business service fee | 17 | (2 240) | (2 691) |
| Share-based payment | 5 | (1 462) | - |
| Other operating expenses | 6 | (7 512) | (9 435) |
| Depreciation | 10 | (13) | (15) |
| Impairment shares in subsidiaries | 15 | (10 579) | (7 068) |
| Operating loss | | (29 585) | 20 375 |
| Financial income | 7 | 2 417 | 425 |
| Financial costs | 7 | (596) | (496) |
| Profit/(loss) before tax | | (27 763) | 20 304 |
| Income Tax | 8 | - | - |
| Net profit/(loss) | | (27 763) | 20 304 |
| Loss attributable to equity holders of the Company (amounts in NOK) | | | |
| Basic and diluted earnings per share | 9 | (0.15) | 0.14 |
| Allocation of the loss | | | |
| Allocated to retained losses | | (27 763) | 20 304 |
| Total allocation of the loss | | (27 763) | 20 304 |


BALANCE SHEETS


| <i>(Amounts in NOK thousands)</i> | Note | 2012 | 2011 |
|---|-------|---------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Licences | 10 | 1 326 | - |
| Machinery and other equipment | 10 | 0 | 13 |
| Shares in subsidiaries | 3/15 | 29 110 | 59 434 |
| Investment in associate | 15 | 24 568 | - |
| Total non-current assets | | 55 005 | 59 447 |
| Financial assets | | | |
| Other receivables | 11/18 | 31 819 | 26 722 |
| Total financial assets | | 31 819 | 26 722 |
| Total non-current and financial assets | | 86 824 | 86 169 |
| Current assets | | | |
| Other receivables and prepayments | 11 | 5 558 | 8 012 |
| Cash and cash equivalents | 12 | 6 060 | 2 373 |
| Total current assets | | 11 618 | 10 384 |
| Total assets | | 98 442 | 96 554 |

| (Amounts in NOK thousands) | Note | 2012 | 2011 |
|---|------|---------------|---------------|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Shareholders' equity | | | |
| Share capital | 13 | 18 547 | 14 547 |
| Share premium | 13 | 206 821 | 177 416 |
| Other paid-in capital | 13 | 8 856 | 7 033 |
| Retained losses | 13 | (140 226) | (112 463) |
| Total equity | | 93 998 | 86 533 |
| Non-current liabilities | | | |
| Other non-current liabilities | 19 | - | 5 545 |
| Total non-current liabilities | | - | 5 545 |
| Current liabilities | | | |
| Trade payables | | 2 449 | 2 007 |
| Provision and other current liabilities | 14 | 1 994 | 2 469 |
| Total current liabilities | | 4 444 | 4 476 |
| Total liabilities | | 4 444 | 10 021 |
| Total shareholders' equity and liabilities | | 98 442 | 96 554 |

Oslo, 29 April 2013
The Board of Directors of Nordic Mining ASA


Tarmo Tuominen
Chairman


Camilla Fiskevoll


Thorhild Widvey


Kjell Roland


Tore Viana-
Rønningen


Ivar S. Fossum
CEO

CASH FLOW STATEMENTS

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|-----------------|-----------------|
| Cash flow from operating activities | | |
| Loss before income tax | (27 763) | 20 304 |
| Depreciation | 13 | 15 |
| Write down of shares in subsidiaries | 10 579 | 7 068 |
| Gain on transfer of assets to subsidiary | - | (48 013) |
| Share-based expenses | 1 462 | - |
| Amortization of interest | (1 219) | 470 |
| Effect of changes in foreign exchange rates | (300) | (42) |
| Pension costs | 38 | (662) |
| <i>Changes in assets and liabilities:</i> | | |
| Other receivables and prepayments | (1 400) | (3 462) |
| Trade payables | 442 | 642 |
| Accrued expenses and other current liabilities | (476) | 855 |
| Net cash used in operating activities | (18 624) | (22 825) |
| Cash flow from investing activities | | |
| Acquisition of mineral license | (1 326) | (304) |
| Loan to subsidiaries | (3 550) | (3 074) |
| Investment in subsidiaries | (3 196) | (1 950) |
| Sale of shares in subsidiary | - | 15 |
| Net cash used in investing activities | (8 072) | (5 313) |
| Cash flow from financing activities | | |
| Share issuance | 33 406 | 26 079 |
| Payment of contingent liability | (3 023) | - |
| Net cash from financing activities | 30 383 | 26 079 |
| Net change in cash and cash equivalents | 3 687 | (2 059) |
| Cash and cash equivalents at beginning of period | 2 373 | 4 432 |
| Cash and cash equivalents at end of period | 6 060 | 2 373 |

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – GENERAL INFORMATION

Nordic Mining ASA ("the Company") and its subsidiaries (together "the Group") focus on exploration, extraction and production of high-end industrial minerals and metals. The address of Nordic Mining's office is Munkedamsveien 45, N-0250 Oslo, Norway.

