

NIO 2018



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Nordic Iron Ore in brief

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 Mines, comprising the previously operational mines Blötberget and Håksberg, and the intermediate Väsman field, which is considered to hold significant potential. The company has received all of the necessary permits for the initial project in Blötberget, and will be able to produce extremely high-grade iron ore. This positions the company extremely well in a market where demand for high-grade iron ore with high iron content in particular is increasing.

Vision

Nordic Iron Ore will be a major Swedish producer of high-grade 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-grade products to steelworks in Europe and other parts of the world.

Strategy

Nordic Iron Ore aims to realise our business concept through:

- Exploring and developing high-grade iron ore deposits
- Creating an efficient, complete solution for mining, concentration and logistics
- Being an attractive business partner providing a high level of reliability of supply for selected customer segments, and having the ability to tailor products specifically to customers

- Producing and marketing a niche product with a very high iron content

Objectives

The company's operational objectives are to:

- Resume mining operations at the Ludvika Mines, gradually expanding to an anticipated annual production of about 4 million tonnes of end product at full operation
- Substantially expand its mineral resources, primarily through continued exploration of the Väsman field
- Obtain the necessary permits for mining operations in the Väsman field
- Sign long-term customer contracts for its entire production volume.

The company's financial objectives are to achieve sustainable profit after financial expenses at a level that is at least on a par with the average for the industry within two years of the start of production.

Summary of 2018

February

The company received a short-term loan of SEK 3 million from its three largest shareholders.

March

Mine planning and production planning, as well as an evaluation of mineable iron ore for Blötberget.

May

The company engages internationally recognised consulting firm Golder to complete the feasibility study for Blötberget.

Reports given on the studies on the final mine design and quarrying plans.

June

The previous long-term loan was settled through a private placement and the issue of a two-year convertible loan.

July

New share issue raises funds of SEK 32.4 million before issue costs.

August

An additional member is added to the Board of Directors at an extraordinary general meeting.

September

The management team is reorganised and expanded.

An application for a stock exchange listing is submitted to Nasdaq First North.

October

The company's share is accepted for trading on Nasdaq First North.

November–December

Work continues on the feasibility study in all areas

Asset portfolio

of current mineral resources and permits

The company's current permits and mineral resources are detailed below. The estimate of the Blötberg mine's mineral resources was performed by DMT Consulting Ltd, with Timothy Horner as the lead Qualified Person. The estimates for the Southern Väsman field and the Håksberg mine were performed by GeoVista, with Thomas Lindholm as the lead Qualified Person. The reports CPR Blötberget 2018 dated 4 June 2018 and CPR Väsman & Håksberg 2018 (Swedish) dated 7 June 2018 are available in digital form on the company's website (www.nordicironore.se).

VALID EXPLOITATION CONCESSIONS

NAME	MINERAL	VALIDITY PERIOD	AREA (HA)
Blötbergsgruvan K No. 1	Iron, lanthanum, lanthanides and apatite	30 Aug 2011 – 30 Aug 2036	126.4
Blötbergsgruvan K No. 2	Iron, lanthanum, yttrium, scandium, apatite	14 Aug 2017 – 14 Aug 2042	38.7
Southern Väsman field K No. 1	Iron	20 Dec 2017 – 20 Dec 2042	115.4
Håksbergsgruvan K No. 1	Iron, copper, gold and molybdenum	15 Dec 2011 – 15 Dec 2036	136.3

MINERAL RESOURCES

	MEASURED		INDICATED		INFERRED		CLASSIFICATION
	MT	% FE	MT	% FE	MT	% FE	ACCORDING TO
Blötberget	45.4	41.7	9.6	36.2	11.8	36.1	JORC 2012
Håksberg	–	–	25.4	36.4	11.6	36	JORC
Väsman			7	38.5	85.9	38.4	JORC



Classification of mineral resources

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

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.

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 drill holes that are sufficiently close to confirm that geological and grade continuity exists.

Indicated mineral resources

An indicated mineral resource is the part of a mineral resource for which the tonnage, grade and mineral content, density, shape and physical characteristics can be assessed with a reliability that is sufficient to permit the application of the technical and economic parameters required for calculating mineral reserves, drawing up a mining plan and evaluating the economic viability of the deposits.

The estimate is based on detailed exploration and testing data, reliably compiled and gathered through appropriate techniques from locations such as outcrops, trenches, test pits, quarry grindings and drill holes that are sufficiently proximate to each other that it is reasonable to assume geological and grade continuity.

Inferred mineral resources

An inferred mineral resource is the part of a mineral resource for which tonnage, grade and mineral content can be estimated based on geological surveys and limited sampling, and assumed but not verified, geological and grade continuity.

The estimate is based on limited information and sampling, gathered by appropriate techniques from locations such as outcrops, test pits, quarry grindings and drill holes.

Statement from the Managing Director

There is no doubt that Nordic Iron Ore has its best days ahead of it. The product we will produce has an attractive price, and the ore that we have already identified at Blötberget, where we have all of the necessary permits, is equivalent to 12 to 13 years' production. In addition we have a major advantage since the infrastructure needed to transport ore cost-effectively – a port and a railway – is already in place.

The past year was an eventful one for Nordic Iron Ore: the company's financial position was strengthened through a new share issue and warrants, as well as a conversion of its financial debt into shares and a convertible. The number of shareholders increased significantly thanks to a dividend from one of our owners, and the share was listed on Nasdaq First North to enable shareholders to trade shares.

A reverse share split was completed before the listing, and an independent member was added to the Board of Directors. The management team was also reorganised and Markus Karlsson joined the team. Markus has worked for us for quite a while, and has now been given formal responsibility as Project Manager and Head of Operations in the Ludvika area.

The company retained Golder, a leading mining consulting firm, to complete the last stage of the feasibility study for Blötberget. Work on the study, which is estimated to take about a year, began halfway through the year and dominated the company's activities for the rest of the year.

A favourable market trend

Developments in the market have been favourable, which affirms the strength of our strategy to produce high-grade ore. The premium for high-grade ore has stabilised at a higher level, and the price of standard products has also remained relatively stable. The price of iron ore increased substantially after the tragic accident in Brazil, which resulted in the closure of several mines. At the beginning of April 2019, standard ore was quoted at over USD 90 per tonne in China, while qualities above 65% Fe traded at over USD 100. Thanks to the drive to reduce energy consumption and emissions in order to improve the environment near steelworks, demand for high-grade iron ore is expected to remain strong, leading to continued high prices compared with lower-quality ore.

Research partnerships and exploration

The EU-financed research project Smart Exploration will begin in the second week of May 2019 and continue throughout the year. This project will test modern exploration technology, not only around Blötberget but at the Väsman field as well. New three-dimensional maps of Blötberget and the deposits under Väsman were presented at a Smart Exploration conference in January 2019. These images lend additional credence to the idea that we have secured resources with extremely exciting potential.

Partially because we were inspired by this information, we retained SRK Consulting UK at the beginning of April to update the mineral resource estimates for Södra Väsman. In addition the company is to perform a scoping study of the potential for mining in the area that encompasses the exploitation concessions for Väsman and Håksberg, as well as the area between them. We aim to develop Väsman and Håksberg into an integrated mining area that utilises the facilities built for Blötberget, thereby achieving low investment costs.

“We aim to develop Väsman and Håksberg into an integrated mining area that utilises the facilities built for Blötberget.”

Looking ahead

2019 will be a decisive year, and not just for the development of the Blötberg mine. This development will also lay the foundation for the entire Ludvika Mines project. I hope that forthcoming financing that is secured for construction at Blötberget will also give us sufficient resources to step up the pace of development in the Väsman field. However we will not lose our focus: the Blötberget project will now move from feasibility studies to implementation.

Work has started on identifying a strategic investor that can provide the company with the financial resources and industrial know-how to strengthen the company ahead of future project development. The ongoing feasibility study will serve as important decision support for these negotiations, but preliminary discussions will be held while the study is being completed. At the same time as the ownership base is being expanded, the company will be looking into loan financing. One important part of this process will be evaluating tenders from major suppliers and the external financing they can offer; export credit guarantees could significantly improve our loan-to-value ratio and interest rate.

Expanding our ownership base and securing financing in order to initiate construction projects will be our most important activities in 2019. Of course the results of the feasibility study will be of great importance to these efforts and continued development. In summary, we have a great deal of interesting work to look forward to.



Stockholm, April 2019

LENNART ELIASSON

Managing Director, Nordic Iron Ore AB

Market and products

After a period of high demand and production, the market for iron ore is expected to calm down in the next few years.

However one clear trend that can be observed is the significant increase in the price premium for high-grade iron ore. Thus it is reasonable to describe the market as divided into two parts: one for standard products, and one for higher-grade iron ore. This means that the market for the segments where Nordic Iron Ore will operate will remain strong.

International demand

After the decline in the global steel industry due to the 2008 financial crisis, worldwide production of iron ore has risen continually.

The primary drivers of the market have been high demand in China as well as other rapidly growing economies. China is responsible for over 90 per cent of the total increase in iron ore imports. This higher demand has resulted in an increase in total production of iron ore to nearly 2,000 million tonnes per year. In monetary terms, global trade in iron ore is worth about USD 250 billion per year. Australia is the largest exporter of iron ore, with a 52 per cent share of total

exports. Sweden is the seventh largest exporter, with a share of 2.4 per cent (2017).¹

The price of iron ore declined somewhat at the end of 2018, and the average price for the whole year was barely 3 per cent below the average for 2017.² This is primarily due to a rapid increase in production, not least in China, increasing supply which has also resulted in higher stocks. US steel tariffs have also served to reduce prices, since they are expected to result in lower demand.³

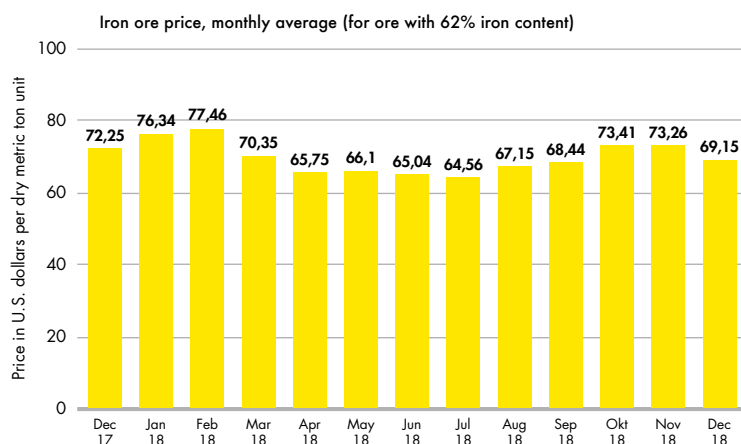
The price is expected to decline from its recent peaks since supply is beginning to meet demand. This can be seen in forecasts for 2019 and 2020, with an average price indication that is 5–6 per cent below that for 2018. However it should be emphasised that most analysts have not necessarily been successful in predicting price trends in the last 5 years, with the possible exception of 2017. Iron ore prices are now approximately 40–60 per cent higher than was expected a few years ago, and they are expected to remain higher than the 2017 forecasts by a good margin, especially due to environmental and productivity issues.

