Nordic Iron Ore
Annual Report 2013

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Nordic Iron Ore is a mining development company in the southern Dalarna region of Sweden whose main ambition is to resume mining operations at Ludvika Gruvor, comprising the previously operational mines Blötberget and Håksberg, and the intermediate Väsmanfältet, which is considered to hold significant potential. Nordic Iron Ore's establishment and expansion plans are motivated by strong demand for steel with favourable iron ore prices, significant mineral resources, a robust logistics solution with direct access via an existing railway to a deep-water port, and the economies of scale ensuing from the company being the first player ever to be able to integrate the major iron ore deposits in the Ludvika region.
For more information, see: www.nordicironore.se/en/

Nordic Iron Ore in brief

Vision

Nordic Iron Ore will be one of the major Swedish producers of high-quality iron ore products.

Business concept

Nordic Iron Ore's business concept is to own iron ore deposits in the mining district known as Bergslagen either under its own auspices or with other operators, and to develop them into operational mines with sound long-term profitability that can supply high quality products to steelworks in Europe and other parts of the world.

Objectives

Nordic Iron Ore's operational goals are as follows:

- to resume mining operations at Ludvika Gruvor, with an expected annual production of about 4.3 million tonnes of finished product at full operation,
- to significantly expand the scope of the mineral resources, primarily through continued exploration of Väsmanfältet,
- to obtain the requisite permits for resuming mining operations, and
- to prepare the necessary feasibility studies and thorough production plans ahead of the start of production.

Nordic Iron Ore's financial goal is, within two years of the start of full-scale production, to achieve a sustainable level of profitability after financial expenses that is at least in line with the industry average.

Strategy

Nordic Iron Ore aims to become one of Sweden's major producers of iron ore products. Initially, the company will develop the iron ore deposits at Ludvika Gruvor and, in the long term, assess other iron ore deposits either under its own auspices or in partnership with another operator. The strategy is to:

- explore, identify and develop quality iron ore deposits,
- create an efficient holistic solution for mining operations, concentration and logistics,
- be an attractive business partner which, with high delivery reliability, produces high quality iron ore products for the selected customer segment.

Asset portfolio

Since its start in 2008, Nordic Iron Ore has acquired a number of exploration permits and established a portfolio consisting of a total of 19 exploration permits for iron ore deposits in Bergslagen.

The company's top-priority projects include the deposits at Blötberget, Väsmanfältet and Håksberg near Ludvika. The deposits are located along an approximately 15km long vein of iron deposits that run from Blötberget in the south, under Lake Väsman to the Håksberg field north of Väsman. For the first time, all iron deposits along this vein are controlled by a single company.

19

Nordic Iron Ore has 19 exploration permits for iron ore deposits in Bergslagen.

4.3 MILLION

Ludvika Gruvor has an expected annual production of about 4.3 million tonnes of finished product at full operation.

Summary of 2013

Projects

- The main hearings at the Land and Environment Court pertaining to the application for an environmental permit were concluded.
- In 2013, as part of the ongoing feasibility study for restarting the Blötberget mine, Nordic Iron Ore has developed a geological model for the mineralisations based on existing geological data. This has resulted in both an upgrade of and an increase in mineral resources.

Organisation

Nordic Iron Ore has an organisation and a management team that comprises five people for the initial phase of exploration and project development. The organisation is supported by a number of external consulting firms with extensive experience from similar projects in Sweden.

At the Annual General Meeting (AGM) on 28 June 2013, resolutions were passed to re-elect the following Board members: Anders Bengtsson, Jonas Bengtsson, Göran Ekdahl, Johnas Jansson, Lars-Göran Ohlsson, Tomas Olofsson, Per Storm and Christer Lindqvist. Göran Ekdahl, was elected as Chairman of the Board.

At the Extraordinary General Meeting on 13 March 2014, Sigrun Hjelmquist was elected as a full Board member.

Funding

- During the year, the company raised SEK 10 million through a mandatory convertible bond.
- One of the founders divested shares and, as a consequence, the number of shareholders at year end was 1,751.
- Nordic Iron Ore raised SEK 10 million through a loan from Inlandsinnovation, the state-owned venture capital company, as the first key step in funding the completion of the feasibility study.
- The company plans to carry out a new share issue and list Nordic Iron Ore's share on NASDAQ OMX First North in 2015.

Significant events after the end of the financial year:

- An environmental permit was granted by the Land and Environment Court on 20 March 2014.
- As a result of the ongoing feasibility study, a new estimate of the company's mineral resources was published in February. The estimates show that measured and indicated mineral resources now amount to 11 million and 27 million tonnes respectively, while inferred mineral resources amount to 21 million tonnes. In total, this is 50% higher than previous estimates. The iron content is 35%, 45% and 33% respectively.

SEK 10 M

Nordic Iron Ore raised SEK 10 million as the first key step in funding the completion of the feasibility study.

50%

The estimated increase in Nordic Iron Ore's mineral resources.

CEO's comments

The past year was a year of surprises and disappointment for the Swedish mining industry in general. Environmental conflicts, corporate reconstructions, declining market prices and global political unrest contributed to Svenska Dagbladet, the day before Christmas Eve, naming 2013 as "The Year the Lights Went out" for the mining sector.

From my vantage point, I have noted that much of the turmoil arose from local issues for the companies involved, rather than fundamental causes. The iron ore market was relatively stable in 2013, with high average spot prices. The fall in prices expected by analysts did not arrive, as China's crude steel production increased more than predicted. The assessment is that the price will remain high in 2014, but is sensitive to weather-related events and China's demand trend. The financial recovery in the US and Europe will probably increase demand for steel and, accordingly, for iron ore.

Focus on funding

For Nordic Iron Ore this has meant diverting much of our energy to securing funding and partial postponement of exploration. Investors have become extremely selective when choosing investment objects in the commodities sector, and our challenge has been to describe what is required for an iron ore project to be successful and how well we meet these requirements.

The requirements can be summed up simply as follows: The first requirement is that ore production is carried out at a low cost in a country and region with low political risk. To that must be added a well-functioning logistics chain with access to a railway and port. The final requirement – which should be obvious – the competence to lead and implement large, complex, industrial projects.

Clear requirements – that we meet

Our project uniquely meets these requirements, which places Ludvika Gruvor high on the list of feasible projects. We have a substantial base of high-grade iron ore in a region characterised by mining since the 1500s. In Ludvika, people are generally optimistic regarding a new start for mining operations and have accepted our plans with high expectations and considerable optimism. A large proportion of our shareholders come from Dalarna, with particular concentration to the Ludvika area. In 2013, we noted that political risk can arise locally, even in stable democracies such as Sweden, so local support is a key factor. In this context, it is important that mining companies are transparent and actively participate in contributing to social development. Societal benefit and the impact on society is considerable and, therefore, we must be active and transparent to be worthy of the level of trust we currently have in the district.

Infrastructure in place

The collaboration with the Swedish Transport Administration and the undertakings in the Infrastructure Bill pertaining to investments to facilitate the transportation of ore from Bergslagen and the agreement with the Port of Oxelösund mean that we have something that few new iron ore projects can boast of. We already have the logistics in place.

Supplementary railway infrastructure investments are planned and the state-owned Inlandsinnovation AB's participation as a funder of the company improves preconditions for the project's success. Nordic Iron Ore also possesses experience of planning and realising major projects, which is a crucial factor when making the transition from exploration and funding to mining, transportation and selling.

Environmental permit ready

During the year, work continued with the requisite environmental permit. The main hearing at the Land and Environment Court started in October and ended in February this year. At the end of March, the court granted the permit, which means that we now have all key permits in place.

1500s

We have a substantial base of high-grade iron ore in a region characterised by mining since the 1500s.

50%

We were delighted to note that the mineral resources at Blötberget had increased by 50%.

We were recently able to report further positive developments in our mineral resources from the work carried out during the year. Focus has been on restarting Blötberget and we were delighted to note that the mineral resources at the location had increased by 50%.

In addition, during the year, we worked with structuring the project into three defined development phases with Blötberget as the first priority, which means that we now have a well-defined industrial project where the initial investment need ahead of the production start could be substantially reduced.

Blötberget on its own feet

The strength of the development plan for Ludvika Gruvor is that Blötberget in the first step is profitable on a stand-alone basis without requiring the next two stages.

When conditions in Blötberget are stable, we will take the next step under organised forms. This is partly a change in the previous strategy that was based on restarting Blötberget and Håksberg in parallel.

The feasibility study that is now concluding for Blötberget will be profitable on its own merits and the next phases will be supplementary investments in a profitable project. This adjustment of the development plan for Ludvika Gruvor means that we can control risks when implementing the project in a safer manner.

Over the next year, efforts will be entirely focused on primarily implementing the feasibility study to develop the organisation for the start of the coming plant project at Blötberget.

In summary, I can, to an extent, agree with Svenska Dagbladet that it was indeed a dark year for the Swedish mining industry. But I would like to note that the lights are burning brightly at Nordic Iron Ore. Due to our unique conditions and the substantial commitment in the region, I have strong hopes that over the next few years, we will reawaken the slumbering mining industry in Västerbergslagen.

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Christer Lindqvist
CEO of Nordic Iron One

Market and products

Nordic Iron Ore operates in the global mining and steel industry, where the consumption of steel controls demand for iron ore and is vital for the entire industry.

67%

Nordic Iron Ore plans to produce a product with an iron content of over 67%.

Global trade in iron ore

Global iron ore production has more than doubled since 2001, which means an increase of more than one billion tonnes. This has taken place despite the sharp decline of the steel industry during the financial crisis in 2008, when industries including construction, automotive and engineering were hit hard by the global recession.

Emerging economies with major investments in infrastructure projects, for example China and India, are driving developments and in China, in particular, demand remains robust. Developing countries accounted for almost 66% of total iron ore imports in 2012. China is by far the world's largest iron ore importer, with over 820 million tonnes annually, up 8.5% annually since 2000.

In Europe, Germany, France, Italy and the UK are the largest iron ore importers. The largest producers are Brazilian Vale, Rio Tinto, Anglo American, FMG and BHP Billiton, which together account for about half of global production and three quarters of the seaborne iron ore trade.

In the Nordic region, there are just a few players, with LKAB of Sweden (with three mines at Kirunavaara, Malmberget and Gruvberget) being the only major Swedish iron ore mining company. With an annual production of about 27 million tonnes in 2012, LKAB is a major producer in Europe, but only accounts for barely 3% of global production.

Besides LKAB, there are at least five other Nordic iron ore projects at various stages of development, including Nordic Iron Ore. The other include the Swedish companies Northland Resources with an estimated annual production of about 4 Mt/year and Dannemora Mineral (1.5 Mt/year) as well as the Norwegian companies Northern Iron (2 Mt/year) and Rana Gruva (<1 Mt/year).

Pricing of iron ore

The price of iron ore varies depending on iron content and grade, as well as from where in the world the iron ore originates. The daily published spot price is a standard price for iron ore fines (sinter fines) with an iron content of 62% CFR to a Chinese port. In addition to iron ore with an iron content of 62%, iron ore is trade with iron contents of 58%, 63.5% and 65%. The price correlates directly to the iron content, but the most linear pricing is for concentrate. Usually, the price for iron ore with an iron content higher than 62% includes a premium which, over time, is estimated at between USD 2 and USD 7 per tonne for each percentage point in excess of 62%. With the recent downturn in market demand and the subsequent decline in prices, this premium has been 2.5 dollars per tonne. However, at the end of 2013, the premium started to climb again. The probable underlying reason is that countries like China are under pressure to reduce industrial pollution from their steelworks by improving the quality of raw materials in parallel with the demand for better steel grades, for example, in the automotive and white goods industries. Nordic Iron Ore plans to produce a product with an iron content of over 67%, which is in the top price range.

Trend in 2013

The market

2013 was slightly less turbulent than the preceding year for the global mining and steel industries. Iron ore prices were significantly above analysts' expectations and the volatility of iron ore prices was noticeably less than that experienced over the preceding two years.

The slowdown in growth in China and the expected continued downturn in the European markets lay behind the analysts' pessimism. In the latter half of the year, the price of iron ore rebounded at by year end had reached an average price of USD 130 per tonne, which was higher than 2012.

During the year, many of the crisis countries in Europe started to show signs of recovery and many economies, particularly the UK, started to report growth. Although growth was lower than in previous years in China, the country is still growing and, in 2013, imported 820 million tonnes of iron ore, which was a new record.

40,000,000 tonnes

Even moderate growth in China, of just 5%, means an increase in iron ore demand of more than 40 million tonnes per year.

Supply

Even moderate growth in China, of just 5%, means an increase in iron ore demand of more than 40 million tonnes per year. Domestic production in China is far from corresponding to demand and India's exports have fallen to 15 million tonnes per year from over 100 million tonnes a few years ago.

Many experts are of the opinion that the long-term price for iron ore will be about USD 120 per tonne. Others are expecting the market to be flooded with iron ore from new mining projects, with falling prices as a result. Although a theoretical capacity exists to produce another 550 million tonnes of iron ore per year, experience tells us that many of the planned mining projects will not enter production.

Several marginal producers in China are struggling due to more stringent environmental requirements, declining iron ore quality and mining at increasing depths and in remote locations to keep pace with growing demand. In the long term, further decline is expected in Chinese production, which will be replaced with higher quality ore from, primarily, Australia, South America, Africa and Europe.

Demand

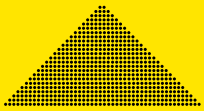
The global outlook for the steel markets and iron ore posted certain signs of improvement toward the end of 2013. For example, in Europe, demand for steel has now shown signs of a slight recovery. This will not result in rapid increase growth, but steady improvement across Europe as a consequence of the previously hard-pressed economies recovering when the emergency measures start to impact and stimulate a degree of growth.

In the studies that have been made, the company's project at Ludvika Gruvor has demonstrated that ore can be mined extremely competitively in combination with low risk levels an access to a logistics solution comprising a railway and a deep-water port.

Outlook

If we assume the relationship between iron ore demand and steel production remains unchanged, the forecast demand for iron ore was 1,910 million tonnes in 2011 and around 2,000 million tonnes in 2012. Of this amount, around 1,200 million tonnes was imported. In the long-term, no fundamental changes in demand occurred in the global iron ore market.

ORE CONCENTRATE



Ore concentrate is the most enriched iron ore product and has a typical grain size of not more than 6 mm. The product is used as raw material for the sintering and pelletising process for use in blast furnaces. Ore concentrate accounts for about 70% of the global market for iron ore products. Ore concentrate requires further processing and, accordingly, trades at a lower price than lump ore and pellets.

SINTER

Sinter is manufactured through agglomeration of fine concentrate and a binding agent after which the sinter is crushed into smaller pieces to, just like pellets, be used in blast furnaces. Accordingly, sinter does not have the same even and consistent form as pellets. In addition, sinter normally has a lower iron content than pellets.

Typically, sinter is made from ore concentrate with an iron content of 58–65%, which can be compared with pellets for which the corresponding value is generally 62–67%.

PELLETS

Pellets are made through the agglomeration of fine concentrate and a binding agent. Typically, pellets have a grain size of between 9 and 16mm. The production requires processing in a pellets plant, which means higher manufacturing costs.

Pellets are of a higher and more consistent quality and, accordingly, are sold at a premium to lump ore.

9-16

Typically, pellets have a grain size of 9–16 mm

LUMP ORE

Lump ore is relatively raw and, therefore, does not need to be sintered before use in the blast furnace process. Normally, lump ore has a size of 6–30mm. Lump ore with a high iron content and a low degree of impurities, in combination with good solidity at high temperatures is considered a premium product.

Lump ore can be used directly in blast furnaces and, accordingly, trades at a premium to ore concentrate.

6-30

Normally, lump ore has a size of 6–30 mm

IRON PRODUCTION IN BLAST FURNACES

Nordic Iron Ore plans to produce ore concentrate, intended for the production of pellets or sinter with a high iron content.

Market and products, cont.

1.2 billion

China is expected to consume over 1.2 billion tonnes of steel in 2013 and growth is forecast to continue until 2030.

Growth in China is expected to require more steel, although the growth rate is forecast to decline slightly over the next few years, in parallel with increasing demand for iron ore from other developing countries. Growth in China is expected to remain above 7% per year, driven by the urbanisation and industrialisation of the economy. This will require more steel and, despite increased domestic production, China is highly dependent on higher grade iron ore imports. China is expected to consume over 1.2 billion tonnes of steel in 2013 and growth is forecast to continue until 2030. As long as the supply of seaborne iron ore is limited, China's low-grade, high-cost mines will buoy the spot price in Asia.

Global growth in excess of 3% is estimated until 2030, when crude steel production is forecast to reach 3.5 billion tonnes, which can be compared with current production of 1.5 billion tonnes.

Drivers

Generally, growth is estimated by analysing the current phase of development of countries and regions, and assessing how steel-intensive that phase is expected to be. Countries at early development phases, such as Indonesia, are now entering the phase where steel use grows dramatically and outpaces supply. India, which is considered slightly more advanced economy, is – like China previously – experiencing a strong growth phase. However, India has a number of differences with regard to control, which means that expansion will not be as rapid as for China. China has reached the point at which steel usage has started to decline without, in any way, stagnating. While more mature economies are at, or have surpassed, their steel usage peak, very little indicates that steel usage will actually decline. Differences between individual countries can also vary substantially, mainly due to the countries' industrial structures. The increase in steel use and the increased demand for seaborne iron ore looks to continue.