The Board approved publication of the accounts on 29 April 2013.

NOTE 2 – SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles that have been used in developing the Company accounts are described below. These principles have been consistently applied unless otherwise stated.

Basic principles

The Company accounts have been presented in accordance with the Norwegian accounting act and generally accepted accounting principles in Norway. The related notes are an integral part of the financial statements of the Company.

The annual accounts are based on the going concern assumption. However, there are uncertainties related to this assessment. See Board of Directors' Report and note 21 of the consolidated financial statements for further information.

Consolidated financial statements

The Group accounts have been developed in accordance with IFRS and are presented separate from the Company accounts.

Investment in subsidiaries and associated entities

Investments in subsidiaries and associated entities are recognised in the accounts according to the costing method. There will be an impairment if there is a permanent loss of value in an investment in a subsidiary or an associated entity.

Transactions in foreign currency

Transactions in foreign currency are converted to the nominated currency by using the exchange rate on the day of the transaction. Exchange rate gains and losses that arise through settlement of such transactions, plus through conversion at the end of the year of assets and debts held in foreign currency, using the exchange rate on the date of balance, are recognised as other operating expenses in the income statement.

Acquisition of mining and mineral properties and exploration and development of such properties

Exploration and evaluation assets are classified as tangible or intangible according to the nature of the assets acquired.

Some exploration and evaluation assets should be classified as intangibles, such as drilling rights and capitalized exploration costs.

When technical feasibility and commercial viability of extracting a mineral resource is demonstrable, the assets should be reclassified as tangible assets. Evaluation and exploration assets that are classified as intangible assets are tested for impairment prior to reclassification.

Mining and mineral properties

Mining interests represent capitalized expenditures related to the acquisition, exploration and development of mining properties and related plant and equipment. Capitalized costs are depreciated and depleted using a unit of production method over the estimated economic life of the mine to which they relate.

Exploration and development for mineral properties

The Company employs the successful efforts method to account for exploration and development costs. All exploration costs, with the exception of acquisition costs of licenses and direct drilling costs of exploration wells are charged to expenses as incurred.

Drilling costs of exploration wells are temporarily capitalised pending the evaluation of the potential existence of mineral reserves. If reserves are not found, or if discoveries are assessed not to be technically and commercially recoverable, the drilling costs of exploration wells are expensed. Costs of acquiring licenses are capitalized and assessed for impairment at each reporting date.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company may not be able to collect all amounts due according to the original terms of receivables.

Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and other short term, easily convertible investments with maximum three months original maturity.

Share capital

Ordinary shares are classified as equity. Expenses that are directly linked to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Loans

Loans will be posted at cost at the initial posting, which is the true value of the loan less directly attributable transaction costs. In the following periods the loan will be posted at amortised cost calculated using effective interest rate. The difference between the paid loan amount (less transaction costs) and the redemption value is recognised in the income statement over the period of the interest bearing liabilities.

De-recognition of financial liabilities

The Company removes a financial obligation (or a portion of a financial obligation) from the balance sheet when it no longer exists. A financial obligation has ceased to exist when the contract has been fulfilled, cancelled or expired.

Trade payables

Trade payables are measured at true value the first time it is posted on the balance sheet. When it is measured later it is evaluated at amortised cost determined by the effective interest rate method.

Share-based compensation

The Company uses share-based, equity settled warrants to compensate service providers. The fair value of the services received is recognised as an expense in the financial statements over the period the options vest. The fair value of options that are fully vested on the grant date are fully recognised in the income statement when granted. Share-based compensation to employees and others providing a similar service is measured by reference to the fair value of equity instruments issued. The Company uses the Black Scholes model to measure the fair value of options and warrants. In some circumstances, the Company has granted options to parties that are not employees and parties that do not provide similar services. In general, the services received in return for the grant of options cannot be reliably measured and the share-based payments have therefore been measured at the fair value of the granted options.

Deferred tax

Income tax expense represents the sum of the taxes currently payable and deferred tax. Taxes payable are provided based on taxable profits at the current tax rate. Deferred taxes are recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred income tax is not recognised on temporary differences arising from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Revenue recognition

Revenue from the sale of minerals is evaluated at true value of the compensation, net VAT, and will be posted when the minerals have been delivered to the customer, when risk and ownership of the minerals have been transferred, when it is probable that the financial advantage related to the transaction will come to the Company, and when the compensation can be reliably measured.