A higher price premium for high-grade iron ore

It's important to note that market conditions differ for iron ore with a high iron content versus ore with a significantly lower iron content. Thus it is reasonable to describe the market as divided into two parts – one for standard products, and one for higher-grade iron ore – and this disparity increased even more in 2018.⁴

While the global market price for iron ore with a lower iron content has remained unchanged or slightly lower, the price for 62 per cent Fe has risen to over USD 70 per tonne, and the price for 65 per cent Fe has risen to over USD 90 per tonne. The price differential between 62 per cent and 65 per cent Fe in particular increased in 2018 (see diagram below).

This is primarily due to stricter environmental policies, especially in China, resulting in higher demand for ore with higher iron content. Lower-grade ore contains a higher amount of other minerals that must also be smelted, which requires additional energy. This energy



Source: The Statistics Portal, 2018

1. WTE, December 2018
2. World Bank Commodity Price Data, January 2019
3. Business Insider Australia, 2018.
4. S&P Global Platts

USD 250 billion

Annual turnover in global trade in iron ore



often comes from coal and coke, resulting in higher environmentally hazardous emissions.⁵

The trend towards higher prices for high-grade iron ore versus lower-grade ore is expected to continue, and probably even to intensify in the next year. Steel production entails high emissions of carbon dioxide – 98 per cent of iron ore mined is used in steel production – and restrictions on emissions are growing increasingly stringent, not only in China but around the world.

Accordingly, the market in the segments where Nordic Iron Ore will operate will remain strong. The company will be able to produce products with over 70 per cent iron content, with an average around 69 per cent.

Products

There are primarily four types of iron ore products: fines, sinter, pellets and lump ore. Fines (also known as concentrate) is used to manufacture sinter and pellets, which are then used in the blast furnace process.

Lump ore can be used in the blast furnace process as it is, with no additional processing.

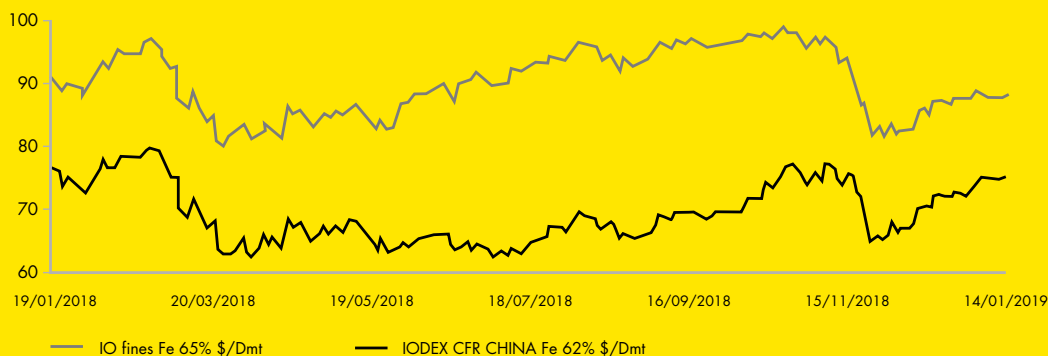
Nordic Iron Ore will primarily produce a fine-grained ore concentrate with an iron content between 66 and 71 per cent, for delivery to the steel industries in Europe, the Middle East and Asia, including China.

Pricing

Before 2010, the price of iron ore under long-term contracts was determined in traditional annual pricing negotiations between the major ore and steel producers. These published prices then served as guides for other contracts.

A spot market subsequently emerged in China. Today contract prices are primarily set on a quarterly basis in relation to the spot price for 62 per cent Fe intended for Chinese ports. Products with a higher iron content ordinarily trade at a premium. A price index for 65 per cent Fe has recently been established, and it is currently over USD 107 per tonne.

Price trend (index) for iron ore with an iron content of 62% and 65% respectively



Source: S & P Global, Platts

5. Bloomberg News, May 2018.

Market and products, cont.



Nordic players – Sweden at the top

Sweden is the largest iron ore producer in the Nordic region, and one of the ten largest in the world. By far the largest producer in the Nordic region is LKAB, which is owned by the Swedish state and mines approximately 80 per cent of all the iron ore in the EU. In 2018, LKAB produced 26.9 million tonnes of iron ore.¹

LKAB aims to increase production by 5 per cent per year until 2021, using 2015 output (24.5 million tonnes) as a base. When it comes to carbon dioxide emissions, LKAB aims to reduce emissions by 12 per cent per tonne of end product by 2021 compared with 2015.

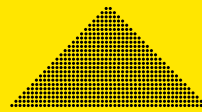
Deliveries for 2018 amounted to 26.8 million tonnes of iron ore products. Over 80 per cent of LKAB's deliveries consist of pellets. LKAB's mines and processing plants are located in Kiruna, Malmberget and Svappavaara in the Malmfälten district in northern Sweden. Kaunis Iron recently restarted operations in northern Sweden, showing that there is demand for high-grade iron ore concentrate in Europe and the Middle East.

In monetary terms, global trade in iron ore is worth about USD 250 billion per year.

The market in the segments where Nordic Iron Ore will operate will thus remain strong.

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 to produce sinter and pellets to be used in blast furnaces. Ore concentrates amount to about 20 per cent of the global market for iron ore products. Iron ore concentrate was previously traded at lower prices than ore (sinter fines), but lately the prices have been very similar and concentrate often commands a higher price owing to its iron content and low levels of gangue and trace elements.



LUMP ORE



Lump ore is a natural product, and therefore does not need to be sintered before it is used in a blast furnace process.

Normally, lump ore has a size of 6–30mm, and as previously noted is sold at a higher price than ore, though not always. The lump ore is screened to remove fines (degradation) and is then charged directly to the blast furnace.

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

SINTER



Sinter is normally manufactured from fine concentrate with up to 15 per cent concentrate, and some form of binding agent. The sinter is then crushed into smaller pieces to be used in blast furnaces, just like pellets. 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 contains 56–59 per cent Fe compared with pellets, which normally contain 62–68 per cent Fe, primarily owing to the sintering plant being used as a method for recycling iron and carbon bearing waste, and also for adding the flux agents for the blast furnace.

PELLETS



Pellets are made through the agglomeration of fine concentrate and a binding agent.

Pellets are commonly 8–18mm in size. Pellets are a value adding process which can enhance blast furnace productivity, help improve thermal efficiency and reduce carbon emissions. Pellets are of a higher and more consistent quality and, accordingly, are sold at a higher price than lump ore.

8-18

Pellets are normally spherical, and 8–18 mm in size.

6-30

Lump ore is normally screened to be between 6 and 30 mm in size.

IRON SMELTING IN THE BLAST FURNACE

1. LKAB

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



"I want to start digging!"

"When I visited Ludvika Mines for the first time five years ago, I immediately recognised their immense potential. This could really become something big, I thought at the time, and I still think so today."



This could really become something big, I thought at the time, and I still think so today."

Markus Karlsson

As the Project Director and Site Manager at Ludvika Mines, Markus Karlsson has a critical position at Nordic Iron Ore. Once the feasibility study is completed, he will be the one in charge of continued preparations until production gets under way.

"The project entails a lot of planning, as well as ensuring that work goes as planned."

Many years of international experience from similar mine development projects, as well as from operational mines, give Markus Karlsson an excellent background to see the potential of the project he is now leading.

"The project has two major advantages that I think will be decisive: the products and the location. The iron ore here is extremely high grade. This is the type of ore there is demand for, which means that the product is attractive and that we are in the right position from the outset. This is actually unusual if you look at other mining projects.

"But the location here right outside Ludvika is also extremely important. A great deal of the necessary infrastructure is already in place, and recruitment will be easier as well," says Markus Karlsson, who has experience trying to recruit engineers and geologists to remote locations with major limitations when it comes to transportation and housing.

"We're going to need extremely good people, and I'm sure that it won't be hard to attract skilled personnel here," says Markus Karlsson, who acknowledges that he's quite keen to get started.

"I'm a miner. I want to start digging!"

Operations

Ludvika Mines project

Nordic Iron Ore aims to resume mining operations at Ludvika Mines, which is a collective name for the deposits at Blötberget, the Väsman field and Håksberg. When fully operational, these mines are expected to have an annual production of roughly 4 million tonnes of concentrate with an iron content of 66–70 per cent.

Ludvika Mines comprises the iron deposits at Blötberget, the Väsman field and Håksberg in the vicinity of Ludvika, constituting a vein roughly 15 kilometres long containing iron mineralisations. Mining operations continued at both Blötberget and Håksberg until 1979 when then-owner SSAB closed the mines due to low iron ore prices.

Extensive resources pave the way for at least 12 years of production

When the Blötberget and Håksberg mines were closed, they were not exhausted, and in fact plenty of ore remained. Thus the prospects for a restart are good. When fully operational, Ludvika Mines are expected to achieve an annual production of roughly 4 million tonnes of concentrate with an iron content of 66–70 per cent. All deposits, except the Väsman field and parts of the Håksberg field, are known as

brownfield projects, meaning that ore has previously been mined in the now disused mines.

In total, Nordic Iron Ore controls measured and indicated mineral resources of 87.4 million tonnes with an iron content of 36.2–41.7 per cent, and inferred mineral resources of 109.3 million tonnes with an iron content of 36–38.4 per cent according to the JORC standard. The minimum potential lifetime of Blötberget is 12 years, provided that the indicated and inferred mineral resources can be upgraded to at least 36 million tonnes of mineable reserves.

Start at Blötberget

Nordic Iron Ore's restart plan is divided into three stages. Phase 1 comprises the start of mining at Blötberget with a first production line at the ore concentrating plant. Phase 2 consists of mining the deposits at the Väsman field, and Phase 3 is the same at Håksberg. By beginning at Blötberget, where the company already has all of the necessary permits in place, the company will receive revenue from sales. This capital can be used for investments in Phases 2 and 3, significantly reducing the amount of capital that must be raised to finance these investments. Moreover, existing facilities – including ore concentrating plant, railway terminals, roads, electricity supply and tailings dams – will be utilised in the following development stages, which will contribute to profitability during both stages.

The best logistics wins

1

The simple rule for profitable iron ore extraction is to mine ore from the ground and process it into an attractive product that can be delivered to the customer at a competitive price, at the lowest possible total cost. Logistics, product quality and production efficiency are three key areas that must be optimised to ensure a successful business. Nordic Iron Ore has all of these in its favour.