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Nordic Iron Ore's licence portfolio

Nordic Iron Ore AB was formed in 2008 when the company acquired twelve exploration permits from Archelon Mineral AB, IGE Nordic AB (now Nickel Mountain Resources AB (publ) and Kopparberg Mineral AB (publ). The asset portfolio has been gradually expanded to a total of 19 exploration permits for iron ore deposits in Bergslagen, a historic iron ore region where mining has been conducted since the 1500s. All deposits except Kölen, Väsmanfältet and parts of the Håksberg field are known as brownfield projects and ore has previously been mined in the now disused mines. The company's project portfolio includes iron ore deposits in the exploration permits and exploitation concessions to a total area of 6,264 hectares.

19

The asset portfolio has been gradually expanded to a total of 19 exploration permits for iron ore deposits in Bergslagen.

List of exploration permits and exploitation concessions in the company at 31 December 2013

VALID EXPLORATION PERMITS

PERMIT ID	NAME	VALIDITY PERIOD	AREA (HA)
20004	Blötberget no 1	2007-05-29 – 2014-05-29	255.85
20005	Blötberget no 2	2007-06-07 – 2014-06-07	421.25
20020	Blötberget no 3	2010-06-16 – 2014-06-16	215.72
20008	Burängsberg no 1	2007-07-19 – 2014-07-19	128.06
20012	Främundsberget no 1	2008-09-25 – 2014-09-25	156.03
20014	Håksberg no 100	2007-05-30 – 2014-05-30	474.48
20015	Håksberg no 200	2007-05-30 – 2014-05-30	626.70
20016	Håksberg no 300	2007-06-01 – 2014-06-01	200.17
20022	Håksberg no 400	2011-01-17 – 2014-01-17	81.36
20010	Kölen no 3	2005-04-25 – 2014-04-25	113.63
20013	Kölen no 5	2009-02-11 – 2014-02-11	1 462.54
20009	Laxsjöfältet no 1	2007-07-20 – 2014-07-20	965.56
20007	Rundberget no 3	2007-07-06 – 2014-07-06	59.28
20023	Skeppmora no 1	2012-04-26 – 2015-04-26	37.30
20017	Stråssa nr 1	2008-07-14 – 2014-07-14	124.29
20018	Stråssa no 2	2008-09-02 – 2014-09-02	65.36
20019	Stråssa no 3	2008-09-02 – 2014-09-02	97.80
20024	Stråssa no 4	2012-11-06 – 2015-11-06	32.76
20021	Väsman no 1	2010-08-02 – 2014-08-02	483.46

VALID EXPLOITATION CONCESSIONS

NAME	MINERAL	VALIDITY PERIOD	AREA (HA)
Blötbergsgruvan K nr 1	Iron, lanthanum, lanthanides and apatite	2011-08-30 – 2036-08-30	126.4
Håksbergsgruvan	Iron, copper, gold and molybdenum	2011-12-15 – 2036-12-15	136.3

Development of a mining project

Nordic Iron Ore works with all stages of the mine development process, from exploration to production. In greatly simplified terms, a mine development process rests on four cornerstones – permits, exploration, evaluation and planning/construction.

Permits

The licensing process for the extraction of ore in Sweden is primarily regulated by the Minerals Act and the Environmental Code. The permits required for the development process are usually an exploration permit, an exploitation concession and an environmental permit. In addition, planning permission issued by the relevant municipality is required.

Exploration and evaluation

In order to localise deposits as well as increase and upgrade mineral resources, a continuous programme of exploration is ongoing throughout the entire development process. This is carried out through core drilling and geophysical surveys. When knowledge of the mineralisation is sufficient, a calculation is made of the mineral resources, which forms the basis for the calculation of mineral reserves and continued evaluation of the deposits.

Planning phase

1

Because diamond drilling costs around SEK 800–1,000 per drilled metre and, accordingly, there are constraints on the number of holes drilled, thorough and diligent planning is required to obtain the maximum amount of useful information from the drill cores. The results of geophysical surveys are often used as a basis for planning drilling programmes. These can show divergences in magnetic or electric properties and densities. Mapping is carried out of rock mechanical properties to identify any weak zones in the rock, and hydrogeological mapping to study water courses and impact. Ahead of drilling at Lake Väsman and on its southern shore, planning was principally based on the results of the earlier magnetic survey. Since large parts of the area are covered by a lake of up to 20 metres in depth, special equipment was required for drilling. A modular barge was joined together to form an operating platform that could be used as a drilling base.

14 260 m

In 2012 the drilling programme produced 14,260 metres of drill cores for mapping and selection of mineralised sections for further analysis.

Evaluation

The evaluation phase includes surveys in several stages with increasing levels of detail. These aim to obtain more detailed knowledge of the prerequisites for conducting profitable mineral extraction. The initial study forms the basis for preparing the application for an exploitation concession to the Mining Inspectorate of Sweden. Then, the next stage usually commences – a preliminary economic assessment (PEA) or a preliminary feasibility study (PFS). A feasibility study (FS) then follows, which forms the basis for an investment and production decision.

Planning and construction

After obtaining an exploitation concession, a process of construction planning generally begins and large-scale test mining and ore processing testing. Construction and installation of the plants is normally initiated after the environmental permit has been secured, an investment decision has been made and the required funding is in place. After the start of production, a running-in period is normally required before the mine and ore processing plant reach full capacity.

Mineral resources

The term Mineral Resource refers to a mineralisation of such quality and quantity that it enables commercial extraction of metals or minerals. Mineral resources are classified according to the extent of geological knowledge about them as:

- Inferred mineral resources
- Indicated mineral resources
- Measured mineral resources

Drilling phase

2

In autumn 2012, Nordic Iron Ore conducted core drilling from barges on Lake Väsman and from its southern shore – the area known as Finnäset. During the most intensive period, four drilling rigs were in operation at the same time. Drilling from the lake was performed using rigs mounted on barges anchored by eight radial anchors to resist the force of the drilling. In total, the drilling programme produced 14,260 metres of drill cores for mapping and selection of mineralised sections for further analysis.

Development of a mining project, cont.

Pursuant to the Australasian Joint Ore Reserves Committee (the JORC standard).

Inferred mineral resources
An inferred mineral resource is the part of a mineral resource for which quantity, content or quality can be estimated based on geological surveys and limited test mining, and reasonably estimated, though not confirmed, geological context and content context. The assessment is based on limited information and test mining accumulated through appropriate techniques from outcrops, test pits, quarry grindings and boreholes.

Indicated mineral resources
An indicated mineral resource is the part of a mineral resource for which quantity, content or quality, density, shape and physical properties, can be assessed with an accuracy that is sufficient to allow the appropriate application of the technical and economic parameters required for calculating mineral reserves, establishing a mining plan and evaluating the economic viability of the deposits. The assessment is based on detailed and reliably compiled exploration and testing data obtained through appropriate techniques from outcrops, trenches, test pits, quarry grindings and boreholes that are close enough to reasonably presume that geological and content continuity exists.

Measured mineral resources
A measured mineral resource is the part of a mineral resource for which quantity, content density, shape and physical properties are so well known that they can be assessed with an accuracy that is sufficient to allow the appropriate application of the technical and economic parameters required for calculating mineral reserves, establishing a mining plan and evaluating the economic viability of the deposits.

Mapping and initial analysis

3

When the drill cores are extracted from the bedrock, they are sent to the mapping centre for mapping by the company's geologists. The use of a roller table enabled viewing the entire core from ground surface level to the end of the borehole – in this case drill cores 50–1,000 metres in length. An array of low- and high-tech tools were used for mapping, but perhaps the most important tool of all is, in fact, water. When the drill core is wet, structures and minerals often appear that can be hard to see in dry state. Using magnets, susceptibility gauges, x-ray fluorescence instruments and UV lamps, the mineral composition of the core can largely be determined. Studying the mapping data provides clues about the type of environment in which the mineralisation was formed, which in turn makes it easier to predict how it spreads. In the final stage, the mineralised core sections are split and one half is sent for analysis at an external laboratory. The analyses received are then used for appraising and classifying the mineral resources.

Mineral reserves are classified according to the extent of knowledge about them as Probable mineral resources and Proven mineral resources

The assessment is based on detailed and reliably compiled exploration and testing data obtained through appropriate techniques from outcrops, trenches, test pits, quarry grindings and boreholes that are sufficiently close to confirm that geological and content continuity exists.

Mineral reserves

Mineral reserves are classified according to the extent of knowledge about them as:

- Probable mineral reserves
- Proven mineral reserves

Probable mineral reserves
A probable mineral reserve is the part of an indicated mineral resource, and in certain cases a measured mineral resource, which through at least one pre-feasibility study has proven economically viable to mine. This study must include adequate information on mining, concentrations, metallurgy, economic and other relevant factors that, at the time of the report, demonstrate that extraction is profitable.

Proven mineral reserves
A proven mineral reserve is the part of a measured mineral resource, which through at least one pre-feasibility study has proven economically viable to mine. This study must include adequate information on mining, concentrations, metallurgy, economic and other relevant factors that, at the time of the report, demonstrate that extraction is profitable.

Final analysis and outcome of the drilling programme

4

In the final phase, the company's independent qualified person ensures that handling and mapping of the drill cores follows accepted industry standards, and that sampling and analysis was duly performed and that the database is reliable and, accordingly, can be used to appraise mineral resources. When everything is complete and verified, interpretation of the results commences.

Nordic Iron Ore's geologists then work alongside the company's independent qualified person to prepare three-dimensional interpretations of the mineralised bodies, which then form the basis for appraising the mineral resources. The outcome of the drilling programme more than doubled Nordic Iron Ore's mineral resources and verified the results of the magnetic surveys of the southern

Väsman field, indicating that this field as a whole may have substantial iron mineralisation deposits.

Mining legacy saves millions

"Exploration in the mining sector is often like fumbling in the dark. Down with the drill, analyse the cuttings and drill again. Drilling a distance of one metre costs SEK 1,000; so a 500 metre deep borehole costs half a million," says Michael Setter.

5 km

Five kilometres of drill cores were available for analysis.

When it became clear that funding and obtaining an environmental permit would take longer than expected; the opportunity arose to create an improved picture of what is lying deep below Blötberget. This opportunity was well utilised. By analysing a large number of drill cores from earlier mining operations, a gigantic three-dimensional puzzle could be solved. There is now detailed knowledge about where ore is located, what it contains and rock conditions in the path of the ore.

In other words, 2013 was a year that raised knowledge of the deposits to an unusually high level and which would have been impossible to achieve without the five kilometres of drill cores that were available for analysis. If Nordic Iron Ore had been forced to take these core samples today, it would have cost SEK 5 million.

Detective work

It has been a real piece of detective work. The archive in Håksberg contained the drill cores; information about where they came from and when the cores had been taken was spread between various archives in Håksberg, Blötberget and Ludvika. In 2013, Michael Setter and the rest of the team gradually put the puzzle together and it has now been put into a three-dimensional geological model, among other things.

The oldest drill cores dated back to the 1940s and the most recent to the 1980s, when mining ceased. These have been supplemented by the drill cores taken by Nordic Iron Ore itself. The cores have been taken from various depths, from the surface down to a distance of 500 metres. Since the company plans to go down to the 500 metre level, this is just the type of material that is needed.

Student project

Lately, chemists and geologists from Gothenburg and Uppsala have come to Ludvika to help with the analysis. It is a win-win situation whereby the company gains help with analyses and the students receive samples to analyse. These analyses enable mining operations to be prepared even more thoroughly. With detailed knowledge of the nature of the ore being mined, it is possible to ensure the right equipment is in place to process it when it reaches the surface.

The collaboration with the university is moving forward and the company aims to establish a long-term relationship with the institutions for geosciences at Uppsala and Gothenburg.

The legacy

The availability of this enormous quantity of material is something Nordic Iron Ore can thank Sweden and Bergslagen for. The area's history of mining ore since the 1500s means a unique knowledge about the area's geology. The Swedish love of order and the country's tradition of archiving everything also date back to the middle ages and it is this combination that has created the preconditions for building a unique knowledge base. For Michael Setter, who has previously worked with mining exploration in Australia, New Zealand, Guinea-Bissau and Namibia, this is the difference between fumbling in the dark and walking in clear daylight.

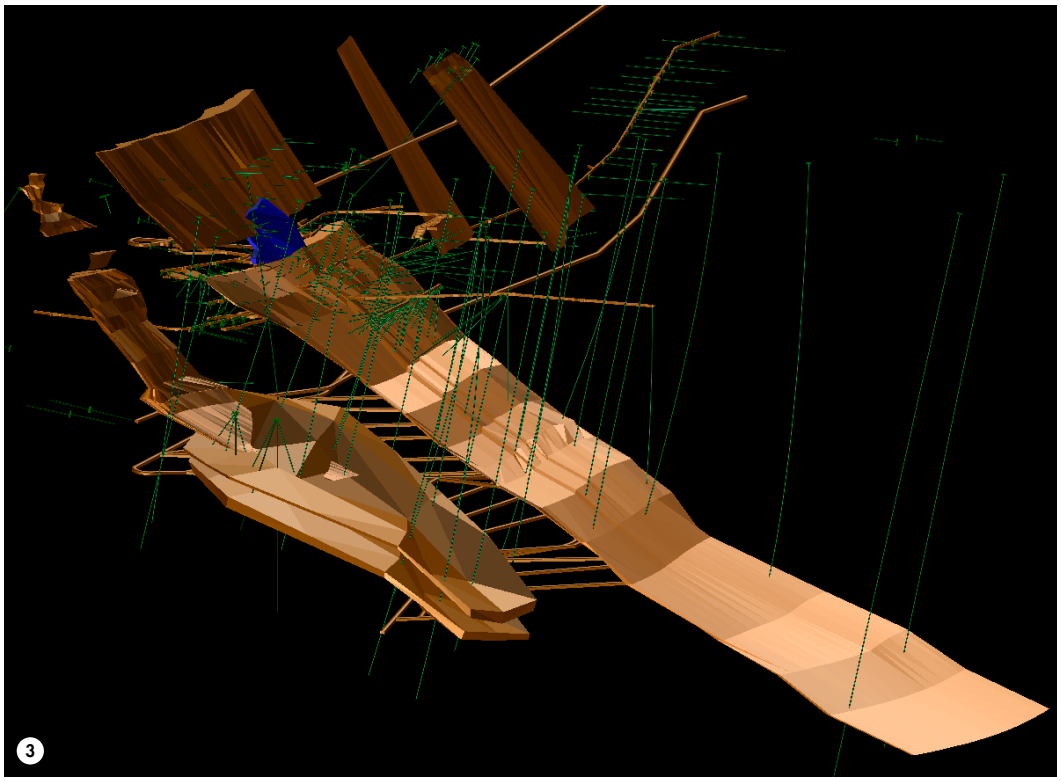
Accordingly, when the last piece of the puzzle – funding – is in place, Nordic Iron Ore will know where to mine, what equipment to use and what the ore will contain. The mines of southern Dalarna can reawaken after having lain dormant since the Gränges mine closed in 1989, the ore trains can start to roll again and ore carriers can load from the Port of Oxelösund, to continue on to steelworks in China, India and other markets.

This was hardly what they were thinking of back in the 1940s when they lifted the drill out of the hole in Håksberg and took out the drill core.

By analysing a large number of drill cores from earlier mining operations, a gigantic three-dimensional puzzle could be solved

❶ The drill core archive comprises cores from more recent drilling operations as well as drill cores from earlier operations and represents considerable value.

❷ Michael Setter places drill cores on the roller table that enables the viewing of cores from boreholes several hundred metres deep.

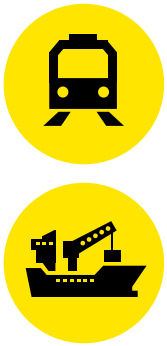


❸ A computer generated 3D image of the ore bodies at Blötberget. The broken green lines represent bore holes.

❹ Emma Bäckström examines the older drill cores in detail.

The best logistics wins

The simple formula for profitable iron ore mining is as follows: the one who can extract the ore from the rock and deliver it to the customer at the lowest cost is the one who wins in the long run. The first stage, from the mine to processing, is about the quality of the ore, and the efficiency of mining and transportation. With high quality deposits, which exist in Sweden, and the application of the right methods, ore can be produced in a cost-efficient manner.



Rail and sea freight provide the best conditions for transporting iron ore.

Logistics pose a greater problem. Iron ore is heavy and has to travel long distances. Customers are often on the other side of the world, about 50% of all steel production today is in Asia. Since iron ore is not a perishable commodity, a low price is prioritised over fast transportation, while the logistics chain must function at a level that ensures customers receive their raw materials when it is needed. Just in time logistics is simpler when transporting electronic components with airfreight than when large vessels are delivering ore to ports of entry in countries, such as China at the just when the steelworks need it.

The two freight alternatives that provide the lowest cost per tonne are – with the right preconditions – rail and sea. If the ore is forced to be transported by road, costs rapidly increase. A modern ore train can transport nearly 3,000 tonnes of iron ore. This corresponds to 90 fully loaded heavy goods vehicles with trailers. When the company reaches a planned production of 4.4 million tonnes of ore per year, this means that 4–6 ore trains per day will depart from Skeppmora en route to the Port of Oxelösund.

A Logistics chain with traditions

Due to the location of the deposits, Nordic Iron Ore has natural preconditions in place for a well-functioning logistics chain. The company also benefits from the fact that infrastructure for iron ore mining has existed since 1878, when the TGOJ Line between Grängesberg and Oxelösund was completed and it became possible to transport ore from the Gränges mine to the deep-water port at Oxelösund, from which it continued, primarily, to steelworks in Germany and the UK. The line was owned and operated by Trafik AB Grängesberg Oxelösund Järnväg (TGOJ), which was one of Sweden's largest private railway companies for a long time.