Pensions

The Company has a defined benefit pension plan for its employees, which satisfies the Norwegian legal requirements for service pension. The posted obligation related to the contribution plan is the current value of the defined contributions on the date of the accounts less true value of the pension funds, adjusted for estimated discrepancies not posted and costs from prior periods that have not been posted. The pension obligations are calculated annually by an independent actuary, using a linear credit method.

Provisions

The Company posts provisions for environmental improvements, restructure and legal requirements when:

- There is a legal or implied obligation as a consequence of previous incidents
- It is likely that the obligation will lead to a payment or a transfer of financial resources
- The size of the obligation can be estimated to sufficient degree of reliability

The Company operates in accordance with the governing environmental requirements and has limited impact on the environment. As of today the Company has not posted any provisions for environmental rehabilitation.

Conditional obligations

The definition of conditional obligations is:

- A possible obligation that has arisen from prior incidents and which will be confirmed from events in the future
- An obligation that has not been posted because it is not likely that it will lead to a multitude of resources from the enterprise
- An obligation that cannot be measured reliably

Conditional obligations are not posted in the accounts except conditional obligations that have arisen from a purchase of a business. Significant conditional obligations are dealt with in information in notes, with the exception of conditional obligations where it is unlikely that the obligation will come to pass.

Cash flow statement

The Company reports the cash flow statement using the indirect method. That involves that the result for the period are adjusted for the effects of transactions without effect on cash and changes in assets and liabilities to show net cash flow from operations. Cash flow relating to investment activities and financing activities are shown separately.

Related parties

All transactions, agreements and business activities with related parties are processed on standard arm's length business terms. Parties are related if they have the possibility to directly or

indirectly control the business or provide significant influence over the financial and operational decision of the business. The parties are also related if they are subject to “common control”. The Company provides information in notes about transactions and balances with related parties.

Earnings per share

The calculations of earnings per share are based on the result assigned to ordinary shareholders using a weighted average of outstanding shares through the period after deduction for weighted number of shares in the period. The calculation of diluted earnings per share is consistent with the method for calculating basic earnings per share, considering potential diluted shares in the period:

- The net profit for the period that is assigned to ordinary shareholders is increased with an after-tax amount for dividends and interest recognised in the period related to potential diluted shares.

- Weighted average number of shares issued that include the effect of all potential diluted had been converted to ordinary shares in the beginning of the period or from the issuing date is this is later.

NOTE 3 – SIGNIFICANT TRANSACTIONS

Nordic Mining’s shareholding in Keliber has been reduced to 38%. As Nordic Mining no longer has a controlling interest in Keliber, the shareholding is classified as shares in an associated, for more information, see note 10 in the consolidated accounts.

In 2011 the Company sold the mineral rights of the Engebø prospect to the subsidiary Nordic Rutile AS. The consideration consist of shares in Nordic Rutile and an interest-bearing long-term receivable of NOK 26.25 million. The Company recorded a gain of NOK 48 million in the transaction.

NOTE 4 – SALARIES

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|--------------|--------------|
| Wages and salaries | 7 740 | 7 015 |
| Social security costs | 1 362 | 1 255 |
| Pension costs defined contribution plan | 1 151 | 601 |
| Other personnel costs ¹ | (1 456) | (442) |
| Total | 8 798 | 8 428 |
| Average number of full time employees | 5 | 5 |

1) NOK 1 459 000 has been charged different projects in the Group (NOK 442 000 in 2011).

The main components of the guidelines for senior management salaries are as follows:

- The compensation package should reflect the responsibility and the tasks that the individual persons in senior management, and that the employee contributes towards the long-term creation of value in Nordic Mining.
- The Company will offer competitive conditions in order to attract relevant expertise for the development of the Company.
- The compensation package consists of fixed salary plus participation in an option program that has previously been approved by the annual meeting.
- Senior management participates in pension and insurance plans.
- Neither the Company’s CEO nor other members of the senior management team has an agreement of a severance package in their employment contracts.

These guidelines have been used to hire senior management in Nordic Mining ASA and to establish salary levels.

See also note 17 for remuneration for senior management.

The Company has a defined benefit pension plan which satisfies the requirements in the regulations for mandatory service pension.