Logistics in place

In the logistics area, the company has access to a pre-existing, efficient railway system that connects the Ludvika Mines with the deep-water port in Oxelösund. In 2017, Nordic Iron Ore signed a letter of intent with the Austrian state-owned company Rail Cargo Austria AG (subsidiary of state-owned ÖBB) for future rail shipments from the mine in Blötberget to the port in Oxelösund. According to the agreement, Rail Cargo will also assist Nordic Iron Ore with advice concerning logistics solutions all the way down to the end user.

2

High product quality

Nordic Iron Ore will stand out in the steel industry, since the company will supply one of the highest quality iron ores in the world. Products of the highest quality class with an iron content in excess of 71 per cent can be produced from Nordic Iron Ore's mines. This is positive, since high-class iron ore is generally sold for premium prices compared with lower-quality ore. Demand is rising as steelworks are converting to more energy-efficient production with lower emissions.

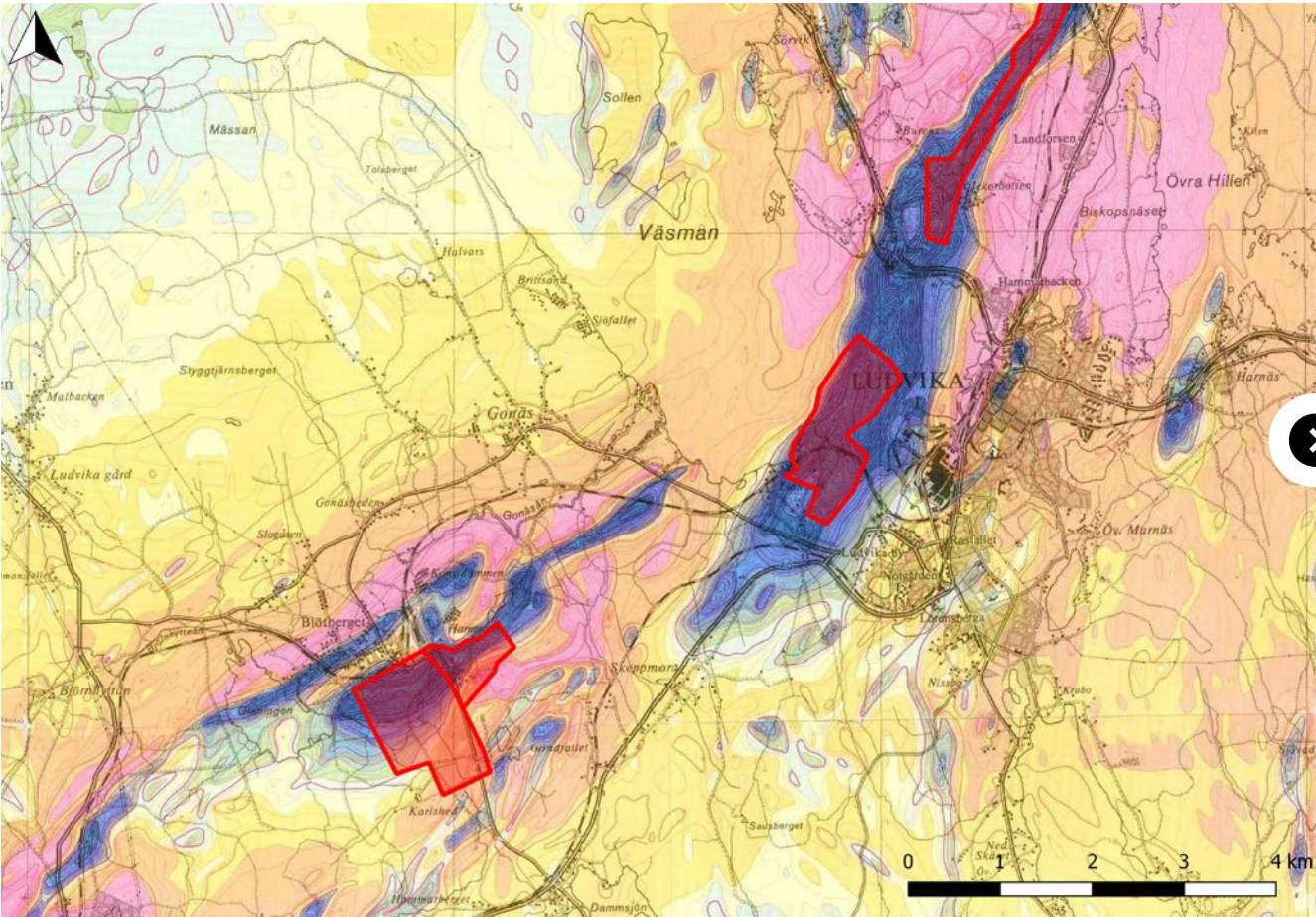
3

Efficient production

The current state of the mining industry, with rapid technological advances, provides Nordic Iron Ore with good opportunities to acquire highly efficient extraction and processing equipment. The company's operating costs are also expected to decline as a result of more efficient extraction methods. The company's geographic proximity to prominent mining industry suppliers are promising for close collaboration on new technology and implementation.



Caption: Simulation of future industrial area with ore concentrating plant and cargo terminal.



Caption: Magnetic map of mineralisations indicating NIO's exploitation concessions.

The Blötberget project

Mining began at Blötberget as early as the 1600s, but it was not until 1900 that large-scale mining operations began. These operations continued until 1979 when the mine was closed. Studies by the company show that the conditions are in place for at least 12 years of mining. Nordic Iron Ore has all of the necessary permits to begin mining operations.

Blötberget is the first deposit in Ludvika Mines that Nordic Iron Ore will process. The capital generated by the mining operations will be important to financing the continued expansion to Väsman and Häksberg. The results of the feasibility study ordered by the company will come out in the middle of 2019. The study contains a technical description of the mining development work, fundamental design and related costs included in the financial evaluation. Details to be defined include the choice of equipment, staffing plans and production plans. According to the plan, mining can be initiated two years after financing has been secured for the groundwork.

Nordic Iron Ore has all of the necessary permits to begin mining operations at Blötberget. The exploitation concession, which was granted by the Mining Inspectorate of Sweden in 2011, runs for 25 years with the right to extend. The exploitation concession assigns the right of extraction and exploitation of iron, lanthanum, other lanthanides and apatite. An environmental permit was granted in 2014.

Blötberget's resources

VALID EXPLOITATION CONCESSIONS

NAME	MINERAL	VALIDITY PERIOD	AREA (HA)
Blötbergsgruvan K No. 1	Iron, lanthanum, lanthanides and apatite	30 Aug 2011 – 30 Aug 2036	126.4
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MINERAL RESOURCES

	MEASURED		INDICATED		INFERRED		CLASSIFICATION
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Blötberget	45.4	41.7	9.6	36.2	11.8	36.1	JORC 2012

Average iron content near 70 per cent

In 2015 and 2016, extensive tests were conducted for optimising metallurgical concentration, on a laboratory and pilot scale, of a total 20 tonnes of crude ore at GTK in Finland, and SGA and Weir Minerals in Germany. The test results indicated the possibility of preparing products with an average iron content of nearly 70 per cent, and a combined concentrate mix of magnetite and haematite of nearly 69 per cent. This means that the quality of the product is among the highest in the world.

The Blötberget ore field and mineral resources

Mineral resources at Blötberget have been identified down to the 800 metre level, and have been estimated at 45.4 million tonnes with 41.7 per cent Fe, which are classified as measured, and 9.6 million tonnes with 36.2 per cent Fe classified as indicated. An additional 11.8 million tonnes with 36.1 per cent Fe are classified as inferred mineral resources. The majority of mining operations at the Blötberg mine prior to its closure in 1979 were conducted above the 240 metre level. Nordic Iron Ore plans to restart mining operations below previously exhausted areas, using the 420 metre level as the new main level.

The Blötberg field consists mainly of three mineralised bodies:

- The Kalvgruvan mine (high-apatite magnetite mineralisation)
- Hugget- Flygruvan (high-apatite magnetite-haematite mineralisations)
- Sandell ore (high-apatite magnetite mineralisation)

The Väsmanfältet project

7.0 million tonnes with 38.5 per cent Fe, classified as indicated resources, and 85.9 million tonnes with 38.4 per cent Fe currently classified as inferred mineral resources.

The Väsman field provides Nordic Iron Ore with an extremely interesting expansion opportunity. The bulk of the field is located under Lake Väsman, and it has been known since the 1800s that there are magnetite mineralisations there. The Mining Inspectorate of Sweden has granted Nordic Iron Ore an exploitation concession for the southern Väsman field.

The Väsman field is the second of three deposits in the Ludvika Mines that Nordic Iron Ore plans to process. The field is a direct continuation to the north of the iron mineralisations at Blötberget, and a direct southerly continuation of the mineralisations in the Håksberg field.

The Väsman field's geographic location between Blötberget and Håksberg brings about both logistical and infrastructure synergies for Nordic Iron Ore. Future mining of the fields at Väsman and Håksberg may benefit from the logistics and concentration investments planned for Blötberget.

The Väsman field's mineral resources

The southern part of the Väsman field, including the mineralisations on Finnäset, were investigated in the autumn of 2012 by core drilling down to about 300 metres. The mineral resources in the smaller part investigated through core drilling have been estimated at 7.0 million tonnes with 38.5 per cent Fe, classified as indicated resources, and 85.9 million tonnes with 38.4 per cent Fe currently classified as inferred mineral resources. The estimates were performed by Thomas Lindholm GeoVista AB, a Qualified Person according to the JORC 2012 standard.

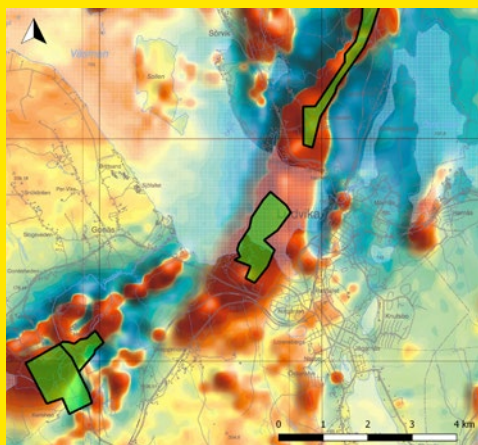
The Väsman field's resources

EXPLOITATION CONCESSIONS

MINERAL	VALIDITY PERIOD	AREA (HA)
Iron	20 Dec 2017 – 20 Dec 2042	115.4

MINERAL RESOURCES

INDICATED		INFERRED		CLASSIFICATION
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7	38.5	85.9	38.4	JORC



Historic review

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 Stållberg company, which was the owner at the time, drew up the first aerial magnetic map of Västerbergslagen 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 Stållberg 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 down to 280 metres on Väsman's southern shore. 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 per cent. However, in 1964, the Stållberg company terminated its evaluation of the Väsman field due to the projected weak price trend in the iron ore market.