The last ore train from the Gränges mine left in 1990, but freight traffic on the line, which is currently owned by the Swedish Transport Administration, has continued and transports heavy freight for companies including ABB, Ovako and SSAB.

Planned investments in rail freight

The Dalarna and Sörmland regions are backing the Port of Oxelösund as the port of exit for ore from Bergslagen. The railway is included in the government's Infrastructure Bill, which was pushed through the Swedish Parliament at the end of 2012, and the government's National Transport Plan, which was presented in April this year comprises, among other initiatives, substantial investment in the railway from Ludvika and further south to meet the need for increased capacity created by Ludvika Gruvor. In other words, the political will exists and the political decisions have been taken that are required to repair and modernise the more than 100 year old ore route so that the company's ore production is cost-effective at all stages, from the mine to the port.

Construction is planned for a new marshalling yard and cargo terminal linked directly to the Bergslagen Line at Skeppmora, where there is currently a 1,000 metre long straight section. Skeppmora is located 2km from Blötberget, 5 km from Ludvika, 12 km from Håksberg and a few kilometres from the beach at Lake Väsman. This means the company can minimise costly transportation and use the same terminal for all of the mines.

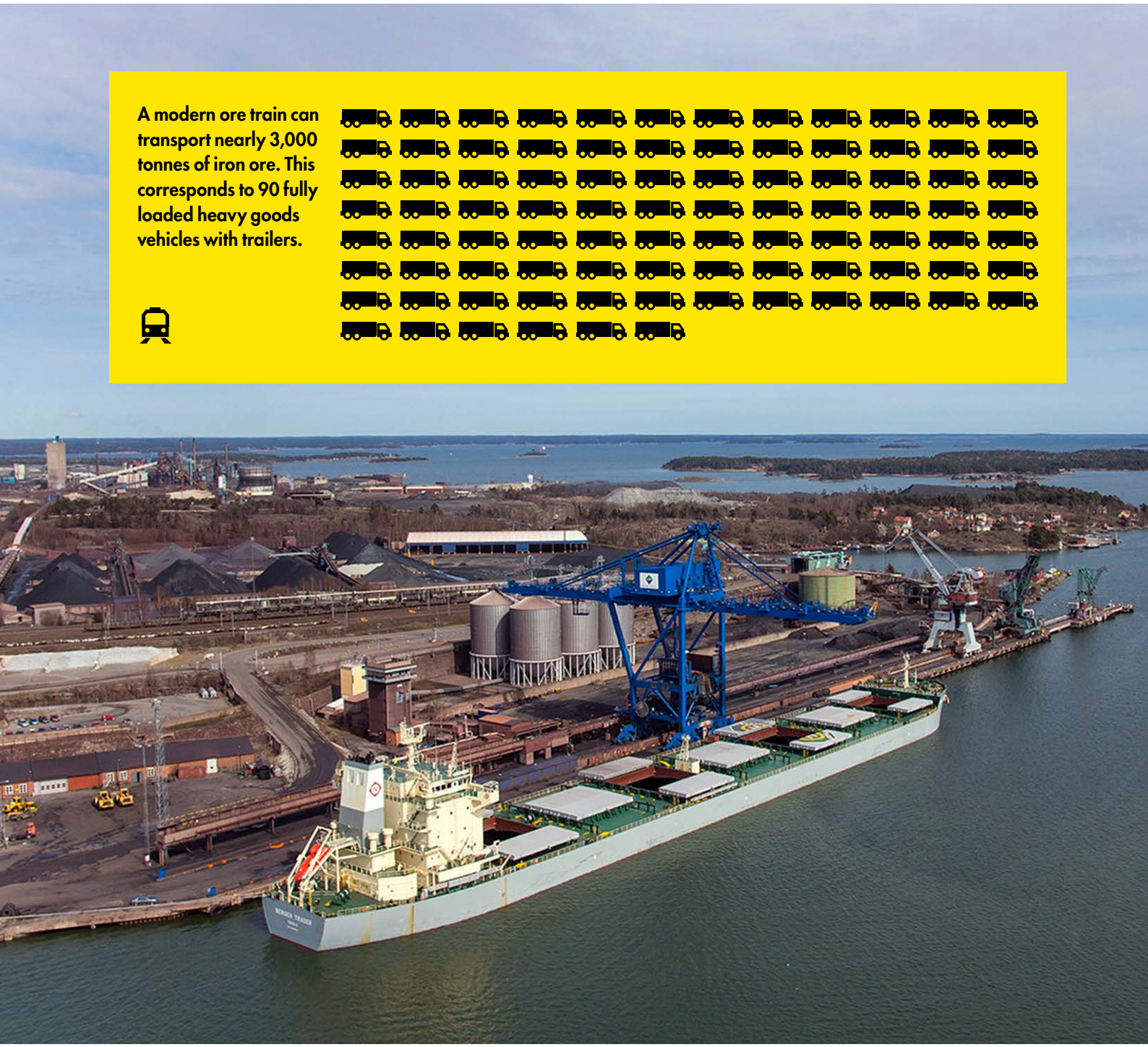
Sea freight

Ore is loaded onto vessels at Oxelösund. The port at Oxelösund is free of ice all year round and with a depth of 16.5 metres can handle the largest ships that can enter the Baltic Sea. The port currently handles deliveries of ore to the steelworks located adjacent to the port and is well prepared for handling deliveries from the iron mines in Bergslagen.

NIO has signed a letter of intent with the Port of Oxelösund that regulates future pricing for ore handling including unloading, intermediate storage and loading onto vessels.

The two freight alternatives that provide the lowest cost per tonne are – with the right preconditions – rail and sea.

A modern ore train can transport nearly 3,000 tonnes of iron ore. This corresponds to 90 fully loaded heavy goods vehicles with trailers.



Project: Blötberget

Mining operations at Blötberget have a long history dating back to 1644, but it was not until 1900 that large-scale mining began. Operations continued until 1979 when the mine was closed. The deposits at Blötberget consist mainly of five mineralised bodies with magnetite and haematite. Nordic Iron Ore's application for an exploitation concession for Blötberget was granted by the Mining Inspectorate of Sweden on 30 August 2011. The exploitation concession, which runs for 25 years with the option of extension, assigns the right of extraction and exploitation of iron, lanthanum, lanthanides and apatite.

Ore field

The Blötberg field consists mainly of five mineralised bodies:

- The Kalvgruvan mine (high-apatite magnetite mineralisation)
- The Flygruvan Mine (high-apatite, haematite dominated mineralisation with minor magnetite deposits)
- The Hugget and Betsta ore mines (high-apatite magnetite-haematite mineralisations)
- Sandell ore (high-apatite magnetite mineralisation)

The measured mineral resources at Blötberget have been estimated at 11.2 million tonnes with an iron content of 35%, while the indicated mineral resources have been estimated at 21.4 million tonnes with an iron content of 45%. In addition, there are inferred mineral resources of 21.4 million tonnes with an iron content of 33%. In the company's most recently completed feasibility studies, a cut-off limit of 15% iron has been applied for tonnage and content calculations.

OVERVIEW OF MINERAL RESOURCES AT BLÖTBERGET

	MINERAL RESOURCES*						
Project	**Measured**		**Indicated**		**Inferred**		Classified according to
	Mt	% Fe	Mt	% Fe	Mt	% Fe	
Blötberget	11.2	35	27.4	45	21.4	33	JORC

*) Calculation carried out by Thomas Lindholm, Qualified Person. The report was made available on www.nordicironore.com in February 2013.

The mine

The majority of mining operations at the Blötberg mine prior to its closure in 1979 were conducted above the 240 metre level. An inclined trackway connects the different mining levels from 160 metres down to 280 metres. Nordic Iron Ore plans to restart mining operations using the 280 metre level as the new initial main level. The mine's active main haulage level used to be at this level.

In the late 1960s, a blind shaft was sunk from 280 to 570 metres, to ensure that a deepening of the main shaft with a raises and stopes could be made from this level. In addition, a new crusher station was constructed (480 metre level), a skip station (530 metre level) and pumping stations (430 and 530 metre levels), which entered service in December 1975. Before its closure in 1979, construction also began on a new haulage level at the 330 metre level, and an inclined trackway down to the 160 metre level. These facilities were never put into operation. After making the necessary renovations and additions, the company expects to be able to utilise the existing underground infrastructure at the planned restart of operations.

Early mining start

In April 2013, Nordic Iron Ore signed a letter of intent with Coal and Ore Trading Limited regarding marketing and delivery of up to 600,000 tonnes of iron ore products annually. Due to the delay with the environmental permit, among other items, the earlier plan for a production start at Blötberget in the second half of 2014 has been postponed. The start of production is also dependent on funding – the company plans to seek funding in the first half of 2015. The initial investment cost is estimated at around SEK 165 million and, at the start, the plan is to outsource all production to contractors.

The deposits at Blötberget consist mainly of five mineralised bodies with magnetite and haematite.

1664

Mining operations at Blötberget have a long history dating back to 1644.

SEK 165 M

The initial investment cost is estimated at around SEK 165 million and, at the start, the plan is to outsource all production to contractors.

Project: Håksberg

In the area around the central shaft at Håksberg, mining took place from the beginning of the 18th century until 1979. The ores previously mined in connection with the central shaft and at Iviken, Ickorbotten and Källbotten are all within an elongated mining field with both magnetite and haematite. Nordic Iron Ore's application for an exploitation concession for the Håksberg field was granted by the Mining Inspectorate of Sweden on 15 December 2011. The exploitation concession provides rights to the extraction and exploitation of iron, copper, gold and molybdenum for 25 years, with the option of an extension.

Ore field

The mineralisations at the Håksberg field extend in four elongated parallel zones from Iviken at Lake Väsman in the south to Källbotten in the north. Iron oxide minerals are made up of around 80% magnetite and 20% haematite. The bedrock comprises high-alkaline metavolcanites which have largely been converted into high-mica slaty rock types which are permeated by pegmatite and diabase.

The indicated mineral resources at the Håksberg field down to the 350 metre level have been estimated at 25.4 million tonnes with an average iron content of 36.4%. Previously completed drilling campaigns indicate that the potential for identifying additional tonnage at depth is substantial. Below the 350 metre level, the inferred mineral resources were calculated at 11.6 million tonnes with an iron content of 36.0% down to the 800 metre level. Minor mineralisations of copper and molybdenum occur locally in the field.

The mine

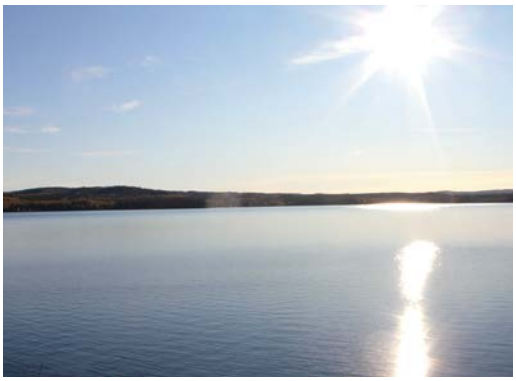
The ore deposits in the Håksberg field extend over a 7km long area from Iviken at Väsman in the south to Källbotten in the north. Between Iviken and Källbotten there is a drift connection at the 300-metre level.

OVERVIEW OF MINERAL RESOURCES AT HÅKSBERG

	MINERAL RESOURCES*						
Project	**Measured**		**Indicated**		**Inferred**		Classified according to
	Mt	% Fe	Mt	% Fe	Mt	% Fe	
Håksberg	–	–	25.4	36.4	11.6	36	JORC

*) Calculation carried out by Thomas Lindholm, Qualified Person. The report was made available on www.nordicironore.com in February 2013.

Project: Väsmanfältet



Väsmanfältet provides Nordic Iron Ore with an attractive expansion opportunity. The field is a direct northward continuation of the iron mineralisations at Blötberget and Finnäset, and a southward continuation of the Håksberg mineralisations. The bulk of the field is located under Lake Väsman west of Ludvika. Accordingly, the company can capitalise on its geographical location in terms of both logistics and infrastructure, and future mining of the three fields can potentially come from a shared drift system.

History

The magnetite mineralisations under Lake Väsman have been common knowledge since the late 1800s when the first magnetic map was made of the lake. Initial exploration drilling was carried out in the winter of 1916. However, it was not until 1954 that the Ställberg company, which was the owner at the time, drew up the first aerial magnetic map of Västerbergslagen as part of its exploration strategy for Bergslagen, and carried out detailed magnetic measurements from the ice on Lake Väsman. The interpretations of these measurements indicated that mineralisations were substantial and could have a depth of at least a thousand metres.

Between 1954 and 1959, the Ställberg company also conducted a research programme, the results of which led to its decision to continue surveying the subterranean southern section of the Väsman deposits. In 1960, a shaft was sunk to a depth of 280 metres. At full-scale concentration tests, 8,000 tonnes of iron ore produced about 4,000 tonnes of ore concentrate with an iron content of 65%. However, in 1964, the Ställberg company terminated its exploration of Väsmanfältet due to the projected weak price trend in the iron ore market.

Project status

In 2012, Nordic Iron Ore commenced a limited core drilling campaign, which will form the basis of the forthcoming exploitation concession application for Väsmanfältet. Initially, the programme comprised around 10,000 metres of core drilling and was carried out from barges on Lake Väsman. The drilling results from Väsmanfältet, including Finnäset, showed indicated and inferred mineral resources of 7.0 million tonnes with 38.5% iron, and 85.9 million tonnes with 38.4% iron, respectively. All mineral resources were appraised in accordance with the JORC code guidelines and were performed by the company's independent qualified person.

In parallel with the drilling campaign, further feasibility studies were conducted for both Väsmanfältet and Ludvika Gruvor as a whole in 2012. The aim is to study the overall technical and economic conditions for the integration of future crude ore production at Väsmanfältet with, in the first instance, the nearby infrastructure at the Blötberg mine and the plant at Skeppmora. These studies, together with the results of the geological surveys, will form the basis for the forthcoming exploitation concession application and a feasibility study.

Development and integration plans

The company is studying various options for developing the expansion potential of Väsmanfältet. Prospects are favourable that planned exploration activities turn out positive, and that necessary permits for exploitation of the field are obtained. The base case scenario is for initial production at the Blötberget mine to start at the end of 2016, followed by drift tunnelling under Lake Väsman from the north of Blötberget to the south of the Håksberg field. The drifts are planned to follow the mineralisations, thereby allowing mining and mineralisation development at Väsmanfältet to be carried out in parallel and gradual increases in production volumes. This alternative, which has been slightly revised compared with the company's previous development plan, will lead to substantial cost savings and a lower environmental impact at Håksberg, since no overground railway terminal will be necessary.

Ludvika Gruvor

Measures ahead of the planned restart of Ludvika Gruvor

Nordic Iron Ore aims to resume mining operations at Ludvika Gruvor. When fully operational, these mines are expected to have an annual production of about 4.4 million tonnes with an iron content of 67%.

Ludvika Gruvor comprises the deposits at Blötberget, Väsmanfältet and Håksberg near Ludvika, and include a vein of iron deposits of around 15 km. For the first time, all iron deposits along this vein are controlled by the same owner. At both the Blötberget and Håksberg fields, mining operations continued until 1979 when, the then owner, SSAB closed the mines. At that time, the mines were not exhausted, but operations were shut down because of poor efficiency and profitability due to low ore prices. The Väsmanfältet field, which offers the greatest expansion potential in the area, extends southwards to within the vicinity of the Blötberget mineralisations, and passes northwards directly into the Håksberg field.

Nordic Iron Ore aims to resume mining operations at Ludvika Gruvor. When fully operational, these mines are expected to have an annual production of about 4.4 million tonnes with an iron content of 67%. Given this mining rate and that the indicated and inferred mineral resources at Blötberget and Håksberg can be upgraded to mineral reserves, the two mines have an estimated potential lifespan of at least 15 years. In addition, the company intends to continuously explore, evaluate and maintain other permits for any future development and mining.

The development of Ludvika Gruvor follows an established plan in which several steps need to be completed before any mining operations can be initiated. The project's construction start will commence immediately after the completion of a feasibility study, the issuance of an environmental permit and when all or part of the required funding is in place.

Exploitation concession

In 2010 and 2011 Nordic Iron Ore applied for exploitation concessions for the deposits at Blötberget and the Håksberg field. On 31 August 2011, the exploitation concession was obtained for Blötberget and the exploitation concession for Håksberg was granted on 15 December 2011. Application for an exploitation concession for Väsman is planned for 2015.

Environmental permit

In July 2012, Nordic Iron Ore submitted an environmental permit application to the Land and Environment Court. The environmental permit application comprises the planned operations at both Blötberget and the Håksberg field and the ore beneficiation plant, and covers annual production of 6.0 million tonnes of crude ore equalling at least 2.5 million tonnes of dry iron ore product. The main hearings ended in February 2014 and the outcome notified on 20 March. The judgement permits the company to carry out mining operations but has not, as yet, entered force.

Feasibility study

In 2013, the company has worked on a feasibility study. Work on the study is managed by a steering committee with representatives from Nordic Iron Ore's management and is conducted in a project organisation comprising employees and consultants. The core drilling and mineral resource appraisals performed in 2012, under the JORC standard, form the basis for the study.

The ongoing feasibility study is focussed on the restart of the Blötberg mine and the new ore beneficiation plant at Skeppmora.