NOTE 5 – SHARE-BASED REMUNERATION

The annual shareholders' meeting of Nordic Mining in June 2012 decided to implement an incentive program for senior management and qualified resource persons. The Board was given authority to allocate options that in full gives the right to sign up to 6 million new shares in Nordic Mining. In June 2012, the Board decided to grant options of 4 550 000 shares to employees and associated resource persons at an exercise price of NOK 1.05 per share. The share price on the allocation date was NOK 1.03. The options had no vesting requirements and may be exercised until June 2014.

The following chart shows the changes in number of outstanding options during the year and weighted average exercise price:

| | 2012 | | 2011 | |
|--------------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding 1 January | 2 990 000 | 1.60 | 2 990 000 | 1.60 |
| Granted during the year | 3 650 000 | 1.05 | - | - |
| Cancelled during the year | - | - | - | - |
| Exercised during the year | - | - | - | - |
| Expired during the year | (2 990 000) | 1.60 | - | - |
| Outstanding 31 December | 3 650 000 | 1.05 | 2 990 000 | 1.60 |
| Granted through subsidiary companies | 900 000 | 1.05 | 510 000 | 1.60 |
| Exercisable 31 December | 4 550 000 | 1.05 | 3 500 000 | 1.60 |
| Exercisable 31 December | 4 550 000 | 1.05 | 3 500 000 | 1.60 |

The fair value of options granted through subsidiary has been posted and has increased the investment in subsidiary. All options have equal conditions.

For note information about fair value, the assumptions for calculation of fair value etc., see note 5 in the consolidated accounts.

NOTE 6 – OTHER OPERATIONAL COSTS

| (Amounts in NOK thousands) | 2012 | 2011 |
|-------------------------------|--------------|--------------|
| Project costs – Engebøfjellet | - | 2 537 |
| Other business development | 2 106 | 367 |
| Keliber | 65 | 17 |
| Exploration costs (Norway) | 1 439 | 1 617 |
| Other costs | 3 902 | 4 897 |
| Totalt | 7 512 | 9 435 |

Remuneration to the auditor:

| (Amounts in NOK thousands) | 2012 | 2011 |
|----------------------------|------------|------------|
| Statutory audit | 425 | 463 |
| Other assurance | 43 | 30 |
| Tax services | - | - |
| Other | - | - |
| Other financial audit | 38 | - |
| Total | 506 | 493 |

The amounts are excluding VAT.

NOTE 7 – FINANCIAL INCOME AND FINANCIAL COSTS

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|--------------|------------|
| Interest income on bank deposits | 278 | 237 |
| Intercompany interest | 1 651 | 113 |
| Other finance income | 70 | - |
| Foreign exchange gains | 418 | 75 |
| Other interest income | - | - |
| Finance income | 2 417 | 425 |
| Other interest expense | 369 | 471 |
| Foreign exchange losses | 227 | 24 |
| Finance costs | 596 | 496 |

NOTE 8 – TAXES**Income taxes for the year:**

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|------------------------------------|----------|----------|
| Taxes payable | - | - |
| Change in deferred tax | - | - |
| Income tax expense (income) | - | - |

Tax impact of temporary differences as of 31 December:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|---------------|---------------|
| Property, plant and equipment | 3 | 1 |
| Tax loss carryforwards | 49 277 | 43 927 |
| Licences | (371) | - |
| Pension asset | (122) | (132) |
| Net deferred tax asset | 48 787 | 43 796 |

Recognized deferred tax in the balance sheet:

| | | |
|--------------------|---|---|
| Deferred tax asset | - | - |
| Deferred tax | - | - |

The Company has a history of operating losses, and has therefore not recognised deferred tax assets on the balance.

The Company posted NOK 2.6 million in direct transaction costs for share issues in 2012 to equity (2011: NOK 2.9 million). The amount is included in carry forward losses, but the related tax impact of NOK 0.7 million has not been posted against equity because the Company has not posted tax advantages for 2012 on the balance sheet (2011: NOK 0.8 million). There is no limit in years for tax loss carry forward in Norway.

Reconciliation of effective tax rate:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---------------------------------------|----------|----------|
| Loss before tax | (27 763) | 20 304 |
| Nominal tax rate | 28 % | 28 % |
| Expected tax expense/(income) | (7 774) | 5 685 |
| Impairment shares in subsidiaries | 2 962 | 1 979 |
| Non-deductible expenses | 640 | 137 |
| Non-taxable income | (94) | (41) |
| Non-recognized tax loss carryforwards | 4 266 | (7 760) |
| Income tax expense (income) | - | - |

Government grants/ R&D tax credits:

The Company has received NOK 94 091 as R&D tax credit in 2012 (2011: NOK 103 327). The work was executed in 2011.