The Håksberg project

There is a long history of mining operations in the area around Håksberg. The area was mined from the beginning of the 1700s until 1979. The ores that were mined all lie in an elongated mining field that contains both magnetite and haematite. Nordic Iron Ore has been granted both an exploitation concession and an environmental permit.

Håksberg is the third field that Nordic Iron Ore will process after Blötberget and the Väsman field. The mineralisations at the Håksberg field occur in four elongated parallel zones, from Iviken by Lake Väsman in the south to Källbotten in the north. The iron oxide minerals are comprised of around 80 per cent magnetite and 20 per cent haematite.

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 per cent. Previously completed drilling campaigns indicate that the potential for identifying additional tonnage at depth is substantial.

Below the 350-meter level, historical deep-hole drilling down to around 800 metres suggests that the ore bodies continue to depth. Current mineral resource estimates indicate at least 11.6 million tonnes with an iron content of around 36.0 per cent. The estimates

were performed by Thomas Lindholm GeoVista AB, a Qualified Person according to the JORC 2012 standard.

The company's exploitation concession application was granted by the Mining Inspectorate of Sweden on 15 December 2011. The mining concession provides rights to extract and exploit iron, copper, gold and molybdenum for 25 years, with the option of an extension. An environmental permit was granted in 2014.

Håksberg's resources

MINERAL	VALIDITY PERIOD	AREA (HA)
Iron, copper, gold and molybdenum	15 Dec 2011 – 15 Dec 2036	136.3

INDICATED		INFERRED		CLASSIFICATION
MT	% FE	MT	% FE	
25.4	36.4	11.6	36	JORC



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 per cent.



Sustainability

Sustainable development means satisfying humanity's needs in a way that does not prevent future generations from satisfying their needs.

More specifically, this entails the long-term conservation of the production capacity of the Earth's water, land and ecosystems and minimising negative impacts on the environment and human health.

Sustainable development can be divided into three areas:

- Economic sustainability — economising with human and material resources in the long term.

- Social sustainability — building a stable but dynamic society that is sustainable over the long term within which basic human needs are met.
- Environmental sustainability — economic growth adapted to what the environment can tolerate without leading to environmental destruction.

Nordic Iron Ore's stated objective is to minimise its impact on the environment, local residents and the community at large, and to contribute to sustainable development. Matters relating to the environment and sustainability are therefore crucial in the planning of the company's operations. Over time, the company intends to certify its operations in accordance with ISO 14001, and intends its environmental work to use the environmental objectives of Dalarna as its beacon.

She looks after safety and the environment

"As a mining company, it's extremely important for us to comply with the Land and Environment Court's regulations and limit values. Before operations begin in the mine itself, my job involves ensuring that all of the control mechanisms are in place and working reliably."

Monica Schön is a trained geologist who has worked for Nordic Iron Ore since 2012. Her job involves ensuring that the mining does not have a noticeable negative impact on the environment and people living nearby. Noise and vibrations must be limited, and the groundwater level must also be kept an eye on.

"Once we begin pumping in the mine, the groundwater level in the vicinity naturally goes down. In that case it's important for us to keep an eye on how far the level declines, so that it does not cause drinking water wells to run dry. In which case, we would have to redress this by supplying extra water," she explains.

The groundwater level varies naturally during the year because of the seasons, and it's important to have a good understanding of the natural level in order to assess the impact of mining operations.

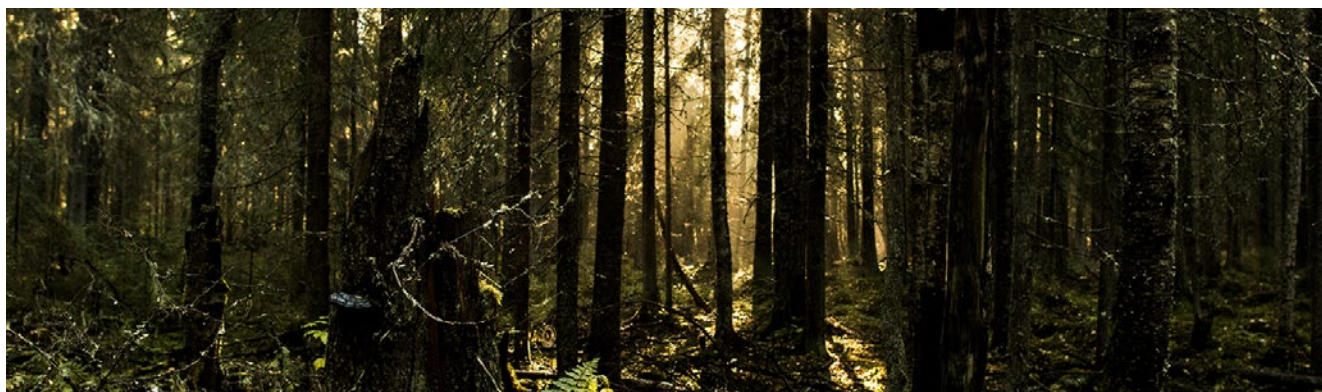
"That's why we are already measuring groundwater levels right now. And we do so continually once per month in order to see the natural variations," says Monica, who explains that groundwater levels are measured in around 30 drill holes in the rock, many of which remain from the previous mining operation.

"In winter conditions as we have at present, when we have snow, we often have to dig out the drill holes, so it is important that they are marked with sticks and that we have shovels with us," she continues.

Most of the holes where measurements are taken are located in the forest, far from existing roads. "I often have to use my skis when I go out to measure the groundwater."



Monica Schön



Management of sustainability efforts

Nordic Iron Ore's efforts to minimise damage to the natural environment and contribute to sustainable development are based on the policies and guidelines adopted by its Board of Directors. The principles of the UN Global Compact are an important framework for these efforts. Ultimate responsibility for Nordic Iron Ore's sustainability efforts rests with the Board, while operational responsibility for monitoring targets and prioritised activities rests with the company's management.

Nordic Iron Ore's policies and guidelines

Sustainability policy

The basic principles governing how the company's operations are to be conducted in an economically, environmentally and socially sustainable way.

Personnel policy

The basic principles governing an employee's right to employment that develops the employee involve taking responsibility in a working environment characterised by safety and security, and respect for and confidence in each and every employee.

Environmental policy

Basic principles that provide guidance to ensure that the company's total environmental impact and resource consumption are as low as possible and contribute to sustainable and profitable development through continuous improvement.

Code of Conduct

A set of rules providing guidance on the company's responsibilities and conduct as a good business partner, employer and corporate citizen.

The company has prioritised three areas in its environmental work:

- Minimising the impact on the natural environment in its sphere of operations

- Minimising emissions to the air and water
- Creating a safe working environment

Environmental permit

Carrying on permanent mining operations requires permits from the Land and Environment Court in accordance with the provisions of Sweden's Environmental Code, which establishes requirements regarding emissions to the air and water, noise, and the management of waste and hazardous substances. The application for a permit is accompanied by a comprehensive environmental impact assessment, the purpose of which is to identify and describe the direct and indirect damage that the planned operations could cause to humans, animals, plants, land, air, water, the climate, the landscape and the cultural environment. The application also covers management of land, water and the physical environment in general, as well as economising with materials, raw materials and energy.

In 2014, the Land and Environment Court at Nacka District Court handed down its judgement in support of the company's application for an environmental permit. In 2015, an important condition of the judgement was met when the County Administrative Board in Dalarna approved the company's compensation plan for natural values that will be lost at the restart of production at the Blötberget and Häksberg mines. The judgement also required the establishment of a restoration fund which will be built up over time, with a first major allocation as soon as the permit is made use of through the commencement of construction works on the plants.

Share capital and ownership structure

Nordic Iron Ore's share was listed on Nasdaq First North Stockholm on 1 October 2018. At 31 December 2018, the company's market capitalisation was SEK 59.9 million. The last price paid for Nordic Iron Ore's share in 2018 was SEK 3.01, and during the period from the initial listing until the end of the year, the share declined by 27 per cent.

Nasdaq First North Premier is an alternative market-place operated by the various exchanges that are part of NASDAQ OMX. It does not have the same legal status as a regulated market. Investing in a company traded on First North entails more risk than investing in a company traded on a regulated market. All companies whose shares are admitted for trading on First North have a Certified Advisor who monitors regulatory compliance. Nordic Iron Ore's Certified Advisor is WildecO.

Ticker: NIO

ISIN code: SE0011528017

ISIN code for series 2018/2019 warrants:
SE0011281690

Dividend policy

Nordic Iron Ore is in an expansive phase of growth, where any surplus capital in operations is invested in operations and/or acquisitions. The company has not provided any dividend to its shareholders since it was founded and has therefore not adopted a dividend policy.



Owners at 31 December 2018

SHAREHOLDERS 31 DEC 2018

Shareholders	Number of shares	Share of votes and capital
Bengtssons Tidnings AB	5,724,214	28.75%
Ludvika Holding AB	2,963,350	14.88%
Copperstone Resources AB	1,951,228	9.8%
Nord Fondkommission AB	668,126	3.36%
Emil Nilsson	568,004	2.85%
Günther&Wikberg Kapitalförvaltning AB	519,510	2.61%
Jonas Bengtsson	374,361	1.88%
Väsman Invest AB	325,240	1.63%
Garden Growth Industries AB	228,254	1.15%
Others	6,587,488	34.23%
Total	19,909,775	100.00%

Development of share capital

The table below shows the development of the company's share capital since the company was founded.

YEAR

Year	Event	Change in No. of shares	Change in share capital, SEK	Total No. of shares	Total share capital, SEK	Quotient value, SEK*
2008	Founded	1,000	100,000.00	1,000	100,000.00	100.00
2008	Split	11,000	–	12,000	100,000.00	8.33
2010	Non-cash issue ¹	18,400	153,333.33	30,400	253,333.33	8.33
2010	Warrants ²	14,000	116,666.76	44,400	370,000.00	8.33
2010	Bonus issue	–	400,000.00	44,400	770,000.00	17.34
2010	New share issue ³	6,940	120,355.86	51,340	890,355.86	17.34
2011	New share issue ⁴	26,500	459,572.072	77,840	1,349,927.932	17.34
2011	Split	7,706,160	–	7,784,000	1,349,927.932	0.17
2012	Offset issue ⁵	3,708,738	643,182.042481	11,492,738	1,993,109.974481	0.17
2014	New share issue ⁶	1,606,000	278,518.018858	13,098,738	2,271,627.993339	0.17
2014	New share issue ⁷	745,099	129,217.619759	13,843,837	2,506,785.647201	0.17
2014	Offset issue ⁸	610,875	105,940.034103	14,454,712	2,377,568.027442	0.17
2014	Offset issue ⁹	56,000	9,711.711741	14,510,712	2,516,497.358942	0.17
2015	Offset issue ¹⁰	3,112,501	539,780.580457	17,623,213	3,056,277.939399	0.17
2015	New share issue ¹¹	14,837,741	2,573,211.847852	32,460,954	5,629,489.787251	0.17
2016	New share issue ¹²	4,084,596	708,364.623758	36,545,550	6,337,854.411009	0.17
2017	New share issue ¹³	73,091,100	12,675,708.822018	109,636,650	19,013,563.233027	0.17
2018	Offset issue ¹⁴	16,370,000	2,838,941.450005	126,006,650	21,852,504.683032	0.17
2018	New share issue ¹⁵	73,091,100	12,675,708.822018	199,097,750	34,528,213.505050	0.17
2018	Reverse share split	-179,187,975	–	19,909,775	34,528,213.505050	1.73
2019	Warrants ¹⁶	3,654,555	6,337,854.411009	23,564,330	40,866,067.916059	1.73
2019/2020	Convertibles ¹⁷	798,472	1,384,737.481654	24,362,802	42,250,805.397713	1.73

* Rounded to two decimal places.