Analysis of mineral resources

A new appraisal of the company's mineral resources at Blötberget was published in February 2014. The new estimates are based on the above development work and result in indicated mineral resources at Blötberget now amounting to 11.2 million tonnes with 35% iron and 27.4 million tonnes with 45% iron, while inferred mineral resources amount to 21.4 million tonnes with 33% iron. This corresponds to increases of around 50% for total tonnage and 31% for iron content compared with previous estimates.

At Väsmanfältet, including Finnäset, indicated mineral resources amount to 7.0 million tonnes with 38.5% iron and, including inferred mineral resources, total 85.9 million tonnes with 38.4% iron.

At Håksberg, indicated mineral resources amount to 25.4 million tonnes with 36% iron and inferred mineral resources total 12 million tonnes with 36% iron.

In total, Nordic Iron Ore controls measured and indicated mineral resources of 71 million tonnes with

15 km

Ludvika Gruvor comprises a vein of iron deposits of around 15 km.

an iron content of 33–45%, and inferred mineral resources of 118.9 million tonnes with an iron content of 33–38%. All mineral resources are recognised in compliance with the JORC code.

All estimates of mineral resources were carried out by a qualified person independent of the company.

Investment decision

After an environmental permit has been obtained from the Land and Environment Court, and subject to positive results from the final feasibility study and securing funding, Nordic Iron Ore intends to take decisions on the plant investments needed to resume production at Blötberget and subsequently start deliveries to customers.

Start at Blötberget

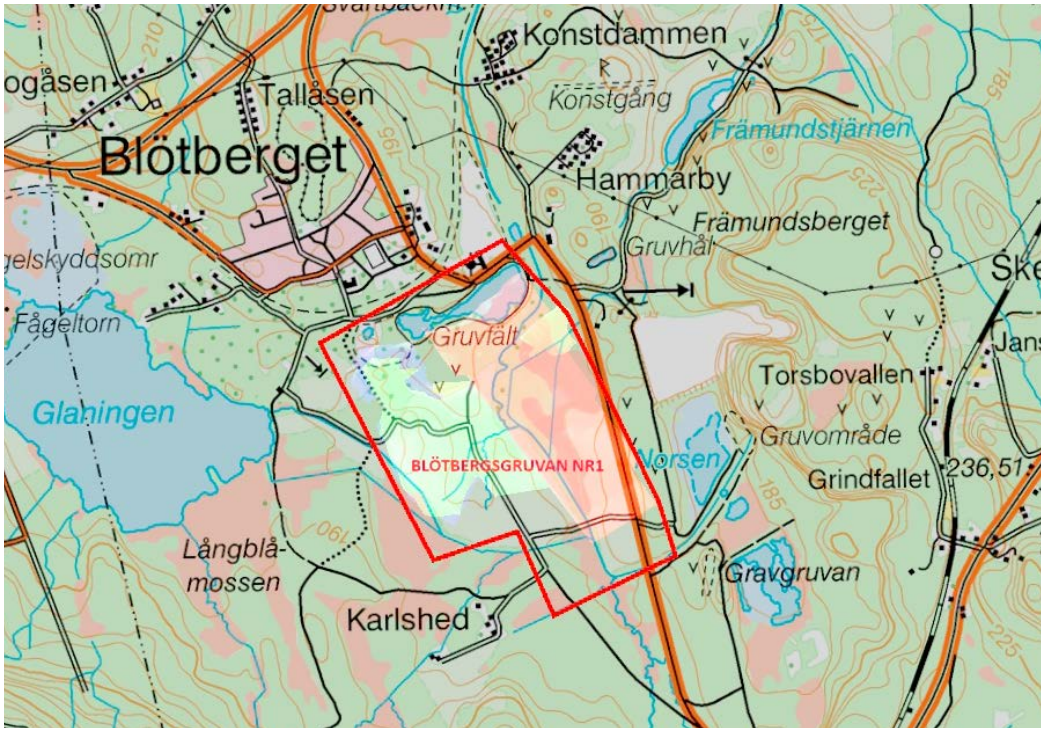
In 2013, a new and more detailed development plan was prepared for the restart of Ludvika Gruvor. Previously, the plan called for a concurrent start for the mines at Blötberget and Håksberg. The interesting results from the surveys of Väsmanfältet inspired reconsideration of these plans and resulted in a plan for restarting operations in three phases. Phase 1, which comprises the start of mining at Blötberget with a first production line at the ore beneficiation plant.

This results in a smaller project that stands on its own two feet, which can later be expanded in phases 2 and 3. Earnings from the mining at Blötberget can, thus, contribute to investments for phases 2 and 3 and, thereby, substantially reduce the sums required for funding plant. In addition, the new plan means significant environmental gains through subterranean internal transportation; however, this does also require an environmental permit for Väsmanfältet.

A number of coordinated sub-projects mark the opening of the major plant construction project which comprises an investment of about SEK 2.3 billion. The plant construction project is divided into a number of sub-projects that include pumping out and investments in subterranean installations as well as a new ore beneficiation plant and railway terminal.

The first sub-project, which will mark the start of construction, is the work with rerouting the flow of the Gonäsån to the state that applied when the Blötberg mine was in operation in the 1970s. When this has been done pumping out can start of the Blötberg mine.

In parallel with the start of pumping operations drift tunnelling will commence for a new inclined trackway from the surface down to the 200 metre level. This tunnel passes mineable ore bodies en route to the 200 metre level, these will be reached just after the drainage project has lowered the water level in the mine to expose this level. Ore bodies exist at this location that are ready for mining, which means a rapid restart of ore mining.



Plants

The smooth execution of mining projects requires both internal and external infrastructure, such as ore winding systems, ore beneficiation plants, transhipment terminals, roads, railways and ports. A logistics solution that efficiently utilises the infrastructure is also crucial to a mining project's profitability.

67%

The company intends primarily to produce an iron ore concentrate with an iron content of 67%, but the planning of the ore beneficiation plant also includes the possibility of producing a sinter concentrate (fines) with an iron content of 62%.

As mining operations were conducted at the mines in Håksberg and Blötberget up until the end of the 1970s, many vital components are already in place which greatly simplifies restarting the mines. Nordic Iron Ore's assessment is that the legacy production structure (such as inclined trackways, shafts as well as drifts and other underground facilities) generates considerable investment savings in connection with the planned restart.

Nordic Iron Ore plans to build an ore beneficiation plant at Skeppmora near the Blötberget mine for handling and processing mined ores from Blötberget, Väsmanfältet and Håksberg.

The planning assumes that the crude ore is crushed underground. Crude ore transportation from the mine at Blötberget will be via a conveyor belt from about the 400 metre level in the mine to the crude ore silo at the ore beneficiation plant at Skeppmora.

The plan is to transport crude ore underground from Väsmanfältet, as well as the Håksberg mine, to connect with the conveyor belt in Skeppmora.

Ore beneficiation plant

The crude ore from Blötberget, Väsmanfältet and Håksberg will be dressed at the ore beneficiation plant at Skeppmora. Essentially, concentration is planned to follow the same process sequence, but in three distinctly separate production lines and comprises crushing, grinding, magnetic and gravimetric separation and finishes with a shared flotation circuit before dewatering and loading into product silos at the railway terminal.

The company intends primarily to produce an iron ore concentrate with a minimum iron content of 67%, but the planning of the ore beneficiation plant's production lines also includes the possibility of producing a sinter concentrate (fines) with an iron content of 62%.

Loading terminal

As a way of minimising costs, the ore beneficiation plant, terminal and marshalling yard will be located directly adjacent to the existing railway, the Bergslagen Line.

The marshalling yard will be located level with Skeppmora at the relatively flat, approximately one thousand metre long section of straight track on the main line. The unloading terminal will be located as close to the ore beneficiation plant as possible.

Tailings dam

The company plans to locate the tailings dam adjacent to the previously used tailings dam at Blötberget, located approximately two km south west of the planned industrial site at Skeppmora. The advantages of this location, in addition to its proximity to the ore beneficiation plant, are that the area is already affected by industrial landfill and that it can accommodate the project's total expected volume of sand.

The water content in the deposited sand results in an excess of water in the dam. As the concentration process needs water, it is important that this can be re-circulated back to the beneficiation plant. This is enabled by decanting excess water in the tailings dam to a settling basin. This basin, which will be built adjacent to the tailings dam, will accommodate about one million cubic metres. A pumping station will be built in the basin from where the water is returned via a pipeline to the beneficiation plant.

The planned tailings dam covers the area around and on top of the old tailings dam and will hold just over 20 million cubic metres of sand. Initially the settling basin and the area south of it is planned to be expanded to accommodate 6-7 years of sand production.

Environment and sustainability

Mining operations are subject to strict environmental and regulatory requirements, in particular, with regard to noise, discharges and/or other emission types, the handling and disposal of substances hazardous to the environment as well as other health and safety risks. Nordic Iron Ore's stated objective is to minimise impact on local residents and society as well as on overriding environmental issues. Environment and sustainability issues are key for Nordic Iron Ore.

Environmental permits

Under the Environmental Code's rules, permits from the Land and Environment Court are required to engage in permanent mining activities. An environmental permit application must include an environmental impact assessment, which aims to identify and describe the planned operations' possible direct and indirect effects on humans, animals, plants, soil, water, air, climate, the landscape and cultural environment, and the management of land, water, and the physical environment in general, and on other management of materials, raw materials and energy. The Land and Environment Court's review procedure includes mining and concentration operations, any drainage of groundwater from the mine, construction and operation of tailings dams, any transportation to and from the area, etc.

Environmental impact assessment

Based on the extensive environmental impact studies conducted and that form the basis for Nordic Iron Ore's environmental impact assessment and application to the Land and Environment Court for engaging in environmentally hazardous activities, the company has assessed that the impact on the surrounding environment from its planned activities and facilities will not be of the magnitude and nature that would prevent current target and limit values from being met. Furthermore, the company has not identified any specific environmental risks that cannot be managed in the standard manner within the framework for the planned standard plants.

Under the Environmental Code's rules, permits from the Land and Environment Court are required to engage in permanent mining activities.

Board of Directors

The Board of Nordic Iron Ore currently consists of nine Board members, including Göran Ekdahl as Chairman. The shareholdings disclosed below include related parties and through companies or similar.

❶ GÖRAN EKDAHL

Board member since 2012. **Born:** 1940. **Education:** Bachelor of Laws, Stockholm University. **Other assignments:** Legal services at Bird&Bird Stockholm. **Background:** Göran Ekdahl has been active at LKAB for 25 years as Secretary to the Board with various related assignments in logistics, exploration and grade development. Furthermore, he has been active in the steel industry through board assignments for Rauttarukki's long steel product operations. **Holdings in the company:** -

❷ ANDERS BENGTSSON

Board member since June 2011. **Born:** 1963. **Education:** MBA, Monterey Institute of International Studies. **Other assignments:** CEO, Board member and owner of DIMITRA AB. Board member of Bengtssons Tidnings AB, Dala Marknad AB, Bengtssons Värdepapper AB, Bjäreterrassen AB, Bjärebyholding AB, Elfvik Strand Holding AB, Fastighets AB Larsfyren, Fastighets AB Larsfyren 2, Fastighets AB Larsfyren 3, Gramame Invest AB, Kevinge Strand Fastighets AB, Kevinge Strand Holding AB, Scandinavian Biogas Fuels International AB, Solrosen Invest AB, Svenska Landsortstidningars Förlagsaktiebolag, ThisBelongsTo AB, Tvålflingan AB, Tvålflingan Holding AB, Vaktfyren Holding AB and Vaktfyren Fastighets AB. Deputy board member of Origo Capital AB. **Background:** Anders Bengtsson is a partner at BTAB Invest and has over 20 years' experience as a company executive and management consultant from business development and financing of small and medium-sized industrial and property companies. **Holdings in the company:** 2,033,684 shares directly and through companies and 15,000 warrants.

❸ JONAS BENGTSSON

Board member since June 2011. **Born:** 1969. **Education:** MBA, Stockholm University. **Other assignments:** CEO and Board member of Stenbe Förvaltnings AB and Stenbe Fastighets AB. Board member of Bengtssons Tidnings AB, Bengtssons Värdepapper AB, Bjärebyholding AB, Jonas Bengtsson Invest AB, Bjäreterrassen AB, Jarlaparken Kontorshotell AB, Origo Capital AB, Svenska Landsortstidningars Förlagsaktiebolag, Såpsjudaren Fastighets AB, Såpsjudaren Holding AB and Svensk Markförvaltning AB. Deputy board member of Tvålflingan AB and Tvålflingan Holding AB. **Background:** Jonas Bengtsson is a partner at BTAB Invest and has over 15 years' experience in the financial sector and financing of small and medium-sized industrial and property companies. **Holdings in the company:** 2,033,684 shares directly and through companies and 15,000 warrants.

❹ LARS-GÖRAN OHLSSON

Board member since June 2011. **Born:** 1944. **Education:** Mining Engineer, Royal Institute of Technology, Stockholm. **Other assignments:** CEO and Board member of GEO-Management i Luleå AB. Board member of Endomines AB (publ) and Lappland Goldminers AB (publ). **Background:** Lars-Göran Ohlsson has over 45 years' experience in the exploration and evaluation of deposits. He has had operational responsibility for several major Swedish exploration companies (including as CEO of LKAB Prospektering AB), and served on the boards of fifteen companies/organisations with operations focused on mining exploration. He is designated as a Qualified Person as defined by the SveMin regulatory framework. **Holdings in the company:** 50,000 warrants.

❺ PER STORM

Board member since September 2011. **Born:** 1962. **Education:** Mining engineer, Licentiate of Science and Doctor of Philosophy in Science, Royal Institute of Technology, Stockholm, and MBA, Stockholm University. **Other assignments:** CEO of Kopparberg Mineral AB, Kopparberg Mining Exploration AB and Argo AB. Owner of the private firm Per Storm Teknik och Ekonomi. Chairman of the Finnish limited liability company Ecca Nordic. **Background:** Per Storm has been active in the Swedish mining and steel industry and a supplier to it for more than 20 years. He was most recently engaged as CEO and senior consultant for Raw Materials Group RMG AB, one of the leading companies in the analysis of the mining and metal industry. He has founded and served on the boards of several small companies. **Holdings in the company:** -

❻ JOHNAS JANSSON

Board member since 2012. **Born:** 1971. **Other assignments:** CEO and owner, partner and Board member of Elbolaget Montage AB, Elbolaget Produktion AB, Elbolaget Installations AB, Östansbotjärnen Fastighets AB, Ludvika Vedlager AB and Elbolaget Jansson & Co AB, Nordic Protection AB and Badhusudden AB. **Background:** Johnas Jansson is an entrepreneur with over 20 years' experience from the industrial sector and staffing industry. He has developed and built up several industrial, staffing and real estate companies. **Holdings in the company:** 735,000 shares directly and through companies.

❼ TOMAS OLOFSSON

Board member since 2012. **Born:** 1968. **Other assignments:** CEO and owner, partner and board member of Lemont Maskin AB, Lemont AB, Aje Mekaniska AB, Fastighets AB Morgårdshammar AB, Datorama AB, Abacus Sales AB, A.Rentall AB and Mecapto AB. **Background:** Tomas Olofsson is an entrepreneur with over 20 years' experience from the engineering industry. He has developed and built up several industrial, staffing and real estate companies. **Holdings in the company:** 150,000 shares directly and through companies.

❽ SIGRUN HJELMQVIST

Board member since March 2014. **Born:** 1956. **Education:** Master of Science in Engineering Physics and a Licentiate of Science in Applied Physics. **Other assignments:** – **Background:** Sigrun Hjelmqvist has held various positions at the Ericsson Group and was part of founding the venture capital company BrainHeart Capital and, additionally, has extensive experience of Board work at several successful Swedish companies. **Holdings in the company:** -

❾ CHRISTER LINDQVIST

Board member since November 2008* and Chief Executive Officer since December 2010. **Born:** 1956. **Education:** Mining Engineer, Royal Institute of Technology, Stockholm. **Other assignments:** Chairman of the Board of Kopparberg Mineral AB, Argo AB and Malmköpings Nya Spritbolag AB. Board member of the subsidiary Ludvika Gruvor AB. **Background:** Christer Lindqvist has been active in various managerial positions in Swedish industry for over 25 years. He has extensive experience in managing and financing international infrastructure and industrial projects, including at ABB, STC Interfinans and Åkers AB, and later in connection with the development of Dannemora Minerals' iron ore mine. **Holdings in the company:** 403,386 shares through companies and 50,000 warrants.

* During the period November 2008 to December 2010 Christer Lindqvist was also Chairman of Nordic Iron Ore.

Senior executives and auditors

The company's management consists of the following senior executives. The shareholdings disclosed below include related parties and through companies or similar.

❶ CHRISTER LINDQVIST
Chief Executive Officer since 2010. Christer Lindqvist is also a Board member of the company. **See "Board of Directors"** (page 26) for further information.

❷ LENNART ELIASSON
CFO/Finance Director since April 2011. **Born:** 1956. **Education:** MBA, Uppsala University. **Other assignments:** Deputy Board member of the subsidiary Ludvika Gruvor AB. **Background:** Lennart Eliasson has worked as a chartered accountant at KPMG where he was a partner and also worked as a specialist in financial analysis, mergers & acquisitions and valuation issues. For nine years, Lennart Eliasson was also Vice President, Corporate Finance, at Swedbank Markets. **Holdings in the company:** 50,000 warrants.