NOTE 9 – EARNINGS PER SHARE

| <i>(Amounts in NOK thousands and number of shares in thousands)</i> | 2012 | 2011 |
|---|----------|---------|
| Earnings | | |
| Profit/(Loss) for the year attributable to ordinary equity holders of the Company | (27 763) | 20 304 |
| Number of shares | | |
| Weighted average number of ordinary shares outstanding | 181 973 | 143 655 |
| Earnings per share attributable to ordinary shareholders <i>(Amounts in NOK)</i> | | |
| Basic and diluted earnings per share | (0.15) | 0.14 |

NOTE 10 – FIXED ASSETS

| <i>(Amounts in NOK thousands)</i> | Concessions | Machinery and other equipment |
|-----------------------------------|--------------|-------------------------------|
| Cost | | |
| 1 January 2011 | 4 183 | 46 |
| Additions | 304 | - |
| Disposals | (4 487) | - |
| 31 December 2011 | - | 46 |
| 1 January 2012 | - | 46 |
| Additions | 1 326 | - |
| Disposals | - | - |
| 31 December 2012 | 1 326 | 46 |
| Depreciation | | |
| 1 January 2011 | - | 18 |
| Depreciation | - | 15 |
| Impairment loss | - | - |
| 31 December 2011 | - | 33 |
| 1 January 2012 | - | 33 |
| Depreciation | - | 13 |
| Impairment loss | - | - |
| 31 December 2012 | - | 46 |
| Carrying amounts | | |
| 1 January 2011 | 4 183 | 28 |
| 31 December 2011 | - | 13 |
| 1 January 2012 | - | 13 |
| 31 December 2012 | 1 326 | - |

Depreciation method/- time:

The unit of
production methodLinear depreciation
3 years

The addition in 2012 is capitalized successful exploration drilling in Øksfjord.

The mining rights per 1 January 2011 were related to the mineral deposit in the Engebø mountain in Naustdal municipality, Norway.
The mineral rights was sold to Nordic Rutile in 2011, see note 3.

NOTE 11 – OTHER RECEIVABLES AND PREPAID EXPENSES

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|--------------|--------------|
| Accounts receivable | - | 1 322 |
| Other receivables | - | - |
| Prepaid to Dag Dvergsten AS ¹ | - | 670 |
| Other prepayments | 1 367 | 1 118 |
| Accounts receivable VAT | 346 | 430 |
| Intercompany receivables ² | 3 845 | 4 472 |
| Total | 5 558 | 8 012 |

1) Prepaid rent for 1st quarter.

2) Intercompany receivables

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|--------------|--------------|
| Nordic Rutile AS | 969 | 532 |
| Nordic Ocean Resources AS | 387 | 195 |
| Nordic Quartz AS | 665 | 582 |
| Gudvangen Stein AS | 1 761 | 2 632 |
| Keliber Oy | 63 | 531 |
| Total | 3 845 | 4 472 |

Other receivables

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|---------------|---------------|
| Net pension funds | 434 | 472 |
| Long-term intercompany receivables ³ | 31 385 | 26 250 |
| Total | 31 819 | 26 722 |

3) Long-term intercompany receivables

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|---------------|---------------|
| Nordic Rutile AS | 31 133 | 26 250 |
| Nordic Quartz AS | 252 | - |
| Total | 31 385 | 26 250 |

NOTE 12 – CASH AND CASH EQUIVALENTS

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|---|--------------|--------------|
| Bank deposits | 6 060 | 2 373 |
| Total cash and cash equivalents | 6 060 | 2 373 |
| Included in cash and cash equivalents at 31 December; | | |
| Employee withholding tax | 361 | 393 |
| Foreign currency | - | - |

NOTE 13 – SHARE CAPITAL/EQUITY

| Number of shares outstanding | Ordinary Shares |
|------------------------------|--------------------|
| 2011: | |
| Opening balance | 125 470 091 |
| Share issuance | 20 000 000 |
| 31 December 2011 | 145 470 091 |
| 2012: | |
| Opening balance | 145 470 091 |
| Share issuance | 40 000 000 |
| 31 December 2012 | 185 470 091 |

All shares have equal rights. Nominal value is NOK 0.10 per share. For additional information see notes 17 and 26 in the consolidated accounts.