1. The subscription price was SEK 450.00 per share and was paid with a non-cash consideration.

2. New share issue through the exercise of warrants. The subscription price was SEK 8.33 per share.

3. The subscription price was SEK 500 per share.

4. The subscription price was SEK 850 per share.

5. The subscription price was SEK 17 per share, and was paid by offsetting receivables.

6. The subscription price was SEK 25 per share.

7. The subscription price was SEK 25 per share.

8. The subscription price was SEK 20 per share, and was paid by offsetting receivables.

9. The subscription price was SEK 25 per share, and was paid by offsetting receivables.

10. The subscription price was SEK 1.00 per share, and was paid by offsetting receivables.

11. The subscription price was SEK 1.00 per share.

12. The subscription price was SEK 1.00 per share.

13. The subscription price was SEK 0.25 per share. The new share issue was registered in two stages: share capital increased by SEK 9,958 369.102110 at the first registration, and by SEK 2,717,339.719908 at the second.

14. The subscription price was SEK 0.50 per share, and was paid by offsetting receivables.

15. The new share issue comprised units consisting of two shares and a warrant that was free of charge. Each unit was issued at a price of SEK 1.00, meaning a subscription price of SEK 0.50 per share since the warrant was issued free of charge.

16. Assuming that all warrants are exercised to subscribe for new shares.

17. Assuming that all outstanding convertibles, including accrued interest, are converted to new shares on the maturity date.

Corporate governance report 2018

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

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 sets more stringent requirements. The Company's shares have been admissible for trading on Nasdaq First North since 1 October 2018. Since Nasdaq First North is not 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 Company has appointed Wildecos Ekonomisk Information AB as its Certified Advisor in order to fulfil the requirements for listing on Nasdaq First North.

The share

The share capital at the end of the financial year totalled SEK 34,528,213.505050 distributed among 19,909,775 shares, with a quotient value of SEK 1.734 per share.

The Company's Articles of Association stipulate a share capital of not less than SEK 17,100,000 and not more than SEK 68,400,000, and the number of shares shall be not less than 9,900,000 and not more than 39,600,000. No limitations apply to the transferability of shares under the Articles of Association or applicable legislation. At the 2018 AGM, a resolution was passed to authorise the Board to issue financial instruments with or without pre-emptive rights for existing shareholders. According to this authorisation, the issue may comprise at most the number of shares that result in, or the number of convertibles or warrants that may result in, an increase in the Company's share capital corresponding to a total of 20 per cent of the total number of shares in the Company on the first date that the Board exercises its authorisation.

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 according to the adopted balance sheet, discharging the Board of Directors and Managing Director 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, where the Board of Directors has its registered office, 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 simultaneously announced in Dagens Industri. Shareholders who are entered in the register of shareholders held by Euroclear Sweden AB, on the record day for the right to participate in the general meeting, and who have notified the Company of their intention to participate in the meeting in the timeframe and order stated in the summons to the general meeting, are entitled to participate and vote for their shareholdings at the general meeting.

The 2018 AGM was held on 22 May at Kajkrogen restaurant in Ludvika, Sweden. The report from the AGM is published on the Company's website. The AGM resolved to re-elect Board members Jonas Bengtsson and Tomas Olofsson, and to elect Michael Mattsson as a new member. Tomas Olofsson was also elected Chairman of the Board.

The Board of Directors was expanded through the election of attorney Gösta Bergman at the Extraordinary General Meeting on 22 August 2018.

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 2018, in order for these to appoint one representative each who, together with the Chairman, would form a 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 for 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.



According to the Articles of Association, the Board is to consist of between three and ten members, with not more than ten deputies. The Company's Board of Directors currently consists of four Board members and no deputies.

The Board of Nordic Iron Ore comprises expertise and experience in areas that are important to the Company. The Board consists of members with expertise and experience in management, business development and financing.

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 by 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 2018, the Board held 13 meetings including telephone meetings at which minutes were taken. At its ordinary meetings, the Board addressed the fixed items on the agenda of each Board meeting pursuant to the Board's rules of procedure, such as the Managing Director's report on significant events since the previous meeting and financial reports.

The Board is kept informed of the Company's financial position and performance, at a minimum in connection with each ordinary Board meeting. Financial reporting to the Board follows the adopted financial reporting instructions.

The current rules of procedure, financial reporting instructions and the delegation of authority were adopted by the Board on 22 May 2018.

Information about the Company's Articles of Association as well as the Board and senior executives, is available on the Company's website www.nordicionore.se under the heading Corporate governance. Information about fees paid to the Board in 2018 is provided in the notes to the Annual Report.

Managing Director

The Managing Director reports to the Board and bears the main responsibility for operating activities, including personnel, financial and accounting issues, regular contact with the Company's stakeholders (such as authorities and the financial market) and for providing the Board with the information required to make well-founded decisions. The distribution of duties and

responsibilities between the Board and the Managing Director is regulated by law, the Company's instructions for the Managing Director regarding the distribution of duties between the Board and the Managing Director, and the delegation of authority adopted by the Board. The Chairman of the Board maintains ongoing dialogue with the Managing Director and, if necessary, attends extra Board meetings.

Lennart Eliasson has been Managing Director of the Company since September 2018. He was previously the Company's Chief Financial Officer. Paul Marsden was Managing Director through the end of August, after which he returned to the role of Head of Product Development and Marketing. The Managing Director is presented in more detail on the Company's website under About us/Organisation/Management. Information about remuneration for the Managing Director in 2018 is presented in the notes to the financial statements.

Information and insider policy

Due to the listing of the Company's share on Nasdaq First North, the Board of Directors has adopted an information and insider policy that governs disclosure of information and insider issues. The information and insider policy establishes procedures for the Company's disclosure of information, lists of insiders and the periods during which trading in the Company's shares or other financial instruments is not permitted.

Audit

The Company's auditor reviews the Company's Annual Report and accounts, as well as the administration of the Board of Directors and Managing Director. The auditor also provides an audit report after every financial year to be presented to the Annual General Meeting.

According to the Company's Articles of Association, the Company must have one or two auditors, with or without deputies. The 2018 AGM re-elected the Company's auditor Öhrlings PricewaterhouseCoopers AB, with Annika Wedin as auditor-in-charge for the period until the 2019 AGM.

Information for the stock market

Since the Company has such a large number of owners, Nordic Iron Ore aims to keep the share market continuously informed about the Company's operations, to ensure that the market's requirements regarding 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's rules for First North (the Nasdaq First North Rulebook).

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

Board of Directors and Management

Nordic Iron Ore's Board of Directors

According to the Company's Articles of Association, the Board of Directors must have at least three members and no more than ten members, with a maximum of ten deputies. The Company's Board of Directors currently consists of four Board members and no deputies. Board members are elected for the period until the end of the 2019 AGM.



TOMAS OLOFSSON

Board member and Chairman of the Board since May 2017 (Deputy Board member 2014–2016)

Born: 1968

Other assignments: Managing Director of Lemont AB. Board member of companies including Ludvika Holding AB, Grytänge Invest AB, Fastighets AB, Morgårdshammar AB, Datorama AB, Badhusudden AB, A. Rentall AB, Mecapto AB, Svanströms Lackeringar AB, Rondic Invest AB, Findity AB and Companyexpen Svenska AB.

Background: Tomas Olofsson is an entrepreneur with over 20 years' experience from the engineering industry. He has developed and built up a number of industrial, staffing and real estate companies. Independent of the company and its senior management/Not independent of major shareholders.

Holdings in the company: 2,963,350 shares through companies and 5,419,913 warrants.



JONAS BENGTSSON

Board member since 2011

Born: 1969

Education: MBA, Stockholm University.

Other assignments: Chairman of the Board of Zensum AB, Kiai Properties AB and JB Defense AB. Member of the boards of Bengtssons Tidnings AB and subsidiaries, Jonas Bengtsson Invest AB, Stenbe Förvaltnings AB, Någonting Holding AB and subsidiaries, Nyttobostäder Holding AB and subsidiaries, Bjärebyholding AB and subsidiaries and Svensk Markförvaltning AB and subsidiaries. Deputy board member of Slipskäraren Holding AB and subsidiaries and Apelsinhöjden Holding AB and subsidiaries.

Background: Jonas Bengtsson is a partner at BTAB Invest and has 15 years' experience in the financial sector and the development of small and medium-sized industrial and property companies. Independent of the company and its senior management/Not independent of major shareholders

Holdings in the company: 374,361 shares directly and 5,724,214 through companies, and 11,815,052 warrants.



MICHAEL MATTSSON

Board member since 2018

Born: 1973

Education: MSc in Finance, Stockholm School of Economics.

Other assignments: Managing Director and Board member of Copperstone Resources AB and board member of Endomines AB.

Background: Over 20 years' experience in the stock market as a professional investor, asset manager and advisor in corporate finance. Independent of the company and its senior management/Not independent of major shareholders

Holdings in the company: 700,197 shares including endowment insurance and 1,642,385 warrants.



GÖSTA BERGMAN

Board member since August 2018

Born: 1950

Education: LL.B, Stockholm University.

Other assignments: Owner of Advokatfirman Bergman & Partners AB. Chairman of the Board of OptiMobile AB.

Background: Company lawyer since 1978 with experience from several major companies such as Ericsson, Unisys, Ovako Steel. Chairman of the Board of Grängesberg Iron AB. Independent of the company and its senior management, as well as major shareholders

Holdings in the company: –

The Company's management consists of the following senior executives.



LENNART ELIASSON

Managing Director since September 2018.

Born: 1956

Education: MBA, Uppsala University.

Background: Lennart Eliasson was an Authorised Public Accountant at KPMG, where he was a partner and worked as a specialist on financial analysis and valuation issues. Lennart subsequently worked as an advisor for ten years, primarily concerning obtaining venture capital and IPOs.