❸ LOUISE SJÖGREN
Head Geologist since June 2011. **Born:** 1979. **Education:** Bedrock Geologist, Gothenburg University/Chalmers, Gothenburg. **Other assignments:** Member of the management team for mining work training at a national level - "Professional training for mining workers starting in autumn 2012". **Background:** Louise Sjögren has several years' experience in the mining development process (from diamond drilling to mining operations), mining production and as a mining geologist in supervisory positions at Garpenberg's mine and exploration geologist in Zn-Pb-Ag and Cu-Au at Renström's mine, Kristineberg, Garpenberg and others. She has held training courses for mining work for students, production staff, and for supervisors. Louise Sjögren is a trained risk analysis manager. **Holdings in the company:** 25,000 warrants.

❹ HANS THORSHAG
Technical Director, since May 2010. **Born:** 1950. **Education:** Mining Engineer, Royal Institute of Technology, Stockholm. **Other assignments:** Board member of H T Mineral Aktiebolag and partner in Mining and Milling in Bergslagen Handelsbolag. **Background:** Hans Thorshag has over 35 years' experience from the mining industry as a project manager production manager and mining specialist at companies such as LKAB, Boliden, Midroc Gold and Lundin Mining. He is also designated as a Qualified Person as defined by the SveMin regulatory framework. **Holdings in the company:** 25,000 warrants.

❺ PAUL MARSDEN
Director of Marketing since November 2011. **Born:** 1957. **Education:** Bachelor of Science in Geological Sciences, Aston University, Birmingham, Chartered Engineer (C Eng) and Chartered Scientist (CSci). **Other assignments:** Over the last five years, Paul Marsden has held various managerial positions at Northland Resources SA, and most recently as VP Business Development. Prior to this, Paul Marsden was engaged as a consultant in the international mining, iron and steel industry for almost 30 years, including nearly 27 years with Corus Consulting (formerly British Steel Consultants Ltd). Paul Marsden's most recent position at Corus Consulting, as project manager, included responsibility for preliminary studies and global marketing of iron ore. Paul Marsden is also a designated Qualified Person according to The Institute of Materials, Metals and Mining (IOM3) and its regulatory framework. **Holdings in the company:** 6,244 shares and 25,000 warrants.

REVISOR
At the Annual General Meeting (AGM) on 28 June 2013, the accounting firm Öhrlings PricewaterhouseCoopers AB was appointed auditor of the company with Authorised Public Accountant Annika Wedin (born 1961 and a member of FAR) as principal auditor, with a term of office for the period until the end of the 2014 AGM.

Share capital and ownership structure

Development of share capital

Under the current articles of association, the share capital is to be a minimum of SEK 1,000,000 and a maximum of SEK 4,000,000, and the number of shares must be no less than 7,000,000 and no more than 28,000,000 in number. At 31 December 2013, the company's registered share capital was SEK 1,993,110 distributed over 11,492,738 shares with a quotient value of SEK 0.17. No limitations apply to the transferability of shares under the articles of association or applicable legislation.

Warrants of series 2011/2014:1
The AGM on 15 June, 2011 resolved on a private placement of not more than 410,000 warrants for current and future key employees at the company. Each warrant entitles the holder to subscribe for one new share in Nordic Iron Ore. The payment for these was SEK 1 per warrant. The warrants may be exercised to subscribe for shares in the period 16 July 2013 through 15 July 2014. The strike price for the warrants is SEK 19. If the warrants are fully exercised, the company's share capital will increase by SEK 71,103.60. If fully exercised, the warrants will cause a dilution effect of about 3.5% of the total number of shares and votes in the company, calculated on the currently registered share capital of SEK 1,993,110.

Ownership structure

At 31 December 2013, shareholders comprised 1,751 individuals and companies, with the largest owners being the Bengtsson family, Kopparberg Mineral AB and Archelon Mineral AB. The company's CEO is also a major shareholder in the company.

Shareholder agreements and separate agreements
To the best of the company's knowledge, no shareholder agreements or other agreements exist between major shareholders whose purpose is to coordinate influence and control over the company.

Authorisation for new share issues
The 2013 AGM resolved to authorise the Board to make decisions, until the time of the next AGM and on one or more occasions, regarding the issue of new shares, convertibles and/or warrants, with or without diverging from the preemptive rights of shareholders, in return for cash payment and/or payment in kind and/or offsetting. According to the authorisation, issues may in total comprise such a maximum amount of shares, convertibles and/or warrants that falls within the limits of the articles of association. Divergence from the preemptive rights of shareholders, in line with the above, must be to secure the company's future funding or attract new owners to the company. When diverging from the preemptive rights of shareholders, the issue price must be at the market rate.

SHARE CAPITAL DEVELOPMENT IN BRIEF

Date*	Event	Change in No. of shares	Total No. of shares	Change in share capital (SEK	Total share capital (SEK	Quotient value (SEK)	Paid incl. share premium (SEK)	Issue price (SEK)
April 2008	Company formation	1,000	1,000	100,000	100,000	100.00	100,000	100.00
May 2008	Split	-	12,000	-	100,000	8.33	-	-
March 2010	Non-cash issue	18,400	30,400	153,333	253,333	8.33	8,280,000	450.00
March 2010	Warrants	14,000	44,400	116,667	370,000	8.33	116,668	8.33
June 2010	Bonus issue	-	44,400	400,000	770,000	17.34	-	-
September 2010	New share issue	2,500	46,900	43,356	813,356	17.34	1,250,000	500.00
September 2010	Rights issue	4,440	51,340	77,000	890,356	17.34	2,220,000	500.00
January 2011	New share issue	26,500	77,840	459,572	1,349,928	17.34	22,525,000	850.00
June 2011	Split	-	7,784,000	-	1,349,928	0.17	-	-
November 2012	Offset issue	3,708,738	11,492,738	643,182	1,993,110	0.17	63,048,546	17.00

* Refers to timing of event decisions

OWNERSHIP STRUCTURE AT 31 DECEMBER 2013

Shareholders	No. of shares	Share of votes and capital
BTAB	3,651,071	31.77%
Kopparberg Mineral AB	2,134,628	18.57%
Elbolaget Montage AB	953,323	8.30%
Archelon Mineral AB	410,269	3.57%
Christer Lindqvist directly and indirectly	403,386	3.51%
Mecapto AB	393,391	3.42%
Paul Lederhausen	308,758	2.69%
Tomas Olofsson directly and indirectly	292 166	2.54%
IGE Resources AB	280,000	2.44%
Per Einarsson	136,752	1.19%
Väsman Invest AB	130,876	1.14%
Other shareholders	2,398,682	20.87%
Total	**11,492,738**	**100.00%**

WARRANTS OF SERIES 2011/2014:1

Warrants of series 2011/2014:1	Number	Dilution if fully exercised
Warrants granted	405,000	3.5%
Total	**405,000**	**3.5%**

Directors' Report

The Board of Directors and CEO of Nordic Iron Ore AB, corporate identity number 556756-0940, herewith submit the Annual Report for the financial year from 1 January to 31 December 2013.

OPERATIONS

The company's business consists of exploration and mining operations, principally through the management and refinement of the exploration permits held by the company for iron-ore deposits in Västerbergslagen.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Raising of capital

During the year, the company completed a round of funding in the form of a short-term mandatory convertible bond. The bond loan amounts to slightly more than SEK 10 million and will be converted to shares after completion of the new share issue, or at the latest on 31 December 2014. The terms for conversion are subject to the terms for a planned future private placement of shares.

In the fourth quarter, the company raised SEK 10 million through a bond loan from Inlandsinnovation, the state-owned venture capital company, as the first key step in funding the completion of the feasibility study.

During the year, the number of shareholders increased to 1,751, primarily due to two of the company's founders transferring shares to their shareholders.

Exploration work and technical surveys

As part of the work with the feasibility study, the company has completed a scoping study for the implementation of the entire Ludvika Gruvor project. The study comprises detailed plans for mine development and investment in plant, and includes financial projections for the project. Ludvika mines is divided into three separate phases, whereby focus will be placed on the development and restart of the Blötberg mine and its associated processing and terminal facilities.

During the year, the company supplemented its organisation with a logistics manager and a separate feasibility study and steering group was formed together with the Swedish Transport Administration for the shared initiatives planned for the railway terminal at Skeppmora.

Permits

Under the Environmental Code's rules, permits from the Land and Environment Court (MMD) are required to engage in permanent mining activities. The main hearing for the company's application for Blötberget and Håksberg started in the autumn and ended at the beginning of February 2014.

In parallel to the processing of the company's application at the MMD, the process of preparing detailed development plans for the industrial areas has been ongoing, and these are expected to be completed in the latter part of 2014. Thereafter, the company will have the key permits required to restart mining operations at Blötberget and Håksberg.

Significant events after the end of the financial year

A new appraisal of the company's mineral resources at Blötberget was published in February 2014. The new estimates are based on the above development work and result in measured and indicated mineral resources at Blötberget now amounting to 11 million tonnes with 35% iron and 27 million tonnes with 45% iron respectively, while inferred mineral resources amount to 21.4 million tonnes with 33% iron. This corresponds to increases of around 50% for total

tonnage and 31% for iron content compared with estimates in the last annual report.

In February the final hearings for the company's application for an environmental permit at the Land and Environment Court in Nacka were completed.

The judgement was delivered on 20 March and gave full support to the company's application. The company was also granted an implementation permit and, accordingly, can commence work immediately. However the judgement has not yet entered force.

EMPLOYEES

During the financial year, the average number of employees was 7 (4). All of them were employed by the Parent Company.

FINANCIAL POSITION, LIQUIDITY AND FUTURE CAPITAL REQUIREMENTS

The Group had a cash balance of SEK 6,005,000 at the balance-sheet date. The equity/assets ratio was 67.60%. Consolidated equity was SEK 55,112,000, corresponding to SEK 4.80 per share.

In the first half of 2014, the company intends to raise capital to fund operations until the completion of the final feasibility study. Orders will be placed for investments in the ore concentrating plant, terminal facilities and mining equipment, which will require a substantial amount of additional capital.

Risks and uncertainties

In addition to the risks associated with future global market prices for iron ore products that affect the profitability of the project and the technical risks, the possibility of starting up operations depends on obtaining the requisite permits from authorities and on meeting the substantial requirement for capital.

Future progress

Following the permit from the Land and Environment Court, operational focus in 2014 is on completing the ongoing final feasibility study and preparations for the investment phase. In parallel with the above, the company is being prepared for listing and raising capital in conjunction with the listing.

CORPORATE GOVERNANCE

Corporate governance refers to the decision-making systems through which shareholders, directly or indirectly, govern Nordic Iron Ore.

Corporate governance at Nordic Iron Ore is based on Swedish legislation, mainly the Swedish Companies Act, and the company's articles of association, as well as internal instructions prepared and adopted by the company.

The Swedish Corporate Governance Code (the Code) applies to Swedish limited liability companies whose shares are traded on a regulated market. It aims to constitute guiding rules for sound corporate governance and supplement legislation in areas in which it places more stringent demands. Since the company's shares are not traded on a regulated market, the company is not required to apply the Code. However, the company's aim is to gradually apply measures to comply with the rules of the Code at a rate deemed reasonable based on the stage and scope of the operations.

The share

The share capital at the end of the financial year was SEK 1,993,110 distributed over 11,492,738 shares with a quotient value of SEK 0.17 per share.

The company's articles of association stipulate a share capital of not less than SEK 1,900,000 and not more than SEK 7,600,000, and a maximum number of shares totalling 44,000,000. No limitations apply to the transferability of shares under the articles of association or applicable legislation. At the 2013 AGM, a resolution was passed to authorise the Board to issue financial instruments with or without preemptive rights for existing shareholders. According to the authorisation, issues may in total comprise such a maximum amount of shares, convertibles and/or warrants that falls within the limits of the articles of association.

Shareholders and general meetings of shareholders

Nordic Iron Ore's highest decision-making body is the general meeting of shareholders, at which the latter exercise their influence over the company. Each year, an ordinary shareholder meeting shall be held – an Annual General Meeting (AGM). The AGM passes resolutions on items including adopting the income statement and balance sheet, appropriation of the company's profit or loss, discharging the Board of Directors and CEO from liability, election of the Board and auditors and establishing their fees.

Under Nordic Iron Ore's articles of association, general meetings of shareholders can be held in the municipality of Ludvika, the intended location of the company's main operations, or in the municipality of Stockholm. Notice of AGMs and extraordinary general meetings (EGMs) at which an amendment to the articles of association will be addressed must be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice of any other EGM must be issued not earlier than six weeks and not later than two weeks prior to the meeting. Notice of the meeting is given in the form of an announcement in Post och Inrikes Tidningar and on the company's website. Information about the notice having been issued is announced in Dagens Industri. Shareholders who are entered in the register of shareholders held by Euroclear, on the record day, and who have notified the company in time of their intention to participate in the meeting are entitled to participate and vote for their shareholdings at the general meeting.

The 2013 AGM was held on 28 June at the offices of law firm Bird & Bird in Stockholm. The report from the AGM is published on the company's website. At the AGM, resolutions were passed to re-elect the following Board members: Anders Bengtsson, Jonas Bengtsson, Göran Ekdahl, Johnas Jansson, Lars-Göran Ohlsson, Tomas Olofsson, Per Storm and Christer Lindqvist. Göran Ekdahl, was elected as Chairman of the Board.

At the EGM on 13 March 2014, Sigrun Hjelmquist was elected as a full Board member.

Nomination Committee

The AGM resolved that the Nomination Committee be appointed by the Chairman of the Board contacting at least three of the largest shareholders at the end of 2013 in order for these to appoint one representative each who, together with the Chairman of the Board, form the Nomination Committee. The Nomination Committee appoints its chairman from among its members.

The Board of Directors and its work procedures

The Board is responsible for Nordic Iron Ore's organisation and the administration of the company's affairs. The Board regularly assesses the company's and Group's financial position and ensures that the company's organisation is structured such that accounting, asset management and the company's financial circumstances in

general are appropriately controlled. The Board is elected for the period until the next AGM.

Under the articles of association, the Board is to comprise between three and ten members with not more than ten deputies. The Board of the company currently consists of nine Board members and no deputies. The Chief Executive Officer is a member of the Board.

The Board of Nordic Iron Ore comprises expertise and experience from areas of importance to the company. The Board comprises members with expertise and experience in areas including company management and development, corporate law and funding, project management and construction projects as well as geology, mining exploration, mining operations, concentration, permit management and the iron ore market.

Board work is conducted based on prevailing legislation, regulations and the rules of procedure adopted by the Board. The rules of procedure are regularly reviewed and adopted, at least once a year, at the statutory Board meeting following the AGM.

For the time being, the Board has resolved to refrain from appointing any committees within the Board, since it is of the opinion that, at the current stage of the company's development, the duties that would be performed by remuneration and audit committees are handled most efficiently within the framework of the Board as a whole.

According to the rules of procedure, the Board is to hold at least six meetings in addition to the statutory meeting. In 2013, the Board held 21 meetings including telephone meetings at which minutes were taken. The high number of meetings is linked to the current stage of the company's operations, with many external meetings due to activities relating to raising capital. At its ordinary meetings, the Board addressed the set items incumbent upon each Board meeting pursuant to the Board's rules of procedure, such as the CEO's report of significant events since the preceding meeting and financial statements.

The Board is kept informed of the company's financial position and performance, at least at each ordinary Board meeting. Financial reporting to the Board follows the adopted financial reporting instructions.

The current rules of procedure, financial reporting instructions and order of delegation were adopted by the Board in connection with the AGM on 28 June 2013.

Information is available on the company's website, www.nordicironore.se under the heading Corporate Governance, Articles of Association, Board of Directors, Management, press releases from the latest shareholder meetings, the Board's rules of procedure, information about the Nomination Committee and the company's incentive programme. Information about fees paid to the Board is provided in the notes to the Annual Report.

Chief Executive Officer

The Chief Executive Officer reports to the Board and bears the main responsibility for operating activities, including personnel, financial and accounting matters, ongoing contacts with the company's stakeholders (such as authorities and the financial market) and provides the Board with the requisite information for making well-founded decisions. The distribution of duties and responsibilities between the Board and CEO is regulated by law, the company's instructions for the CEO regarding the distribution of duties between the Board and CEO, and the order of delegation adopted by the Board. The Chairman of the Board is in regular dialogue with the CEO and if needed is summoned to EGMs.

Christer Lindqvist has been CEO of the company since 2010. Previously he worked as Chairman of the Board of the company. The CEO is presented in more detail on the company's website under "About us – Organisation – Senior executives". Information about remuneration for the CEO is disclosed in the notes to the Annual Report.

Insider register and insider policy

In preparation for a future market listing of the company's shares, the Board has adopted an insider policy. The insider policy regulates procedures for the periods during which trading in shares or other financial instruments is not permitted.

Audit

The auditor audits the company's Annual Report and accounts, and the administration of the Board of Directors and CEO pursuant to the Swedish Companies Act and generally accepted auditing standards in Sweden.

At the 2013 AGM, the company's auditors Öhrlings PricewaterhouseCoopers AB were re-elected with Annika Wedin as principal auditor for the period until the 2014 AGM.

Information for the stock market

Since one of the company's major owners is listed, Nordic Iron Ore AB aims to keep the stock market regularly informed about the company's operations so that the market's requirements in terms of disclosure and timely information are adequately met. Requirements with respect to the company's disclosure of information are mainly set forth by law and NASDAQ OMX rules for First North.

Nordic Iron Ore AB issues quarterly reports, year-end reports and annual reports, which are disclosed through press releases and published on the company's website.