Changes in the equity

| (Amounts in NOK thousands) | Share capital | Share premium | Other-paid-in capital | Retained earnings | Total |
|--|---------------|----------------|-----------------------|-------------------|---------------|
| Equity at 1 January 2011 | 12 547 | 153 337 | 7 033 | (132 767) | 40 150 |
| Share-based payment | - | - | - | - | - |
| Options issued in business combination | - | - | - | - | - |
| Share issue | 2 000 | 27 000 | - | - | 29 000 |
| Transaction costs on share issue | - | (2 921) | - | - | (2 921) |
| Share issue in business combination | - | - | - | - | - |
| Loss for the period | - | - | - | 20 304 | 20 304 |
| Equity at 31 December 2011 | 14 547 | 177 415 | 7 033 | (112 463) | 86 533 |
| Share-based payment | - | - | 1 823 | - | 1 823 |
| Share issue | 4 000 | 32 000 | - | - | 36 000 |
| Transaction costs on share issue | - | (2 594) | - | - | (2 594) |
| Share issue in business combination | - | - | - | - | - |
| Loss for the period | - | - | - | (27 763) | (27 763) |
| Equity at 31 December 2012 | 18 547 | 206 821 | 8 856 | (140 227) | 93 997 |

NOTE 14 – PROVISION AND OTHER CURRENT LIABILITIES

| (Amounts in NOK thousands) | 2012 | 2011 |
|---|--------------|--------------|
| Tax withholding and social security accrual | 644 | 655 |
| Employee salary and holiday pay accrual | 767 | 690 |
| Accrued expenses | 584 | 1 124 |
| Total | 1 994 | 2 469 |

NOTE 15 – INVESTMENTS IN SUBSIDIARIES AND ASSOCIATE**Investments in Subsidiaries**

| <i>(Amounts in NOK thousands)</i> | Location | Year incorp. | Share capital | Owner- ship | Equity 31.12.12 | Net loss 2012 | Carrying amount 31.12.12 |
|-----------------------------------|-----------------|-------------------------|--------------------------|------------------------|----------------------------|--------------------------|-------------------------------------|
| Nordic Rutile AS | Oslo, Norway | 2006 | 13 725 | 100% | 20 781 | (5 102) | 27 365 |
| Gudvangen Stein AS | Aurland, Norway | 2007 | 450 | 100% | (2 122) | (3 251) | - |
| Nordic Ocean Resources AS | Oslo, Norway | 2011 | 110 | 85% | (260) | (650) | 645 |
| Nordic Quartz AS | Oslo, Norway | 2011 | 110 | 100% | (688) | (1 197) | 1 100 |

In 2012, the Company recognized an impairment loss of the shares in Gudvangen Stein of NOK 5.7 million (2011: NOK 2.5 million) and an impairment loss of the investment in Keliber of NOK 4.9 million (2011: NOK 4.6 million).

Investments in Associate

The Company holds an investment of 38% in Keliber Oy in Finland. See note 3 and note 10 in the consolidated accounts for a description of the transaction that led to the Company losing control in the former subsidiary.

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|--------------|-------------|
| Initial fair value 26.10.2012 | 24 568 | - |
| Balance at 31.12.2012 | 24568 | - |

NOTE 16 – SHAREHOLDERS

An overview of the largest shareholders in the Company as per 31 December 2012 is shown in note 23 of the consolidated accounts.

NOTE 17 – RELATED PARTIES AND SALARY TO SENIOR MANAGEMENT**Transactions with related parties**

Expenses of NOK 2.2 million (NOK 2.7 million in 2011) have been posted as office and service expenses from Dag Dvergsten AS.

The Company has no termination pay agreements with its senior management.

| <i>(Amounts in NOK thousands)</i> | Salary | Board member fees | Other compensation | Pension cost | Share-based payment | Total |
|---------------------------------------|---------------|------------------------------|-------------------------------|-------------------------|--------------------------------|---------------|
| Ivar Sund Fossum, CEO | 1 852 | - | 239 | 200 | 401 | 2 691 |
| Lars K. Grøndahl, CFO | 1 403 | - | 162 | 209 | 280 | 2 055 |
| Ottar Nakken, VP Commercial | 1 273 | - | 165 | 208 | 220 | 1 866 |
| Paul I. Norkyn, VP Mining operations | 1 272 | - | 139 | 190 | 220 | 1 821 |
| Mona Schanche, Exploration manager | 846 | - | 26 | 99 | 280 | 1 251 |
| Tarmo Tuominen, Board chairman | - | 191 | - | - | - | 191 |
| Dag Dvergsten, retired Board chairman | - | 210 | - | - | - | 210 |
| Camilla Fiskevoll, Board member | - | 196 | - | - | - | 196 |
| Tore Viana-Rønningen, Board member | - | 23 | - | - | - | 23 |
| Thorild Widvey, Board member | - | - | - | - | - | - |
| Kjell Roland, Board member | - | - | - | - | - | - |
| Anne Dæhlie, retired Board member | - | 175 | - | - | - | 175 |
| Egil M. Ullebø, retired Board member | - | 175 | 3 | - | - | 178 |
| Total | 6 645 | 971 | 734 | 905 | 1 402 | 10 658 |