Other assignments: Board member of the subsidiary Ludvika Gruvor AB.

Holdings in the company: 32,500 shares and 49,998 warrants.



MARKUS KARLSSON

Project Director since September 2018.

Born: 1973

Education: Mining Engineer, Helsinki University of Technology

Background: Markus Karlsson has over 25 years' experience in mine development and operations from companies such as LKAB, Northland Resources, Arcelor Mittal, Northern Iron and Newcrest Mining Ltd.

Holdings in the company: –



HANS THORSHAG CTO since 2011.

Born: 1950

Education: Mining Engineer, the Royal Institute of Technology in Stockholm.

Background: Hans Thorshag has over 40 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 a designated Qualified Person as defined by SveMin's regulatory framework.

Other assignments: Board member, Mitheko AB.

Holdings in the company: 10,000 shares and 20,000 warrants.



PAUL MARSDEN

Advisor in Marketing and Product Development

Born: 1957

Education: Bachelor of Science in Geological Sciences, Aston University, Birmingham, Chartered Engineer (C Eng) and Chartered Scientist (CSci)

Background: Paul Marsden has been Nordic Iron Ore's Technical Sales and Marketing Director since 2011, and previously held various executive positions over five years at Northland Resources including 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 the global marketing of iron ore. Paul Marsden is also a designated Qualified Person according to The Institute of Materials, Metals and Mining (IOM) and its regulatory framework.

Other assignments: No other assignments.

Holdings in the company: 17,740 shares.

Administration Report

The Board of Directors and Managing Director of Nordic Iron Ore AB (publ), Corp. Reg. No. 556756-0940, hereby submit the following Annual Report and consolidated financial statements for the financial year from 1 January 2018 to 31 December 2018.

OPERATIONS

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Funding and market listing

In June 2018, the company conducted a private placement of shares and convertibles maturing in two years as payment for a loan outstanding of SEK 16.4 million. In conjunction with the above, the company also carried out an issue of "units" comprised of shares and warrants. The issue, which was carried out with pre-emptive rights for existing shareholders, provided the company with SEK 32.4 million after issue costs.

The company's borrowings outstanding of around SEK 16 million were thereby settled in full; about half of the amount was converted to share capital through the above offset issue while the remainder was converted to a two-year convertible loan. The loan carries an interest rate of 5.5 per cent and the conversion price is SEK 10 per share.

A 1:10 reverse share split was carried out in July. Thereafter, the number of shares totalled 19,909,775.

On 1 October 2018, trading commenced for the company's share on Nasdaq First North.

During the period, the former Managing Director Paul Marsden stepped down from his role but continues to support the company and the project as an advisor in his specialist field, primarily marketing and process engineering-based product development. Lennart Eliasson took over the role of Managing Director from 1 September. His previous role was as Deputy Managing Director and CFO.

Blötberget feasibility study and project development

Golder Associates AB were engaged as the coordinating project managers for the completion of the Blötberget feasibility study. The work will result in a final report that is expected to be ready in the first half of 2019.

A considerable part of the work remaining concerns the establishment of the technical specifications for non-current assets and the cost structure to confirm the cost projections. These will then be verified through tenders from potential equipment suppliers and contractors to thereby compile a financial evaluation of the project in the final study.

Documentation of the variations in ground water levels in Blötbergsgruvan's influence area has been ongoing since the start of 2018. In addition to preparing decision data for mine planning,

the environmental permit also requires continuous measurement of the flow and water quality. Normal water levels are to be measured and documented over a full year, and this is performed by taking measurements from a number of wells in the vicinity. Further field work consists of taking water samples from a number of selected drill holes/wells and carrying out chemical analyses.

Customers

The company maintains ongoing contact with a number of major international companies that have shown interest in marketing the company's future production. This demonstrates that there is demand for the product that the company intends to produce.

Permits

The company has four exploitation concessions that have received approval and environmental permits and building permits for three of these concessions.

During the financial year, the company surrendered a few exploration permits that had been held since the company's formation. Instead, an application was submitted for a suitable area for linking together the company's exploitation concessions into one cohesive mining area.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The company engaged SRK Consulting UK to update the mineral resource estimates for Södra Väsman and to make a general assessment of the mining prerequisites of the area encompassing the Väsman and Håksberg exploitation concessions as well as the areas in between.

A short-term SEK 10 million loan was received from the two largest owners.

EMPLOYEES

During the financial year, the average number of employees was 4 (3). All were employed by the Parent Company. Three individuals were contracted under employment-like forms, but were engaged on a consultancy basis.

FINANCIAL POSITION, CASH BALANCE AND FUTURE CAPITAL REQUIREMENTS

On the balance-sheet date, the Group had liquidity of SEK 9.2 million. The equity/assets ratio was 92.75%. Consolidated equity was SEK 136.7 million, corresponding to SEK 6.86 per share.

In conjunction with the rights issue in June, the company issued warrants, which if exercised in full, will raise SEK 36.5 million before issue costs for the company. The funds raised through the warrants are intended to finance operations until an issue to finance the forthcoming construction can be carried out. If insufficient warrants are exercised, the company must raise alternative short- and medium-term funding. As a safeguard for the above, the company has agreed to a short-term SEK 10 million loan from the two largest owners. The assessment of the Board is that these funds will suffice until further capital can be raised.

The start of construction will require extensive financial resources comprising equity and borrowings. The current assessment is that investment leading up until the start of production will amount to around USD 200 million.

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. Nordic Iron Ore has obtained all the necessary permits, but implementation of the project requires that the company can raise the necessary capital.

FUTURE PROGRESS

Work has started on identifying a strategic investor that can provide the company with the financial resources and industrial know-how to strengthen the company ahead of future project development. In parallel with strengthening the shareholder base, possibilities for future borrowing are being explored.

Strengthening the shareholder base and securing the funding necessary to start construction will be the most important activities in 2019, and are critical to the continuation of the project.

PROPOSED APPROPRIATION OF PROFITS

Funds at the disposal of the AGM:

	Amounts in SEK
Retained earnings	-122,030,531
Share premium reserve	206,261,993
Loss for the year	-10,163,945
Total	74,067,517

The Board proposes that the profit, SEK 74,067,517, be carried forward.

The earnings and financial position of the company and the Group 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	2018	2017
Other operating income		–	–
Total income		–	–
Other external costs	6,7,8	-6,982	-6,923
Personnel expenses	8	-2,203	-799
Depreciation of property, plant and equipment	11.12	-13	-89
Total operating expenses		-9,198	-7,811
Operating profit/loss		-9,198	-7,811
Financial income		–	142
Financial expenses		-966	-1,455
Net financial income/expense		-966	-1,313
Profit/loss after financial items		-10,164	-9,124
Tax	9	–	–
Profit/loss for the year		-10,164	-9,124
Other comprehensive income			
Attributable to:			
Parent Company shareholders		-10,164	-9,124

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000	NOTE	2018	2017
Profit/loss for the year		-10,164	-9,124
Other comprehensive income		–	–
Total other comprehensive income		-10,164	-9,124
No. of shares			
No. of shares at year end		19,909,775	10,963,665
Average No. of shares (before dilution)		15,238,299	9,866,560
Average No. of shares (after dilution)		15,282,738	9,866,560
Earnings per share	10		
Earnings per share, weighted average before dilution, SEK		-0.67	-0.09
Earnings per share, weighted average after dilution, SEK		-0.67	-0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK 000	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure pertaining to exploration and evaluation	11	137,099	122,215
		137,099	122,215
Property, plant and equipment			
Machinery and equipment	12	–	13
		–	13
Financial assets			
Other non-current receivables	14, 15	31	31
		31	31
Total non-current assets		137,130	122,259
Current assets			
Other receivables	15, 16	806	276
Prepaid expenses and accrued income	17	212	167
Cash and cash equivalents	15, 18	9,153	2,373
Total current assets		10,171	2,816
TOTAL ASSETS		147,301	125,075
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital	19	34,528	19,014
Other contributed capital		206,263	181,209
Retained earnings including comprehensive income for the year		-104,140	-93,976
Total equity		136,651	106,246
LIABILITIES			
Non-current liabilities			
Borrowings	15, 20	7,407	–
		7,407	–
Current liabilities			
Borrowings	20	–	15,833
Accounts payable		717	909
Other liabilities	15, 21	141	44
Accrued expenses and deferred income	15, 22	2,384	2,042
Total current liabilities		3,242	18,828
Total liabilities		10,649	18,828
TOTAL EQUITY AND LIABILITIES		147,301	125,075

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK 000	ATTRIBUTABLE TO PARENT COMPANY SHAREHOLDERS			TOTAL EQUITY
	SHARE CAPITAL	OTHER CONTRIBUTED CAPITAL	RETAINED EARNINGS INCL. PROFIT/LOSS FOR THE YEAR	
Opening equity, 1 Jan 2017	6,338	176,610	-84,852	98,096
Profit/loss for the year			-9,124	-9,124
Other comprehensive income			-	-
New share issue	12,676	5,597		18,273
Issue costs		-999		-999
Closing equity, 31 Dec 2017	19,014	181,209	-93,976	106,246
Opening equity, 1 Jan 2018	19,014	181,209	-93,976	106,246
Profit/loss for the year			-10,164	-10,164
Other comprehensive income			-	-
New share issue	15,514	29,107		44,621
Issue costs		-4,053		-4,053
Closing equity, 31 Dec 2018	34,528	206,263	-104,140	136,651

CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK 000	NOTE	2018	2017
Operating activities			
Profit/loss for the year		-10,164	-9,124
Adjustment for non-cash items			
Depreciation, amortisation and impairment		13	89
		-10,151	-9,035
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-612	233
Increase (+)/Decrease (-) in operating liabilities		-834	1,780
Cash flow from operating activities		-11,597	-7,022
Investing activities			
Acquisition of intangible assets		-14,884	-8,849
Cash flow from investing activities		-14,884	-8,849
Financing activities			
New share issue, net of issue costs		30,261	17,274
Borrowings	24	8,350	-
Debt repayment		-5,350	-
Cash flow from financing activities		33,261	17,274
Cash flow for the year		6,780	1,403
Opening cash and cash equivalents		2,373	970
Closing cash and cash equivalents		9,153	2,373

PARENT COMPANY INCOME STATEMENT

Amounts in SEK 000	NOTE	2018	2017
Operating income			
Other operating income		–	–
Total income		–	–
Operating expenses			
Other external costs	6,7,8	-6,982	-6,923
Personnel expenses	8	-2,203	-799
Depreciation, amortisation and impairment	11.12	-13	-89
Total operating expenses		-9,198	-7,811
Operating profit/loss		-9,198	-7,811
Profit/loss from financial items			
Interest income		–	142
Interest expenses		-966	-1,455
Total profit/loss from financial items		-966	-1,313
Profit/loss after financial items		-10,164	-9,124
Tax	9	–	–
Profit/loss for the year		-10,164	-9,124