ENVIRONMENT AND SUSTAINABILITY

Mining operations are subject to stringent environmental and regulatory requirements including with regard to noise and emissions, the management of substances hazardous to the environment and other health and safety risks.

Nordic Iron Ore's stated objective is to minimise impact on the environment, local residents and society in general. Accordingly, environmental and sustainability issues are key issues and comprise the external environment, energy consumption and work environment.

PROPOSED APPROPRIATION OF PROFITS

Amounts in SEK

Funds at the disposal of the AGM:

	Amounts in SEK
Retained earnings	-25,273,734
Share premium reserve	94,208,734
Loss for the year	-15,808,836
Total	**53,126,164**

The Board proposes that the profit, SEK 53,126,164, be carried forward.

The company's and the Group's earnings and financial position are presented in the following income statements and balance sheets with supplementary information and notes.

Consolidated statement of comprehensive income

Amounts in SEK 000	Note	2013	2012
Other external costs	6, 9	-8,693	-14,088
Personnel costs	7	-4,750	-5,118
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	12, 13	-125	-94
Operating loss		**-13,569**	**-19,300**
Financial income	8	37	211
Financial expenses	8	-2,279	-2,790
Net financial expense		**-2,241**	**-2,578**
Loss after financial items		**-15,810**	**-21,878**
Income tax	10		
LOSS FOR THE YEAR		**-15,810**	**-21,878**
OTHER COMPREHENSIVE INCOME			
Total comprehensive income for the year		**-15,810**	**-21,878**
Attributable to:			
Parent Company's shareholders		-15,810	-21,878
TOTAL		**-15,810**	**-21,878**
No. of shares			
No. shares at year-end		11,492,738	11,492,738
Average number of shares (before dilution)		11,492,738	8,312,368
Average number of shares (after dilution)		11,492,738	8,312,368
Earnings per share			
Earnings per share, weighted-average:			
basic, SEK		-1.38	-2.63
diluted, SEK		-1.38	-2.63

Consolidated balance sheet

Amounts in SEK 000	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure pertaining to exploration and evaluation	12	73,578	59,630
Licences	12	–	–
		73,578	**59,630**
Property, plant and equipment			
Machinery and equipment	13	499	212
		499	**212**
Financial assets			
Other non-current receivables	15	78	78
		78	**78**
Total non-current assets		**74,156**	**59,920**
Current assets			
Other receivables	17	1,003	1,864
Prepaid expenses and accrued income	18	358	485
Cash and cash equivalents	19	6,005	18,926
Total current assets		**7,367**	**21,274**
Total assets		**81,522**	**81,194**
EQUITY			
Equity attributable to the Parent Company's shareholders			
Share capital		1,993	1,993
Other paid-in capital		94,209	94,209
Retained earnings incl. comprehensive income for the period		-41,089	-25,279
Total equity		**55,113**	**70,923**
LIABILITIES			
Non-current liabilities			
Borrowings	21	10,152	–
		10,152	**–**
Current liabilities			
Accounts payable		1,667	6,631
Convertible loan	22	10,931	–
Other liabilities	23	433	362
Accrued expenses and deferred income	24	3,227	3,279
		16,258	**10,272**
Total equity and liabilities		**81,522**	**81,194**

Memorandum items

Amounts in SEK 000	Note	31 Dec. 2013	31 Dec. 2012
Pledged assets	25	*77*	*77*
Contingent liabilities		None	None

Consolidated statement of changes in equity

	Attributable to the Parent Company's shareholders			
Amounts in SEK 000	Share capital	Other paid-in capital	Retained earnings incl. profit/loss for the year	Total equity
Opening equity, 1 Jan. 2012	**1,350**	**32,191**	**-3,401**	**30,140**
Loss for the year			-21,878	-21,878
Comprehensive income for the year			***-21,878***	***-21,878***
Converted debenture loan	643	62,405		63,049
Costs for the converted debenture loan		-388		-388
Closing equity, 31 Dec. 2012	**1,993**	**94,209**	**-25,279**	**70,923**
Opening equity, 1 Jan. 2013	**1,993**	**94,209**	**-25,279**	**70,923**
Loss for the year			-15,810	-15,810
Comprehensive income for the year			***-15,810***	***-15,810***
Closing equity, 31 Dec. 2013	**1,993**	**94,209**	**-41,089**	**55,113**

Consolidated cash-flow statement

Amounts in SEK 000	Note	31 Dec. 2013	31 Dec. 2012
Operating activities			
Loss for the year		-15,810	-21,878
Adjustment for non-cash items:			
Depreciation, amortisation and impairment		125	94
Other non-cash items		883	191
Cash flow from operating activities before changes in working capital		**-14,802**	**-21,593**
Cash flow from changes in working capital			
Increase (-) Decrease (+) in operating receivables		987	-1,022
Increase (-) Decrease (+) in operating liabilities		-4,945	4,378
Cash flow from operating activities		**-18,760**	**-18,237**
Investing activities			
Acquisition of property, plant and equipment	14	-412	-54
Acquisition of intangible assets	13	-13,948	-26,172
Acquisition of financial assets	16	-1	-1
Cash flow from investing activities		**-14,361**	**-26,228**
Financing activities			
New share issue, net of issue costs		–	62,661
Borrowings	21, 22	20,200	–
Cash flow from financing activities		**20,200**	**62,661**
Cash flow for the year		**-12,921**	**18,196**
Opening cash and cash equivalents		18,926	730
CLOSING CASH AND CASH EQUIVALENTS		**6,005**	**18,926**
Interest received		37	211
Interest paid		2,279	2,790

Income statement – Parent Company

Amounts in SEK 000	Note	2013	2012
Other external costs	6, 9	-8,692	-14,086
Personnel costs	7	-4,750	-5,118
Depreciation and amortisation	12, 13	-125	-94
Operating loss		**-13,567**	**-19,299**
Interest income	8	37	211
Interest expenses	8	-2,279	-2,790
Net financial items		**-2,242**	**-2,579**
Interest income			
Interest expenses			
Net financial items	10	–	–
Tax on profit/loss for the year		**-15,809**	**-21,878**
Loss for the year			
STATEMENT OF COMPREHENSIVE INCOME			
Other comprehensive income		–	–
Total comprehensive income for the year		**-15,809**	**-21,878**

Balance sheet – Parent Company

Amounts in SEK 000	Note	31 Dec. 2013	31 Dec. 2012
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure pertaining to exploration and evaluation	12	73,578	59,630
Licences	12	–	–
		73,578	**59,630**
Property, plant and equipment			
Machinery and equipment	13	499	212
		499	**212**
Financial assets			
Participations in Group companies	14	50	50
Other non-current receivables	15	31	31
		81	**81**
Total non-current assets		**74,159**	**59,923**
Current assets			
Other receivables	17	1,003	1,864
Prepaid expenses and accrued income	18	358	485
Cash and bank balances	19	6,009	18,928
Total current assets		**7,371**	**21,277**
Total assets		**81,529**	**81,200**
EQUITY AND LIABILITIES			
Equity			
Restricted equity		1,993	1,993
Share capital		1,993	1,993
Non-restricted equity			
Share premium reserve		94,209	94,209
Retained earnings		-25,274	-3,396
Loss for the year		-15,809	-21,878
		53,126	**68,935**
Total equity		**55,119**	**70,928**
	21		
Liabilities			
Non-current liabilities			
Borrowings		10,152	–
Total non-current liabilities		**10,152**	**–**
Current liabilities			
Convertible loan	22	10,931	–
Accounts payable		1,667	6,631
Other current liabilities	23	433	362
Accrued expenses and deferred income	24	3,227	3,279
Total current liabilities		**16,258**	**10,272**
Total liabilities		**26,410**	**10,272**
Total equity and liabilities		**81,529**	**81,200**

Memorandum items

Amounts in SEK 000	Note	31 Dec. 2013	31 Dec. 2012
Pledged assets	25	77	77
Contingent liabilities		None	None

Changes in equity – Parent Company

	Restricted equity	Non-restricted equity			
Amounts in SEK 000	Share capital	Share premium reserve	Retained earnings	Loss for the year	Total equity
Opening equity, 1 Jan. 2012	**1,350**	**32,191**	**4,019**	**-7,415**	**30,145**
Appropriation of profits			-7,415	7,415	
New share issue	643	62,405			63,049
Issue costs		-388			-388
Loss for the year				-21,878	-21,878
Closing equity, 31 Dec. 2012	**1,993**	**94,209**	**-3,396**	**-21,878**	**70,928**
Opening equity, 1 Jan. 2013	**1,993**	**94,209**	**-3,396**	**-21,878**	**70,928**
Appropriation of profits			-21,878	21,878	
Loss for the year				-15,809	-15,809
Closing equity, 31 Dec. 2013	**1,993**	**94,209**	**-25,274**	**-15,809**	**55,119**

Cash-flow statement – Parent Company

Amounts in SEK 000	Note	31 Dec. 2013	31 Dec. 2012
Operating activities			
Loss for the year		-15,809	-21,878
Adjustment for non-cash items:			
Depreciation, amortisation and impairment		125	94
Other non-cash items		883	191
Cash flow from operating activities before changes in working capital		**-14,801**	**-21,592**
Cash flow from changes in working capital			
Increase (-) Decrease (+) in operating receivables		987	-1,022
Increase (-) Decrease (+) in operating liabilities		-4,945	4,378
Cash flow from operating activities		**-18,759**	**-18,236**
Investing activities			
Acquisition of property, plant and equipment	14	-412	-54
Acquisition of intangible assets	13	-13,948	-26,172
Cash flow from investing activities		**-14,361**	**-26,227**
Financing activities			
New share issue, net of issue costs		–	62,661
Borrowings	21, 22	20,200	–
Cash flow from financing activities		**20,200**	**62,661**
Cash flow for the year		**-12,919**	**18,197**
Opening cash and cash equivalents		18,928	731
CLOSING CASH AND CASH EQUIVALENTS		**6,009**	**18,928**
Interest received		37	211
Interest paid		2,279	2,790

Notes

Note 1 General information

Nordic Iron Ore AB is a mining and exploration company with its main operations consisting of exploration and mining activities principally through the management and refinement of the exploration permits held by the company for iron-ore deposits in Västerbergslagen (a geographical area in the south of Dalarna).

In addition to the Parent Company Nordic Iron Ore AB, the Nordic Iron Ore Group consists of the wholly owned subsidiary Ludvika Gruvor AB. The Parent Company is a limited liability company registered in Sweden and domiciled in the municipality of Ludvika. The headquarters visiting address is Vendevägen 85 A, SE-182 91 Danderyd, Sweden. All amounts are stated in Swedish kronor (SEK) unless specified otherwise. The information in parentheses pertains to the preceding year. The Board approved the annual and consolidated accounts for publishing on 30 April 2014.

Note 2 Summary of important accounting policies

BASIS FOR PREPARING THE STATEMENTS

The following accounting and valuation policies apply for both the consolidated accounts and the Parent Company's annual accounts unless stated otherwise.

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission for application in the EU. The most important accounting policies applied in the preparation of these consolidated accounts are detailed below. The consolidated accounts have also been prepared in compliance with Swedish law and the application of RFR 1, Supplementary Accounting Regulations for Groups, as published by the Swedish Financial Reporting Board.

The Parent Company accounts have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Annual Accounts Act. In cases where the Parent Company applies accounting policies that differ from those of the Group, this is described separately under the heading Parent Company accounting policies. The application of RFR 2 has not resulted in any differences in the Parent Company's accounts compared with previous years.

Preparing statements that comply with IFRS requires the use of a number of important estimations for accounting purposes. Management is also required to make certain judgements in the application of the Group's accounting policies The areas which involve exercising a high degree of judgement, which are complex or are such areas in which assumptions and estimations are of material importance to the consolidated accounts are described separately.

Changes in accounting policies and disclosures

On the preparation of these consolidated accounts as of 31 December 2013, a number of standards, amendments and interpretations of existing standards, which have not yet entered force, have not been applied prospectively by Nordic Iron Ore AB.

The following is a preliminary assessment of effects from the standards assessed as relevant to Nordic Iron Ore AB:

– IFRS 9 Financial instruments (published 31 December 2010). This standard is the first step in the process of replacing IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 introduces two new requirements for the classification and measurement of financial assets and will probably impact the Group's recognition of financial assets. The provisions relating to financial liabilities are essentially transferred from IAS 39, with the exception of the fair value alternative. The Group intend to apply the new standard not later than the financial year commencing 1 January 2015 and has not yet evaluated the effects. The standard has not yet been adopted by the EU.
– Amendment of IFRS 7 Financial instruments: Disclosures pertaining to disclosures related to net accounting of assets and liabilities. The amendment includes new disclosure requirements to facilitate comparison between companies that prepare their financial statements in line with IFRS with companies that prepare their financial statements in line with US GAAP.
– IFRS 13 Fair Value Measurement aims for fair value measurement to be more consistent and less complex through the standard providing an exact definition and common source in IFRS for fair value measurements and related disclosures. The requirements do not extend the area of application for when fair values should be applied, but provide guidance about how fair value should be applied where other IFRS already require or permit fair value measurement. The Group has not yet evaluated the full effect of IFRS 13 on the financial statements. The Group intends to apply the new standard not later than the financial year commencing 1 January 2013.

New standards and interpretations that have not yet been applied by the Group

– IFRS 10 Consolidated Financial Statements is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The standard provides further guidance that can be of assistance when it is difficult to determine control. The Group intends to apply IFRS 10 for the financial year commencing 1 January 2014 and has not yet evaluated the full effect on the financial statements.
– IFRS 12 Disclosure of Interests in Other Entities includes the disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. The Group intends to apply IFRS 12 for the financial year commencing in 2014 and has not yet evaluated the full effect on the financial statements.
– IFRIC 21 Levies clarifies the recognition of an obligation to pay a tax or a levy that is not income tax. The interpretation clarifies what the obligating event that triggers the payment of the tax or levy is, and when the liability is to thus be recognized. The Group is not currently exposed to any significant taxes or levies that are not income taxes and, accordingly, this interpretation does not have any material impact on the Group.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

CONSOLIDATED ACCOUNTS

The acquisition method is used to recognize the Group's business combinations. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. Acquisition-related costs are expensed as they arise.

Subsidiaries are all the companies for which the Group has the right to formulate financial and operating strategies in a manner commonly accompanying participations amounting to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently available to utilize or convert are taken into account in the assessment of whether the Group exercises controlling influence over another company. Subsidiaries are included in the consolidated accounts from the date on which control is transferred to the Group. They are excluded from the consolidated accounts from the date on which the control ceases. Intra-Group transactions and balance-sheet items, and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

The only subsidiary in the Group was formed under the Group's own auspices and was thus not acquired.

EFFECTS OF EXCHANGE-RATE CHANGES

Functional currency and reporting currency

Group companies have the Swedish krona (SEK) as their functional currency and reporting currency.

Transactions and balance-sheet items

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rate prevailing on the transaction date. Exchange-rate gains and losses resulting from settlement of such transactions and from the translation at the closing rate of accounts receivable and accounts payable and in foreign currency are recognised in profit and loss.

INTANGIBLE ASSETS

Licences

Licences acquired separately are recognised at cost. The balance-sheet item Licences includes licence fees. Amortisation of licences starts from the acquisition date and is applied on a straight-line basis over a five-year period.

Capitalised expenditure pertaining to exploration and evaluation

Expenditure for exploration for and evaluation of mineral resources is recognised according to IFRS 6 Exploration for and Evaluation of Mineral Resources. Exploration and evaluation efforts are measured at cost and refer to all expenditure directly attributable to the exploration for and evaluation of mineral resources. Capitalised expenditure for exploration and evaluation assets includes expenditure for geological and technical surveys, test drilling and laboratory analyses. Indirect expenses and expenses arising prior to obtaining licences are recognised directly as an expense in the period in which they arise. On the start of commercial mining operations, capitalised development expenditure attributable to Ludvika Gruvor will no longer be classified as exploration and evaluation assets. Reclassification will then be performed, whereupon recognition will be according to IAS 16 – Property Plant and Equipment, and IAS 38 – Intangible Assets, depending on how the assets have been classified.

Amortisation

Amortisation of exploration and evaluation work commences at the start of production at the mining facilities and then continues in line with the useful life of the mining facility.

Impairment

Licences and exploration and evaluation assets are impairment-tested when facts and circumstances indicate that the carrying amount may exceed its recoverable amount. An impairment loss is recognised as an expense in profit or loss. One or more of the following factors and circumstances indicate the need for impairment testing:

- The period during which the company is entitled to explore the specified area has expired or will expire within the near future, and has not been renewed.
- Significant expenditure for further exploration for and evaluation of mineral resources in the area in question are neither planned nor budgeted.
- Exploration for and evaluation of mineral resources in the area in question have not led to the discovery of mineral resources in commercially viable quantities and the company has decided to cease such operations in the area in question.
- There is sufficient information to indicate, despite the probable continuation of development in the area in question, that the carrying amount of the exploration and evaluation asset can probably not be recovered in its entirety through successful development or sale.