Receivables from management:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--------------------------------------|--------------|------------|
| Ivar Sund Fossum, CEO | (53) | - |
| Lars K. Grøndahl, CFO | (88) | - |
| Ottar Nakken, VP Commercial | (13) | - |
| Paul I. Norkyn, VP Mining operations | (10) | (4) |
| Mona Schanche, Exploration manager | - | - |
| Tarmo Tuominen, Board chairman | (5) | - |
| Egil M. Ullebø, Board member | - | (2) |
| Total | (169) | (6) |

The balance consists of short-term items only; not interest bearing.

NOTE 18 – FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**Management of financial risk**

Nordic Mining is exposed to various types of financial risk related to the Company's financial instruments, primarily credit risk related to customer receivables and other financial claims, market risk related to floating interest rate, risk on cash and cash equivalents and interest bearing debts, currency risk and liquidity risk. The Company manages the Group's financial risk primarily by identifying and evaluating potential risk areas. The Company has at this time not found it necessary to use derivatives to several financial risks.

Liquidity risk

The liquidity risk is the risk that the Company is not able to pay its financial obligations upon maturity. The Company has used equity financing to a large degree in order to meet liquidity demands related to financial obligations, cover operational losses and acquisition of businesses. Nordic Mining ASA does not have significant financial obligations. For a more complete description of Nordic Mining Group's liquidity risk we refer to note 21 in the consolidated accounts.

The Company currently has cash for less than a year with the current operating losses and for servicing liabilities. The Company will need to either raise more equity or to issue debt instruments to continue operations. Alternatively, the Group can seek strategic partners for one or more of its business segments.

Market risk**Variable interest risk**

The Company is exposed to cash flow risk related to receivables from a subsidiary that has a floating interest rate. Furthermore the Company has exposure to the floating interest risk related cash or cash equivalent deposits.

Currency exchange risk

The Company has a certain exposure to currency exchange risk for receivables in EUR, primarily to its associate. The Company evaluates unpaid balances and transactions in foreign currency, but at this time has not elected to secure against currency exposure.

Categories and true value of financial instruments

Values posted on the balance for cash and cash equivalents, customer receivables, payables to suppliers and other short term financial items are at approximately true value due to the short period until maturity. There is a variable interest rate on the Company's interest carrying debts.

| <i>(Amounts in NOK thousands)</i> | 2012 | | 2011 | |
|--|-----------------|---------------|-----------------|---------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Loans and receivables | 35 664 | 35 664 | 31 912 | 31 912 |
| Cash and cash equivalents | 6 060 | 6 060 | 2 373 | 2 373 |
| Total financial assets | 41 723 | 41 723 | 34 285 | 34 285 |
| Financial liabilities measured at amortized cost: | | | | |
| Accounts payable | 2 449 | 2 449 | 2 007 | 2 007 |
| Other current financial liabilities | 1 350 | 1 350 | 1 814 | 1 814 |
| Total financial liabilities | 3 799 | 3 799 | 3 821 | 3 821 |

Credit risk

Nordic Mining ASA does not have receivables from sales and there are not many other payables (loans and payables are primarily with the companies within the Group). The Company therefore has a limited credit risk.

Sensitivity analysis

The Company's result and equity is exposed only to a limited degree to changes in interest rate and currency exchange rates.

NOTE 19 – PENSIONS

Nordic Mining has a defined benefit plan with a total of 5 employed members.

Pension costs for the year were as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--------------------------------------|--------------|------------|
| Current service costs | 1 066 | 946 |
| Interest cost on pension obligations | 258 | 254 |
| Yield on pension funds | (361) | (360) |
| Actuarial gains/losses | 52 | - |
| Sum net pension costs | 1 015 | 840 |
| Other | 136 | 144 |
| Total pension related costs | 1 151 | 984 |

Net pension posted on balance are as follows:

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|--|------------|------------|
| Pension funds | 7 852 | 7 193 |
| Pension obligations | (7 637) | (7 983) |
| Total | 215 | (790) |
| Uncompleted actuarial gains and losses | 220 | 1 262 |
| Net pension obligations posted to balance sheet | 435 | 472 |

NOTE 20 – OTHER NON-CURRENT LIABILITIES

| <i>(Amounts in NOK thousands)</i> | 2012 | 2011 |
|-----------------------------------|----------|--------------|
| Contingent consideration Keliber | - | 5 545 |
| Total | - | 5 545 |

NOTE 21 – EVENTS AFTER THE DATE OF THE ACCOUNTS

See note 26 in the consolidated accounts.