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000	NOTE	2018	2017
Profit/loss for the year		-10,164	-9,124
Other comprehensive income		–	–
Total other comprehensive income		-10,164	-9,124

PARENT COMPANY BALANCE SHEET

Amounts in SEK 000	NOTE	31 DEC 2018	31 DEC 2017
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure pertaining to exploration and evaluation	11	137,099	122,215
		137,099	122,215
Property, plant and equipment			
Machinery and equipment	12	–	13
		–	13
Financial assets			
Shares in subsidiaries	13	50	50
Other non-current receivables	14	31	31
		81	81
Total non-current assets		137,180	122,309
CURRENT ASSETS			
Current receivables			
Other receivables	16	806	276
Prepaid expenses and accrued income	17	212	167
Cash and bank balances	18	9,110	2,330
Total current assets		10,128	2,773
TOTAL ASSETS		147,308	125,082
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	19	34,528	19,014
Reserve for development expenditures		28,063	12,847
		62,591	31,861
Non-restricted equity			
Share premium reserve		206,263	181,209
Retained earnings		-122,031	-97,691
Profit/loss for the year		-10,164	-9,124
		74,068	74,394
Total equity		136,659	106,255
Non-current liabilities			
Borrowings	20, 24	7,407	–
		7,407	–
Current liabilities			
Borrowings	20, 24	–	15,833
Accounts payable		717	909
Other current liabilities	21	141	44
Accrued expenses and deferred income	22	2,384	2,042
Total current liabilities		3,242	18,828
Total liabilities		10,649	18,828
TOTAL EQUITY AND LIABILITIES		147,308	125,082

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK 000	Restricted equity		Non-restricted equity			TOTAL EQUITY
	SHARE CAPITAL	RESERVE FOR DEVELOPMENT EXPENDITURES	SHARE PREMIUM RESERVE	RETAINED EARNINGS	PROFIT/LOSS FOR THE YEAR	
Opening equity, 1 Jan 2017	6,338	4,147	176,610	-80,262	-8,729	98,105
Appropriation of profits				-8,729	8,729	–
New share issue	12,676		5,597			18,273
Issue costs			-999			-999
Capitalisation of development expenditures		8,700		-8,700		–
Comprehensive income for the year					-9,124	-9,124
Closing equity, 31 Dec 2017	19,014	12,847	181,209	-97,691	-9,124	106,255
Opening equity, 1 Jan 2018	19,014	12,847	181,209	-97,691	-9,124	106,255
Appropriation of profits				-9,124	9,124	–
New share issue	15,514		29,107			44,621
Issue costs			-4,053			-4,053
Capitalisation of development expenditures		15,216		-15,216		–
Comprehensive income for the year					-10,164	-10,164
Closing equity, 31 Dec 2018	34,528	28,063	206,263	-122,031	-10,164	136,659

PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK 000	NOTE	2018	2017
Operating activities			
Profit/loss for the year		-10,164	-9,124
Adjustment for non-cash items			
Depreciation, amortisation and impairment		13	89
		-10,151	-9,035
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		-612	233
Increase (+)/Decrease (-) in operating liabilities		-834	1,780
Cash flow from operating activities		-11,597	-7,022
Investing activities			
Acquisition of intangible assets		-14,884	-8,849
Cash flow from investing activities		-14,884	-8,849
Financing activities			
New share issue, net of issue costs		30,261	17,274
Borrowings	24	8,350	–
Debt repayment	24	-5,350	–
Cash flow from financing activities		33,261	17,274
Cash flow for the year		6,780	1,403
Opening cash and cash equivalents		2,330	927
Closing cash and cash equivalents		9,110	2,330

Notes to the financial statements

Note 1 General information

Nordic Iron Ore AB (publ) 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 and the exploitation concessions 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 (publ), 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 street address of the head office is Vendevägen 85 A, SE-182 91 Danderyd, Sweden. All amounts are stated in thousands of Swedish kronor (TSEK) unless otherwise specified. The information in parentheses pertains to the preceding year. The Board approved the publication of the annual accounts and consolidated financial statements on 26 April 2019.

Note 2 Summary of important accounting policies

BASIS FOR PREPARING THE STATEMENTS

The following accounting and valuation policies pertain to both the consolidated financial statements and the Parent Company's annual accounts unless otherwise specified. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission for application within the EU. The most important accounting policies applied in the preparation of these consolidated financial statements are presented below. The consolidated financial statements 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 consolidated financial statements have been prepared in accordance with the cost method. 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's accounting policies. Preparing financial statements that comply with IFRS requires the use of certain critical accounting estimates. Management is also required to make certain judgements in the application of the Group's accounting policies. The areas that require a higher degree of judgement or complexity, or such areas where assumptions and estimates are of material importance to the consolidated financial statements, are described separately. Refer to Note 4.

EFFECT OF NEW ACCOUNTING POLICIES

New or amended IFRS that entered force on 1 January 2018

IFRS 9 Financial instruments entered force on 1 January 2018 and replaced IAS 39 Financial Instruments: Recognition and Measurement. It contains rules for classification and measurement of financial assets and liabilities, amortisation of financial instruments and hedge accounting. The standard has been applied by the Group from 1 January 2018. The has had no material impact on the Group's or the Parent Company's financial statements.

IFRS 15 Revenue from Contracts with Customers replaces IAS 18 and IAS 11. The standard specifies how revenue is recognised as well as the disclosure requirements for commercial agreements (contracts)

with customers, whereby the delivery of goods/services are divided into distinct identifiable performance obligations that are recognised independently. The standard has no impact as the company conducts no sales. The standard entered force on 1 January 2018.

New or amended IFRS not yet applied.

IFRS 16 Leases

IFRS 16 will replace IAS 17. IFRS 16 enters force for financial years beginning on or after 1 January 2019. In its transition to IFRS 16 as of 1 January 2019, the company has applied a modified retrospective approach, which means that the figures for the 2018 financial year are not restated. The lease liability is the sum of the present value of all future lease payments until the expiration of the lease. The simplified approach was applied on the transition.

Under the new standard, the lessee recognises the obligation to make lease payments as a lease liability in the balance sheet. The right to use the underlying asset over the lease period is recognised as an asset. Depreciation of the asset is recognised in profit or loss as is the interest payable on the lease liability. Lease payments are recognised partly as the payment of interest and partly as repayment of the lease liability.

The estimated opening balance for the lease liability and the right-of-use assets amounted to around SEK 4 million for existing leases. The largest asset class for leases was land leases.

The Parent Company will apply the exemption in RFR 2 pertaining to leases. This means that the Parent Company's accounting policy for leases will remain unchanged.

CONSOLIDATED FINANCIAL STATEMENTS

The acquisition method is used to recognise the Group's business combinations. The Group's only subsidiary was formed under the Group's own auspices and 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 of accounts receivable and accounts payable in foreign currency are recognised in profit and loss.

INTANGIBLE ASSETS

Capitalised expenditure pertaining to exploration and evaluation

Expenditure relating exploration to 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. Once technically and commercially feasible, capitalised development expenditure attributable to Ludvika Mines 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

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 expenses directly attributable to the acquisition of the asset.

Depreciation in order to distribute the asset's 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.

FINANCIAL INSTRUMENTS

On the asset side, financial instruments recognised in the balance sheet encompass cash and cash equivalents, loans receivable and other current assets. The liabilities side encompasses borrowings, accounts payable and other current liabilities.

Recognition and derecognition from the balance sheet

Financial assets and liabilities are recognised in the balance sheet when the company becomes party to the instruments' contractual terms. Liabilities are recognised when the counterparty has delivered and the company is contractually obliged to settle the obligation, even if no invoice has been received.

A financial asset is derecognised from the balance sheet when the rights under the agreement have been realised, expired or when control of the contractual rights is lost. The same applies to a portion of a financial asset. A financial liability is derecognised when the obligation specified in the contract is discharged or otherwise expires.

A financial asset and a financial liability are offset and presented in a net amount in the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Recognition and measurement

On initial recognition, financial assets are recognised at fair value through profit or loss, amortised cost or fair value through other comprehensive income. Recognition is based on the Group's business model for the administration of the financial assets and the nature of the contractual cash flows from the financial asset. A financial asset is measured at amortised cost if it is held with the aim of collecting contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If the financial asset is held with the objective of both collecting contractual cash flows and selling financial assets, it is measured at fair value through other comprehensive income. Financial assets that are not measured at amortised cost or through other comprehensive income, are measured at fair value through profit or loss.

All financial assets are measured at amortised cost.

All financial liabilities are recognised and measured at amortised cost.

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 cash and bank balances. Cash and cash equivalents in the cash flow statement include cash and bank balances.

SHARE CAPITAL

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised 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 Parent Company 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.

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

All borrowing costs are expensed.

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

income 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 essentially all temporary differences arising between the taxable values of assets and liabilities and their carrying amounts in the consolidated financial statements. 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.

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 expenses 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.

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 estimate can be performed.

REVENUE RECOGNITION

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

LEASES

The Group has only operating leases. For operating leases, lease payments are expensed across the term of the lease based on its useful life, which can differ from actual payments made to cover lease payments during the year. Lease costs comprise rent for premises and land leases.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company applies RFR 2 Accounting for Legal Entities and the Swedish 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 financial statements, 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 for which the carrying amount of the holding's net assets in the consolidated financial statements fall below the carrying amount of the participations, indicate 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.

Recognition and measurement of financial instruments

In accordance with the exemption under RFR 2, the Parent Company does not apply IFRS 9.

Financial instruments are measured at cost, after taking in to account the provisions relating to measurement contained in the Annual Accounts Act pertaining to current and non-current assets.

Interest income and interest expenses are recognised pursuant to the effective interest method.

The Parent Company applies the same policies as the Group with regard to the recognition and derecognition of financial instruments in and from the balance sheet. Moreover, the same policies pursuant to IFRS 9 are applied as for the Group with regard to the assessment and calculation of the need for impairment of receivables.

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 potentially 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 plants, 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 not currently exposed to any price risk.

- Interest risk is only limited at present since raised loans carry a fixed interest rate.

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 continually monitors the Group's liquidity reserve to ensure that the Group has sufficient funds to meet the needs of operating activities. At 31 December 2018, the Group had a cash balance of TSEK 9,153 (2,373). The Group has no credit facilities and therefore needs to strengthen its payment capacity in the first half of 2019. In April 2019, the Group arranged a credit facility for SEK 10 million.