Capitalised expenses in the form of exploration and evaluation assets and licences are impaired as soon as the exploitation licence is relinquished to the issuer.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less depreciation. Cost includes expenditure directly attributable to the acquisition of the asset. Subsequent expenditure is added to the asset's carrying amount or recognised as a separate asset, depending on which is appropriate, only when it is probable that future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. The carrying amount of the replaced portion is derecognised from the balance sheet. All other forms of repairs and maintenance are expensed in profit or loss as incurred. Depreciation of other assets, in order to distribute their cost down to the calculated residual value, is performed on a straight-line basis over the estimated useful life as follows:

Machinery and equipment 5 years

Gains and losses on disposals are determined by comparing the sales proceeds and the carrying amount.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The residual value and useful life of the asset are tested at the end of each reporting period and adjusted as necessary. In addition, the carrying amount of an item of property, plant and equipment is immediately impaired to its recoverable value if the carrying amount of the asset exceeds its estimated recoverable value. Property, plant and equipment are assessed with respect to declines in value whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in the amount by which the carrying amount of

the asset exceeds its recoverable amount, which is the highest of fair value less selling costs and value in use. When assessing for impairment, assets are grouped at the lowest levels at which there are separately identifiable cash flows (cash generating units). An impairment is recognised in profit and loss. Previously impaired property, plant and equipment is, at the end of each reporting period, tested for whether a reversal should be made.

FINANCIAL INSTRUMENTS
The Group classifies its financial assets and liabilities under the following categories: loans receivable and accounts receivable, and other financial liabilities. Classification depends on the purpose for which the financial asset or liability was acquired.

General policies
Purchases and sales of financial assets and liabilities are recognised on the transaction date – the date on which the Group commits to purchase or sell the asset or liability. Financial assets and liabilities are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred largely all risks and benefits associated with ownership.

Financial liabilities are derecognised when the obligation in the agreement has been fulfilled or otherwise extinguished. Loans receivable and accounts receivable, and other financial liabilities, are recognised after the time of acquisition at amortised cost using the effective interest method.

Loans receivable
Loans receivable are financial assets which are not derivatives, which have determined or determinable payments and which are not listed on an active market. They are included in current assets with the exception of items falling due more than 12 months after the balance-sheet date, which are classed as non-current assets. Loans receivable are recognised as other receivables and financial assets, respectively, in the balance sheet. Cash and cash equivalents are also included in this category. At the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset requires impairment.

Other financial liabilities
This category includes loans and other financial liabilities, such as accounts payable. Loans are measured at amortised cost. Amortised cost is determined based on the effective interest rate calculated when the liability was assumed. For accounts payable the expected maturity is short and, accordingly, the value is recognised at the undiscounted nominal amount.

CALCULATION OF FAIR VALUE
The carrying amount, after any impairment, of loans receivable and accounts receivable, and other liabilities, is assumed to equal their fair value because such items are current in nature. The Group does not have any financial instruments measured at fair value in the balance sheet.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include bank balances and restricted bank balances expected to be settled within 12 months after the end of the reporting period. Cash and cash equivalents in the cash-flow statement include cash and bank balances.

COMPOUND FINANCIAL INSTRUMENTS
The compound financial instruments issued by the Group comprise mandatory convertible bonds. The convertible bonds are recognised in their entirety as a liability since the number of shares that will be issued cannot be determined as the conversion price has not been decided and the amount that will be converted also includes the estimated accrued interest at that moment in time.

SHARE CAPITAL
Ordinary shares are classified as equity. Transaction costs directly attributable to the issuing of new shares are recognised, net of tax, in equity as a deduction from the issue proceeds.

Earnings per share
Basic earnings per share are calculated by dividing earnings for the year attributable to the Parent Company's shareholders by a weighted average number of outstanding shares during the period. In calculating diluted earnings per share, the average number of shares is adjusted for all shares with a potential dilution effect. This includes issued warrants. A warrant gives rise to a dilution effect if the strike price is below the fair value of the company's shares and this leads to a reduction in diluted earnings per share.

ACCOUNTS PAYABLE
Accounts payable are undertakings to pay for expenses and capitalised expenditure. Accounts payable are classified as current liabilities if they fall due within one year or earlier. Accounts payable are recognised at their nominal amount. The carrying amount of accounts payable is assumed to equal its fair value, because this item is current in nature.

BORROWINGS
Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the amount received (net of transaction costs) and the repayment amount is recognised in profit and loss distributed over the loan period and applying the effective interest method.

BORROWING COSTS
Borrowing costs directly attributable to loans are recognised in the cost of qualifying assets. This is because the loan was raised to finance the investments in the mine, which is an asset that takes a substantial period of time to get ready for its intended use. The capitalisation ceases when all activities required to complete the asset for its intended use have largely ended. All other borrowing costs are expensed as incurred.

CURRENT AND DEFERRED TAX
Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss except when an underlying transaction is recognised directly in equity.

Current tax
Current tax is tax payable or receivable with respect to the current financial year and any adjustment of tax with respect to preceding financial years. The current tax expense is estimated according to the tax rate applicable to the tax assessment. In the balance sheet, the tax asset or tax liability for current tax is recognised as current.

Deferred tax
Deferred tax is calculated on the difference between the carrying amounts and taxable values of the company's assets and liabilities. Deferred tax is recognised according to the balance-sheet method. Deferred tax is recognised on basically all temporary differences arising between the taxable values of assets and liabilities and their carrying amounts in the consolidated accounts.

Deferred income tax is calculated by applying tax rates (and laws) decided or announced as per the balance-sheet date, and which are expected to apply when the applicable deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future tax surpluses will be available, against which the temporary differences can be utilised.

There are currently no differences between taxable values and carrying amounts in the company's balance sheet and, accordingly, no temporary differences that could lead to deferred tax assets/liabilities.

CASH-FLOW STATEMENT
The cash-flow statement is prepared according to the indirect method. Cash and cash equivalents include cash and bank balances, and current investments with maturities of up to 90 days.

REMUNERATION OF EMPLOYEES
Pension obligations
Nordic Iron Ore AB only has defined-contribution plans. For these, Nordic Iron Ore AB pays fees to pension insurance plans, administered by the public or private sector, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the fees have been paid. The fees are recognised as personnel costs when they fall due for payment. Prepaid contributions are recognised as an asset insofar as cash repayment or a reduction in future payments can accrue to the Group.

SHARE-BASED REMUNERATION
Warrants programme
The Group has a warrants programme, whereby senior executives and key individuals have been offered the opportunity to subscribe for warrants on market terms. Payment for the warrants is recognised in equity as other paid-in capital. The warrants programme has not resulted in any expenses for the company because employees paid the market value for the warrants. In the event of Group companies owning warrants on accounting closing dates, these are restated at the lower of cost and market value. The effect of the restatement is recognised under other paid-in capital. If the warrants are exercised, new shares are issued. Payments received, less any directly attributable transaction costs, are credited to share capital, quotient value, and other paid-in capital.

PROVISIONS
A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation ensuing from a transpired event, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimation can be performed.

REVENUE RECOGNITION
Interest income is recognised as revenue distributed over the duration through application of the effective interest method.

LEASES
Leases are classified in the consolidated accounts as either finance or operating leases. A finance lease essentially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease. For operating leases, lease payments are expensed across the duration of the lease based on its useful life, which can differ from actual payments made to cover leasing fees during the year. All leases in the Group are classified as operating leases.

PARENT COMPANY'S ACCOUNTING POLICIES
The Parent Company applies RFR 2, Accounting for Legal Entities, and the Annual Accounts Act.

Income statement and balance sheet format
The income statement and balance sheet follow the format of the Annual Accounts Act. This involves differences from the consolidated accounts, mainly with respect to financial income and expenses, the statement of comprehensive income, provisions and the statement of changes in equity.

Shares in subsidiaries
Shares in subsidiaries are recognised at cost less any impairment. Dividends received are recognised as financial income. Dividends exceeding the comprehensive income of the subsidiary for the period, or which involve the book value of the net assets of the holding falling below the book value of the participations in the consolidated accounts, indicates a need for impairment. When there is an indication that shares in subsidiaries have declined in value, the recoverable amount is calculated. In the event that the recoverable amount is lower than the carrying amount, an impairment is made. Impairments are recognised under the item Profit/Loss from participations in Group companies.

Borrowing costs
All borrowing costs are expensed as incurred.

Classification and measurement of financial instruments
IAS 39 – Financial Instruments: Recognition and Measurement is applied except with respect to financial guarantees, for which the exception according to RFR 2 is selected. Financial guarantees are included in Contingent liabilities.

Note 3 Financial risk factors

In its operations, the Group is exposed to a range of different financial risks – market risk (comprising: currency risk, interest risk in cash flow and price risk), credit risk and liquidity risk. The Group's financial policy/risk-management policy focuses on minimising potential adverse effects on Group earnings.

Market risk

- Currency risk is the risk of exchange-rate fluctuations negatively affecting the company's profit, financial position and/or cash flows. Currency risk comprises both transaction and translation risk. The company currently has no material currency exposure since operating activities largely have costs linked to the Swedish krona (SEK). Decisions about any future mining will involve the need for significant investments in mining and processing plant, machinery and equipment, in certain cases with foreign suppliers in currencies other than the SEK. Furthermore, iron ore prices are set on the global iron ore market in USD. As of the decision to start up the mines, there will be currency exposure to manage, chiefly relating to revenue flows in USD. The company has not yet decided on any currency hedges or adopted a hedging policy, but intends to do so when the need arises.
- The Group is currently not exposed to any price risk.
- Interest rate risk is only limited at present so that loans raised accrue fixed interest.

Credit risk

Credit risk is the risk of a counterparty in a financial transaction failing to meet its obligations on the due date. Credit risks arise through bank balances including restricted bank balances. Only banks and financial institutions with a high credit rating are accepted by the Group.

Liquidity risk

Liquidity risk is the risk of the Group lacking sufficient cash and cash equivalents to meet its financial liabilities. The company carefully monitors forecasts for the Group's liquidity reserve to ensure that the Group has sufficient funds to meet the needs of operating activities.

At 31 December 2013, the Group had a cash balance of SEK 6,005,000 (18,926,000). The Group has no credit facilities.

Capital risk

To secure the financial resources needed to maintain momentum in the project, the company completed a round of financing in the third quarter with a private placement to a limited circle of investors in the form of a short-term mandatory convertible bond. The bond loan, which amounted to SEK 10.2 M, will convert to equity as of 31 December 2014. In addition, in November 2013, the company was granted a loan of SEK 10 M by Inlandsinnovation AB.

The company has also made preparations for a stock market listing of its shares, but is waiting for the right time in the financial markets. The company deems the capital risk to be limited.

Note 4 Critical accounting estimates and assumptions

Estimations and assumptions are regularly evaluated and are based on experience and other factors, including expectations about future events deemed reasonable in the prevailing circumstances.

The Group makes estimations and assumptions about the future. The resulting estimations for accounting purposes will, by definition, rarely match the actual outcome. The estimations and assumptions involving a significant risk of material adjustments in the carrying amounts of assets and liabilities in the following financial years are outlined below.

(a) Impairment testing for exploration and evaluation work

Exploration and evaluation assets are impairment tested, based on the requirements in IFRS 6, when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, measurement, classification and disclosures are provided pursuant to the requirements in IAS 36 – Impairment of Assets. At 31 December 2013, the value of intangible assets, capitalised exploration and evaluation expenditure, amounted to SEK 73,578,000 (59,630,000). Among other things, the value is dependent upon the opportunities and resources for developing the capitalised expenditure into mineable deposits.

Should the circumstances of the underlying assessments, on which the value of the intangible assets is based, change, and facts and circumstances arise to indicate that an impairment test is required, the value may need to be impaired.

During the year, capitalised expenses for exploration and evaluation work and licences were impaired because certain licences were relinquished to the issuer.

(b) Assessment of potential capitalisation of loss carry-forwards

Unutilised loss carry-forwards are booked as deferred tax assets to the extent it is probable that they can be used to offset surpluses in future taxation. Because the Group has not yet commenced com-

Maturity analysis

At 31 December 2013	Within 1 year	Between 1 and 5 years	More than 5 years
Interest on long-term borrowings	–	152	–
Amortisation on long-term borrowings	–	10,000	–
Interest on convertible loan	731	–	–
Convertible loan	10,200	–	–
Accounts payable and other current liabilities	5,327	–	–

mercial sales, the company management is of the opinion that loss carry-forwards shall not be capitalised at this point. Assessment thereof shall be made at the close of each reporting period.

No time limit applies to the utilisation of loss carry-forwards in the Group today.

(c) Assessment of provision for restoration costs
Meeting the requirements of environmental legislation may require substantial expenses, including fees for restoring land and for damage due to land contamination. Since the company has not commenced mining operations and only carried out limited exploration, no provision for restoration costs has been recognised.

Note 5 Segment reporting

Operating segments are reported such that they match the internal reporting submitted to the chief operating decision maker (CODM). The CODM is the function responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO.

Until the end of 2013, Nordic Iron Ore AB operated within one operating segment, that is, exploration for and evaluation of mineral resources. The operations are conducted in Sweden. The operating segment identified in Nordic Iron Ore AB thus coincides with reporting for the Group as a whole.

Additional information regarding revenue from external customers and non-current assets for geographic areas, as well as information about major customers, is not applicable to the Group because operations are only conducted in Sweden and the Group has not yet reported any revenue.

Note 6 Auditors' fees

Audit fees pertain to the examination of annual accounts and the accounting records, the administration of the Board of Directors and the CEO, other duties incumbent upon the company's auditors and advisory or other services arising from observations made during the above examination or through the performance of such other duties. Everything else is defined as other assignments.

Audit fees

Amounts in SEK 000	2013	2012
Group and Parent Company		
PWC		
Audit engagement	258	153
Audit activities other than the audit engagement	25	95
Other services	48	145
Total	**331**	**393**

Note 7 Remuneration of employees, etc.

Group and Parent Company

Average number of employees	2013	2012
Men	5	3
Women	2	1
Total	**7**	**4**

Group and Parent Company

Gender distribution in corporate management	2013	2012
Number of Board members	8	9
of which women	*0*	*0*
CEO and other senior executives	4	4
of which women	*1*	*1*

Group and Parent Company

Salaries, other remuneration and social security contributions	2013	2012
Board and CEO	1,975	2,225
Other employees	2,699	2,258
Total	**4,673**	**4,483**
Pension expenses for the Board and CEO	290	288
Pension expenses for other employees – defined-contribution plans	267	281
Social security contributions	1,293	1,152
Total	**1,850**	**1,721**

Pension obligations
Nordic Iron Ore AB only has defined-contribution plans.

Remuneration for the Board, CEO and other senior executives

Fees are payable to the Board Chairman and members according to the resolution of the AGM. Remuneration for the CEO is SEK 100,000 per month with a contractual occupational pension provision of 24% of gross salary. Benefits also include a company car although this right has not been utilised. The CEO's contract states a mutual notice period of six months. There are no agreements regarding severance pay for either the CEO or senior executives (3 individuals).

2013

Amounts in SEK 000	Fees	Salaries	Other benefits and remuneration	Pension expense	Total remuneration
Ulf Adelsohn, Chairman of the Board	250				250
Göran Ekdahl, Board member	75				75
Christer Lindqvist, Board member and CEO		1,200		290	1,490
Per Storm, Board member	75				75
Anders Bengtsson, Board member	75				75
Jonas Bengtsson, Board member	75				75
Lars-Göran Ohlsson, Board member	75				75
Johnas Jansson, Board member	75				75
Thomas Olofsson, Board member	75				75
Other senior executives, 3 individuals		1,667		267	1,934
Total	**775**	**2,867**	**–**	**557**	**4,199**

2012

Amounts in SEK 000	Fees	Salaries	Other benefits and remuneration	Pension expense	Total remuneration
Ulf Adelsohn, Chairman of the Board	262				262
Christer Lindqvist, Board member and CEO	38	1,200		288	1,526
Per Storm, Board member	113				113
Anders Bengtsson, Board member	131				131
Jonas Bengtsson, Board member	131				131
Lars-Göran Ohlsson, Board member	131				131
Johnas Jansson, Board member	56				56
Göran Ekdahl, Board member	56				56
Thomas Olofsson, Board member	56				56
Thomas Jansson, former Board member	50				50
Other senior executives, 4 individuals	–	1,945		281	2,226
Total	**1,025**	**3,145**		**569**	**4,739**

Employee warrant programme

Amounts in SEK 000	2013	2012
Parent Company		
Total number of warrants	405,000	405,000
Warrants granted	–	0
Annulled warrants	–	0
Total warrants outstanding	**405,000**	**405,000**

The 2011 AGM resolved to approve a warrants programme, providing certain senior executives, key individuals and Board members with the opportunity to subscribe for warrants on market terms. Because the warrants were transferred on market terms, there is no benefit to recognise as a personnel expense item, and no social security contributions are expected to be paid either.

From the beginning, the programme comprised 410,000 warrants where the market value was calculated by an independent, reputable valuation institution. In 2011, 5,000 non-allocated warrants were annulled.

Each warrant entitles the holder to subscribe for one share in Nordic Iron Ore AB, and payment for these was SEK 1 per warrant. The warrants may, observing the company's insider policy, be exercised to subscribe for shares in the period 16 July 2013 through 15 July 2014. The strike price for the warrants is SEK 19. No warrants had been exercised as of 31 December 2013.

Full subscription and exercising of the warrants will bring about a dilution effect of 3.4% of the total number of shares and votes in the company, calculated on the currently registered share capital of SEK 1,993,110.

Note 8 Financial income and financial expenses

Amounts in SEK 000	2013	2012
Group		
Interest income	37	211
Total financial income	**37**	**211**
Parent Company		
Interest income	37	211
Total financial income	**37**	**211**

Amounts in SEK 000	2013	2012
Group		
Interest expenses	2,279	2,790
Total financial expenses	**2,279**	**2,790**
Parent Company		
Interest expenses, external	2,279	2,790
Total financial expenses	**2,279**	**2,790**

Interest expense for the year refers to interest on the convertible loans as well as interest on investment loans.