Nordic Mining ASA

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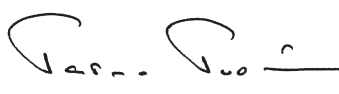
Org. no. 989 796 739

RESPONSIBILITY STATEMENT


We confirm to the best of our knowledge that the consolidated financial statements for 2012 have been prepared in accordance with IFRS as adopted by the European Union, as well as additional information requirements in accordance with the Norwegian Accounting Act, that the financial statements for the parent company for 2012 have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting practice in Norway, and that the information presented in the financial statements gives a true and fair view of the assets, liabilities, financial position and result of Nordic Mining ASA and the Nordic Mining Group for the period. We also confirm to the best of our knowledge that the Board of Directors' Report includes a true and fair review of the development, performance and financial position of Nordic Mining ASA and the Nordic Mining Group, together with a description of the principal risks and uncertainties that they face.

Oslo, 29 April 2013


The Board of Directors of Nordic Mining ASA

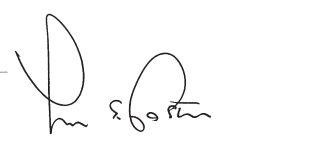

Tarmo Tuominen
Chairman


Camilla Fiskevoll


Thorhild Widvey


Kjell Roland


Tore Viana-Rønningen


Ivar S. Fossum
CEO



To the Annual Shareholders' Meeting of
Nordic Mining ASA

State Authorised Public Accountants
Ernst & Young AS

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Accountants

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Nordic Mining ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the balance sheet as at 31 December 2012, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the consolidated statement of financial position as at 31 December 2012, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and the International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

A member firm of Ernst & Young Global Limited

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Nordic Mining ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU.

Emphasis of matter

Without qualifying our opinion, we draw attention to the Board of Director's Report and note 21 in the Group's financial statements, which indicate that the Group will need to either raise more equity, sell assets or to issue debt instruments to continue operations. The financial statement of the Group and the parent company do not reflect impairment charges, losses or accrual for guarantee commitments if assets are sold in a distressed situation. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the statement on corporate governance

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and the statement on corporate governance concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 29 April 2013
ERNST & YOUNG AS



Asbjørn Rødal
State Authorised Public Accountant (Norway)

ARTICLES OF ASSOCIATION

for Nordic Mining ASA per 9 April 2013

1. The name of the company is Nordic Mining ASA. The company is a public limited liability company.
2. The registered office of the company is in Oslo.
3. The object of the company is to carry on exploration for coal, minerals and ores, mining activity, technology development, activities that may be associated herewith, and participation in other companies anywhere in the world.
4. The share capital of the company amounts to NOK 20,050,480.10 divided on 200,504,805 shares of a nominal value of NOK 0.10. The shares of the company shall be registered in the Norwegian Registry of Securities.
5. The board of directors of the company shall have from 3 to 8 members according to the decision of the shareholders' meeting. Two board members jointly can sign on behalf of the company.
6. The company shall have an Election Committee consisting of three members who shall be elected by the general meeting. The members of the Election Committee shall, when they are elected, be shareholders or representatives of shareholders of the company. The Election Committee shall make recommendations to the general meeting concerning the election of members and deputy members to the board of directors. The Election Committee shall also make recommendations concerning remuneration to such members. Members of the Election Committee are elected for a period of two years. The members of the board of directors which have been elected by the general meeting make recommendations for and adopt instructions for the Election Committee.
7. The shareholders' meeting shall deal with:
 - i) Adoption of the annual accounts and annual report, including payment of dividends.
 - ii) Other matters that pursuant to law are the business of the shareholders' meeting.
8. If a document that relates to an issue that the general meeting shall decide on is made available to the company's shareholders on the company's website, then such a document does not have to be physically sent to the shareholders of the company. However, such a document shall be sent to the shareholder free of charge if shareholders request it.
9. Shareholders that plan to attend a General meeting have to give notice to the company within 5 days of the general meeting. Shareholders who have not given such notice within 5 days of the general meeting may be denied entrance to the general meeting.

FINANCIAL CALENDAR 2013

| February | May | June | August | November |
|-----------------------------|----------------------------|------------------------|-----------------------------|----------------------------|
| 27 | 8 | 13 | 23 | 15 |
| Fourth quarter results 2012 | First quarter results 2013 | Annual General Meeting | Second quarter results 2013 | Third quarter results 2013 |



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