Note 9 Leases

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Maturity:		
Within one year	53	53
Between one and five years	27	80
More than five years	–	–
	80	**133**

The Group has no finance lease commitments. Operating lease commitments for the Group and Parent Company are shown respectively above. Lease fees for operating leases are expensed on a straight-line basis over the period of the lease. The total amount at the balance-sheet date of future minimum lease fees regarding non-terminable operating leases is noted above. The leases in the Group refer to one car and two copiers. The total lease expense for 2013 was barely SEK 95,000. The corresponding figure for the preceding year was SEK 50,000. The lease for the car runs until June 2015.

Note 10 Income tax/tax on profit for the year

The difference between recognised tax (known as the tax expense) and the estimated tax expense based on the applicable tax rate is as follows:

Group	%	2013	%	2012
Pre-tax loss		-15,810		-21,878
Tax based on the applicable tax rate for the Parent Company	22.0%	3,478	26.3%	5,754
Tax effect of				
Non-deductible expenses		-7		-23
Non-taxable income				
Issue costs				-102
Tax effect of net loss/gain from operations not recognised as deferred tax assets		-3,471		-5,629
Recognised current tax expense	**0.0%**	**–**	**0.0%**	**–**

Parent Company	%	2013	%	2012
Pre-tax loss		-15,809		-21,878
Tax based on the applicable tax rate for the Parent Company	22.0%	3,478	26.3%	5,754
Tax effect of				
Non-deductible expenses		-7		-23
Non-taxable income				
Issue costs				-102
Tax effect of net loss/gain from operations not recognised as deferred tax assets		-3,471		-5,629
Recognised current tax expense	**0.0%**	**–**	**0.0%**	**–**

Tax loss carry-forwards

Amounts in SEK 000	2013	2012
Parent Company		
Tax loss carry-forwards	48,248	32,647
Group		
Tax loss carry-forwards	48,254	32,647

No time limit applies to the utilisation of loss carry-forwards in the Group.

The weighted average tax rate for the Group and Parent Company is 22% (26.3%).

Note 11 Earnings per share

Amounts in SEK 000	2013	2012
Earnings per share, basic		
Earnings attributable to the Parent Company's shareholders	-15,809	-21,878
Average number of shares	11,492,738	8,312,368
Number of shares in calculating basic earnings per share	**11,492,738**	**8,312,368**
Earnings per share, diluted		
Earnings attributable to the Parent Company's shareholders	-15,809	-21,878
Average number of shares	11,492,738	8,312,368
Number of shares in calculating diluted earnings per share	**11,492,738**	**8,312,368**

Earnings per share, basic

The calculation of earnings per share attributable to the Parent Company's shareholders is based on earnings for the year after tax attributable to the Parent Company's shareholders in relation to a weighted average number of shares amounting to 11,492,738 (8,312,368).

Earnings per share, diluted

The calculation of earnings per share attributable to the Parent Company's shareholders is based on earnings for the year after tax attributable to the Parent Company's shareholders adjusted by any expenses for convertible loans (interest and such). Furthermore, the number of shares is adjusted for the maximum amount of warrants outstanding that could be converted into shares.

Weighted average number of shares, basic and diluted	2013	2012
Opening average number of shares		
– basic	8,312,368	7,595,233
– diluted	8,312,368	7,595,233
Closing average number of shares		
– basic	11,492,738	8,312,368
– diluted	11,492,738	8,312,368

Note 12 Intangible assets

Exploration and evaluation work

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Accumulated cost		
At the start of the year	59,630	33,481
Acquisitions during the year	13,948	26,172
Sales and disposals	–	-23
Closing carrying amount	**73,578**	**59,630**

Capitalised expenditure pertaining to exploration and evaluation

Capitalised expenditure for exploration and evaluation work pertains to costs that arose in connection with investigative work relating to the planned start of mining operations, chiefly drilling.

During the year, everything associated with exploration was capitalised, as were personnel costs.

Outcome of impairment testing

For 2012, management deemed an impairment necessary (SEK 23,000) for certain relinquished permits, since these licences were not deemed to be commercially viable. Capitalised expenditure attributable to relinquished licences was impaired in its entirety.

Licences

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Accumulated cost		
At the start of the year	–	223
Acquisitions during the year	–	–
Expensing of licences	–	-223
Closing carrying amount	**–**	**0**
Accumulated amortisation and impairment		
At the start of the year	–	-11
Amortisation and impairment for the year	–	–
Expensing of licences	–	11
Closing accumulated amortisation and impairment	–	–
Carrying amounts	**–**	**–**

Licences

Licences consist of software which visualise the location of the ore in the mine.

Amortisation

Amortisation was performed on a straight-line basis over the calculated useful life, that is over five years.

Impairment testing

Impaired licences were relinquished to the issuer.

Note 13 Property, plant and equipment

Machinery and equipment

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Accumulated cost		
At the start of the year	284	229
Acquisitions during the year	412	54
Closing accumulated cost	**696**	**284**
Accumulated depreciation and impairment		
At the start of the year	-71	-22
Amortisation and impairment for the year	-125	-50
Closing accumulated depreciation and impairment	**-196**	**-71**
Carrying amounts	**499**	**212**

Amortisation

Depreciation is performed on a straight-line basis over the calculated useful life, that is over five years.

Impairment testing

The residual value and useful lives of the assets are tested at the end of each reporting period and adjusted as necessary. No impairment was deemed necessary for the period.

Note 14 Shares and participations in subsidiaries

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Parent Company		
Accumulated cost		
At the start of the year	50	50
Closing balance	**50**	**50**

The table below provides a breakdown of the company's holding of shares and participations in Group companies at 31 December 2013.

Subsidiary/Corp. Reg. No./Reg. Office	No. of shares	Share in %	Equity	Carrying amount	Loss
Ludvika Gruvor AB 556856-2994 Ludvika	50	100	43	50	-1

Note 15 Other non-current receivables

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group		
Deposit under the Minerals Act issued to the Mining Inspectorate of Sweden	31	31
Restricted bank balances	47	47
TOTAL	**78**	**78**
Parent Company		
Deposit under the Minerals Act issued to the Mining Inspectorate of Sweden	31	31
TOTAL	**31**	**31**

Note 16 Financial instruments by category

31 December 2012

Amounts in SEK 000	Loans and accounts receivable	Other financial liabilities	Total carrying amount	Fair value
Group				
Deposits and restricted bank balances	78		78	78
Other receivables	1,864		1,864	1,864
Cash and cash equivalents	18,926		18,926	18,926
Total	**20,867**	**–**	**20,867**	**20,867**
Accounts payable and other liabilities		6,993	6,993	6,993
Total		**6,993**	**6,993**	**6,993**

31 December 2013

Amounts in SEK 000	Loans and accounts receivable	Other financial liabilities	Total carrying amount	Fair value
Group				
Deposits and restricted bank balances	78		78	78
Other receivables	968		968	968
Cash and cash equivalents	6,005	,	6,005	6,005
Total	**7,051**	**–**	**7,051**	**7,051**
Borrowings		10,152	10,152	10,152
Convertible loan		10,931	10,931	10,931
Accounts payable and other liabilities		1,667	1,667	1,667
Total		**22,750**	**22,750**	**22,750**

Note 17 Other receivables

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Recoverable VAT	828	1,781
Other items	175	82
Total	**1,003**	**1,864**

Note 18 Prepaid expenses and accrued income

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Prepaid rental expenses	230	232
Prepaid insurance expenses	14	13
Accrued interest income	–	201
Other items	115	39
TOTAL	**358**	**485**

Note 19 Cash and cash equivalents

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group		
Cash and bank balances	6 005	18 926
Total	**6 005**	**18 926**
Parent Company		
Cash and bank balances	6 009	18 928
Total	**6 009**	**18 928**

Cash and cash equivalents include bank balances and restricted bank balances expected to be settled within 12 months after the end of the reporting period. Cash and cash equivalents in the cash-flow statement include cash and bank balances.

Note 20 Share capital and other paid-in capital

The articles of association of Nordic Iron Ore AB stipulate a share capital of not less than SEK 1,900,000 and not more than SEK 76,000,000. The minimum number of shares is 11,000,000 and the maximum 44,000,000. At 31 December 2013, the company's registered share capital was SEK 1,993,110 distributed over 11,492,738 shares with a quotient value of SEK 0.173.

Development of share capital

2012	No. of shares	Share capital, SEK	Other paid-in capital
Opening balance 1 January 2012	7,784,000	1,349,928	32,191,370
Change during the year:	3,708,738	643,182	62,009,364
Warrants exercised	0	0	
Closing balance 31 December 2012	11,492,738	1,993,110	94,200,734

2013	No. of shares	Share capital, SEK	Other paid-in capital
Opening balance 1 January 2013	11,492,738	1,993,110	94,200,734
Change during the year:	–	–	–
Warrants exercised	0	0	
Closing balance 31 December 2013	11,492,738	1,993,110	94,200,734

Note 21 Non-current liabilities

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Non-current liability to Inlandsinnovation AB	10,152	–
Total	**10,152**	**–**

The loan falls due for payment five years after the monies have been made available, unless previously offset against new loans or, alternatively, shares in Nordic Iron Ore AB.

Note 22 Convertible loan

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Convertible loan	10,931	–
Total	**10,931**	**–**

In 2013, the company issued a mandatory convertible bond loan totalling SEK 10,200,000. The entire loan, including calculated accrued interest, will convert to equity as of 31 December 2014. Under the applicable accounting rules, since the conversion price has not been set the loan cannot be recognised as equity, even though the loan will not be repaid. The company's financial position and the cash flow for the period are significantly impacted by the above.

Note 23 Other liabilities

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Withholding tax	127	227
Employer's contributions	101	134
Guarantee on convertible loan	200	–
Other liabilities	5	–
Total	**433**	**362**

Note 24 Accrued expenses and deferred income

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Accrued salaries and fees	987	724
Accrued social security contributions	39	88
Accrued holiday pay	137	285
Various consulting fees	–	198
Accrued capitalised expenses	1,440	1,238
Accrued pension expenses	283	272
Other items	341	473
Total	**3,227**	**3,279**

Note 25 Memorandum items

Amounts in SEK 000	31 Dec. 2013	31 Dec. 2012
Group and Parent Company		
Contingent liabilities	None	None
Pledged assets		
Restricted bank balances, SHB, pledged to the benefit of the County Administrative Board of the County of Dalarna regarding a commitment to restore land	31	31
Restricted bank balances pertaining to rental guarantees	46	46
Total contingent liabilities and pledged assets	**77**	**77**

Note 26 Related-party transactions

Related parties

Related parties are defined as subsidiaries included in the Group, a party with direct or indirect controlling influence as well as close family members of such persons, members of the company's Board of Directors and senior executives of the Group including close family members of such individuals.

During the financial year, Kopparberg Mineral AB invoiced SEK 292,000 (255,000) in fees and expenditure. At 31 December 2013, Nordic Iron Ore's liability was SEK 17,000 to Kopparberg Mineral AB and SEK 2,134,000 to Bengtssons Tidnings AB.

Amounts in SEK 000	31 December 2013		31 December 2012	
Related party	**Liability to related party**	**Receivable from related party**	**Liability to related party**	**Receivable from related party**
CEO, through companies				
Owner: Bengtssons Tidnings AB	2,134			
Owner: Kopparberg Mineral AB	17			38
Total	**2,151**			**38**

Note 27 Events after the balance-sheet date

No significant events occurred after the end of the period, apart from those described in the Directors' report

The Board of Directors and the CEO affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide an accurate overview of the Group's financial position and performance. The annual accounts have been prepared in accordance with generally accepted accounting principles, and provide an accurate overview of the Parent Company's position and performance.
The Directors' Report for the Group and Parent Company provides an accurate overview of the Group's and Parent Company's operations, financial position and performance and describes the material risks and uncertainties faced by the Parent Company and the companies in the Group.

The income statement and balance sheet will be submitted to the AGM on 22 May 2014.

Ludvika 28 April 2014

Göran Ekdahl Chairman of the Board	Anders Bengtsson	Jonas Bengtsson
Sigrun Hjelmquist	Johnas Jansson	Tomas Olofsson
Lars-Göran Ohlsson	Per Storm	Christer Lindqvist Chief Executive Officer

Our audit report was submitted on 29 April 2014. The audit report contains information of special importance.

Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised Public Accountant

Auditor's report

To the annual meeting of the shareholders of Nordic Iron Ore AB (publ), corp. id. no. 556756-0940

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts for Nordic Iron Ore AB (publ) for the year 2013. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 32–55.

Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts
The Board of Directors and the Managing Director are responsible for the preparation of annual accounts which provide a fair presentation in accordance with the Annual Accounts Act, and consolidated accounts which provide a fair presentation in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the Parent Company and Group.

Important disclosures
Without it affecting our opinion, we wish to draw attention to the section Financial position, liquidity and future capital requirement in the statutory administration report, in which it is stated that, at the time of submission of the annual accounts, financing for the next 12-month period has not been secured. The Company is actively working on such financing.
The Company's ability to continue operations depends on the implementation of financing according to plan.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the Managing Director of Nordic Iron Ore AB (publ) for the year 2013.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

Auditor's responsibility
Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the Company's profit or loss, we examined whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the Company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions
We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Gävle, April 29 2014
Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised Public Accountant

Glossary

Apatite
A mineral composed of calcium phosphate mixed with either calcium fluoride or calcium chloride. However, the apatite that occurs in Sweden is almost entirely a mixture of calcium phosphate and calcium fluoride, and it exists as a component of, for example, granite, gneiss and iron ore.

Blast furnace
Oven in which the oxide-bound iron is reduced to pig iron.

Brownfield
In this Annual Report "brownfield" is used together with project or exploration. Brownfield exploration normally means exploration in an area where mines have been operating in the past and where the geological conditions are well known. For a brownfield project, relevant information is already available which facilitates further exploration and minimises risks.

Core drilling
Rotary drilling used to extract a core from the bedrock.

Cut-off
The lowest level that is acceptable for inclusion in calculations of tonnage and average content.

Diabase
Fine to medium-size grains, dark grey to black hypabyssal rock, which to a volume of 65–35% is composed of calcium-rich plagioclase (labradorite-bytownite) and to 35–65% of pyroxene; olivine can also occur.

Drift
Mining tunnel.

Environmental permit
Permit in compliance with the Environmental Code to conduct mining and ore processing.

Exploitation concession
Permit to process (mine) a deposit (previously known as mining district).

Exploration
The search for ore.

Exploration permit
Permit from the Mining Inspectorate of Sweden for conducting exploration in a particular area.

Feasibility study
Scoping study/feasibility study. A study with sufficient accuracy to serve as the basis for an investment decision.

Flotation
A concentration process whereby mineral grains in a liquid are lifted to the surface and skimmed off.

Geophysical measurements
Measurements with instruments that identify the physical properties of the rock types (ores and tectonic structures).

Haematite
Mineral with the chemical composition Fe_2O_3. Mined for the extraction of iron. Also previously called red iron ore.

Inclined trackway
Tunnel for the ascent from and descent into the mine. Often in a spiral.

JORC (Australasian Joint Ore Reserves Committee)
Internationally accepted standard setting minimum standards for public reporting of exploration results and mineral resources. The standard is prepared by the Australasian Joint Ore Reserves Committee, which gave its name to the standard.

Lump ore
Iron ore product obtained when dressing.

Magnetite
Mineral with the chemical composition Fe3O4. Mined for the extraction of iron. Also referred to as black ore.

Metavolcanite
Volcanic rock types that have undergone metamorphosis.

Mineral reserves
Mineral reserves are calculated based on the indicated and measured mineral resources with regard to, for instance, technical and economic considerations for mining and concentration as well as matters of a legal nature.

Mineral resources
Refers to mineralisations of such quality and quantity as to enable commercial extraction of metals or minerals. The mineral resources are classified based on the extent of geological knowledge about them, i.e. inferred, indicated or measured mineral resources. Mineral resources are calculated and classified by a Qualified Person.

Mineralisation
Concentration of potentially economically interesting mineral deposits in the bedrock.

Mining
Removing the rock or ore in an open-cast or underground mine.

Mtpa
Million tonnes per annum.

NPV
Net present value. Net present value is the estimated value of an investment's future cash flows, both positive and negative, discounted with respect to a given interest-rate calculation.

Ore
Previous term for a mineralisation that can be exploited for financial gain, see also mineral reserves.

Ore concentrate
Fine-grained iron ore product obtained through concentration of iron ore.

Pegmatite
Igneous rocks with exceptionally coarse and variable grain size.

Preliminary economic assessment (PEA)
A preliminary economic assessment and early evaluation of a mining project aimed at objectively identifying the strengths and weaknesses of the project and highlighting the relevant opportunities and threats, the resources required for implementation and, finally, the prospects of success.

Preliminary feasibility study (PFS)
A PFS is less detailed than a feasibility study but more extensive than a preliminary economic assessment (PEA) from which it differs by, for instance, only including measured and indicated mineral resources in the calculations.

Raise
Vertical or steeply sloping link between two levels in a mine.

Shaft
Usually, a vertical drift that was used for the transport of ore and workers.

Sinter
Coarser product for charging to the blast furnace made of fine-grained iron-ore concentrate.

Sintering
Reduction processes that produce large pieces of ore, sinter, through partial fusion.

Skip
Ore lifting cage.

Stoping
Blasting with free discharge, whereby the borehole direction is roughly parallel to the surface to which the discharge occurs.

PRODUCTION: NARVA. PHOTO: THOMAS JANSSON (P. 11, 19, 21 AND 23).

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