Maturity analysis

At 31 December 2018	WITHIN 1 YEAR	BETWEEN 1 AND 5 YEARS	MORE THAN 5 YEARS
Interest on long-term borrowings	–	-218	–
Amortisation on long-term borrowings	–	-7,189	–
Accounts payable	-754	–	–

Capital risk

To secure the financial resources required to maintain momentum in the project, in June 2018 the company conducted a share issue with pre-emptive rights for existing shareholders and in April 2019, the company arranged a credit facility for SEK 10 million.

Note 4 Critical accounting estimates and assumptions for reporting purposes

Estimates 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 estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely match the actual outcome. The estimates 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 2018, the value of intangible assets, capitalised exploration and evaluation expenditure, amounted to TSEK 137,099 (122,215). Among other factors, 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.

No capitalised expenses were impaired, either during the year or the preceding year.

(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 commercial 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 Managing Director. Until the end of 2018, Nordic Iron Ore AB (publ) 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 examination of the annual accounts and the accounting records, the administration of the Board of Directors and the Managing Director, other duties incumbent upon the company's auditors and advisory or other services arising from observations made during such examination or the performance of other such duties. Everything else is defined as other assignments.

Amounts in SEK 000	2018	2017
Group and Parent Company		
PWC		
Audit engagement	253	310
Audit-related services	14	0
Other assignments	20	0
Total	287	310

Note 7 Leases

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
All expensed lease payments for the year amount to		
Lease fees regarding rental expenses for premises and land leases	902	870
Future lease payments fall due for payment as follows:		
Within 1 year	905	870
Between 2 and 5 years	1,875	2,553
Later than 5 years	2,539	2,766

Note 8 Remuneration of employees, etc.

Average number of employees

	2018	2017
Group and Parent Company		
Average number of employees	4	3
Group total	4	3

Board members – number on balance-sheet date

	2018	2017
Group and Parent Company		
Board members		
Number of Board members	4	4
of whom women	–	–
Total	4	4

Senior executives – number on balance-sheet date

	2018	2017
Group and Parent Company		
Managing Director and other senior executives		
Men	4	3
Women	–	–
Total	4	3

2018

Amounts in SEK 000	FEES	SALARIES	OTHER BENEFITS AND REMUNERATION	PENSION EXPENSES	TOTAL REMUNERATION
Tomas Olofsson, Chairman of the Board	200				200
Paul Marsden, Managing Director until 31 Aug 2018	637				637
Lennart Eliasson, Managing Director from 1 Sep 2018		551			551
Jonas Bengtsson, Board member	75				75
Johnas Jansson, Board member	75				75
Anders Bengtsson, Board member	75				75
Other senior executives, 2 individuals	1,700				1,700
Total	2,762	551	–	–	3,313

2017

Amounts in SEK 000	FEES	SALARIES	OTHER BENEFITS AND REMUNERATION	PENSION EXPENSES	TOTAL REMUNERATION
Tomas Olofsson, Chairman of the Board	200				200
Paul Marsden, Managing Director	1,589				1,589
Jonas Bengtsson, Board member	75				75
Johnas Jansson, Board member	75				75
Anders Bengtsson, Board member	75				75
Other senior executives, 2 individuals	2,282				2,282
Total	4,296	–	–	–	4,296

Salaries, other remuneration and social security contributions

	2018	2017
Group and Parent Company		
Board, Managing Director and company management	3,313	4,272
Other employees	1,257	889
Total	4,570	5,162
Social security contributions	787	436
Pension expenses for the Board and Managing Director	138	–
Pension expenses	58	40
Total	983	476

TSEK 903 of personnel costs were capitalised. The fees for the Board, Managing Director and company management include invoiced fees that are recognised among Other external costs.

A mutual notice period of three months applies between the company and the Managing Director. Salary is payable under normal terms during the notice period.

Note 9 Income tax/tax on profit for the year

Amounts in SEK 000	%	2018	%	2017
Group				
Pre-tax loss		-10,164		-9,124
Tax according to applicable tax rate for Parent Company	22.0%	2,236	22.0%	2,007
Tax effect of				
Non-deductible expenses		-6		-9
Non-taxable income		-		-
Issue costs		-892		-220
Tax effect of net loss/gain from operations not recognised as deferred tax assets		-1,338		-1,779
Recognised current tax expense	0.0%	-	0.0%	-

Amounts in SEK 000	%	2018	%	2017
Parent Company				
Pre-tax loss		-10,164		-9,124
Tax based on the applicable tax rate for the Parent Company	22.0%	2,236	22.0%	2,007
Tax effect of				
Non-deductible expenses		-6		-9
Non-taxable income		-		-
Issue costs		-892		-220
Tax effect of net loss from operations not recognised as deferred tax assets		-1,338		-1,779
Recognised current tax	0.0%	-	0.0%	-

Tax loss carry-forwards

	2018	2017
Parent Company		
Tax loss carry-forwards	123,726	109,537
Group		
Tax loss carry-forwards	123,733	109,544

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% (22%).

Note 10 Earnings per share

Amounts in SEK 000	2018	2017
Basic earnings per share		
Earnings attributable to Parent Company shareholders	-10,164	-9,124
Average number of shares	15,238,299	9,866,560
Number of shares when calculating basic earnings per share	15,238,299	9,866,560
Diluted earnings per share		
Earnings attributable to Parent Company shareholders	-10,164	-9,124
Average number of shares	15,282,738	9,866,560
Number of shares in calculating diluted earnings per share	15,282,738	9,866,560

Basic earnings per share

The calculation of earnings per share attributable to Parent Company shareholders is based on earnings for the year after tax attributable to Parent Company shareholders in relation to a weighted average number of shares amounting to 15,238,299 (9,866,560).

Diluted earnings per share

The calculation of earnings per share attributable to Parent Company shareholders is based on earnings for the year after tax attributable to Parent Company shareholders.

year, all items directly associated with exploration were capitalised, including personnel costs.

Note 12 Property, plant and equipment

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
Accumulated cost		
At the start of the year	696	696
Closing accumulated cost	696	696
Accumulated depreciation and impairment		
At the start of the year	-683	-594
Depreciation and impairment for the year	-13	-89
Closing accumulated depreciation and impairment	-696	-683
Carrying amounts	-	13

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

Depreciation and amortisation

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

Note 13 Participations in Group companies

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Parent Company		
Accumulated cost		
At the start of the year	50	50
Closing balance	50	50

Subsidiaries/Corp. Reg. No./Reg. Office	NO. OF SHARES	SHARE IN %	EQUITY	CARRYING AMOUNT	RESULT
Ludvika Gruvor AB 556856-2994 Ludvika	50	100	43	50	-

Note 14 Other non-current receivables

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group		
Deposit under the Minerals Act issued to the Mining Inspectorate of Sweden	31	31
Total	31	31
Parent Company		
Deposit under the Minerals Act issued to the Mining Inspectorate of Sweden	31	31
Total	31	31

Note 15 Financial instruments by category

31 Dec 2018

Amounts in SEK 000	FINANCIAL ASSETS RECOGNISED AT AMORTISED COST	LIABILITIES RECOGNISED AT AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
Group				
Deposits and restricted bank balances	31		31	31
Other receivables	832		832	832
Cash and cash equivalents	9,153		9,153	9,153
Total	10,016	-	10,016	10,016
Borrowings		7,407	7,407	7,407
Accounts payable and other liabilities		859	859	859
Total		8,266	8,266	8,266

31 Dec 2017

Amounts in SEK 000	FINANCIAL ASSETS RECOGNISED AT AMORTISED COST	LIABILITIES RECOGNISED AT AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE
Group				
Deposits and restricted bank balances	31		31	31
Other receivables	262		262	262
Cash and cash equivalents	2,373		2,373	2,373
Total	2,666	-	2,666	2,666
Borrowings		15,833	15,833	15,833
Accounts payable and other liabilities		909	909	909
Total		16,742	16,742	16,742

Note 16 Other receivables

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
Recoverable VAT	795	257
Other items	11	19
Total	806	276

Note 17 Prepaid expenses and accrued income

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
Prepaid rental expenses	186	167
Other items	26	–
Total	212	167

Note 18 Cash and cash equivalents

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group		
Cash and bank balances	9,153	2,373
Total	9,153	2,373
Parent Company		
Cash and bank balances	9,110	2,330
Total	9,110	2,330

Note 19 Share capital and other paid-in capital

The Articles of Association of Nordic Iron Ore AB (publ) stipulate a share capital of not less than SEK 17,100,000 and not more than SEK 68,400,000. The minimum number of shares is 99,000,000 and the maximum 396,000,000. At 31 December 2018, the company's registered share capital was SEK 34,528,213.51 distributed between 19,909,775 shares with a quotient value of SEK 1.734 per share.

Nordic Iron Ore has 36,545,550 warrants outstanding than can be exercised for subscription until 31 May 2019. The warrants can be exercised to subscribe for a maximum of 3,654,555 new shares at a subscription price of SEK 10 per share.

The number of shares could increase through the conversion of debt. A maximum of 799,022 shares could be issued pursuant to such conversion.

2017

	NUMBER OF SHARES	SHARE CAPITAL, SEK	OTHER CONTRIBUTED CAPITAL
Opening balance, 1 January 2017	3,654,555	6,337,853	176,610,003
New share issue	7,309,110	12,675,710	4,598,510
Closing balance, 31 December 2017	10,963,665	19,013,563	181,208,513

2018

	NUMBER OF SHARES	SHARE CAPITAL, SEK	OTHER CONTRIBUTED CAPITAL
Opening balance, 1 January 2018	10,963,665	19,013,563	181,208,513
New share issue	8,946,110	15,514,651	25,053,480
Closing balance, 31 December 2018	19,909,775	34,528,214	206,261,993

Note 20 Borrowings

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
Convertible loan	7,407	–
Total	7,407	–

Note 21 Other liabilities

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
Withholding tax	76	19
Employer's contributions	65	25
Total	141	44

The loan carries an interest rate of 5.5 per cent and holders of the convertible have the right to request conversion from 11 June 2019 until the maturity date 11 June 2020. On the maturity date, the company owns the right to request conversion of all or part of the loan, including interest. The conversion price is SEK 10 per share.

Note 22 Accrued expenses and deferred income

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
Group and Parent Company		
Accrued salaries and fees	712	561
Accrued holiday pay	294	–
Accrued capitalised expenses	185	460
Accrued pension expenses	48	13
Other items	1,145	1,008
Total	2,384	2,042

Note 23 Pledged assets and contingent liabilities

Amounts in SEK 000	31 DEC 2018	31 DEC 2017
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 Värmland regarding a commitment to restore land	31	31
Total contingent liabilities and pledged assets	31	31

Note 24 Cash flow statement

Amounts in SEK 000	31 DEC 2017	CASH ITEMS	NON-CASH ITEMS	31 DEC 2018
Liability to investors	15,833	3,000	-15,833	3,000
Total liability from financial activities	15,833	–	-15,833	3,000

Note 25 Related-party transactions

Amounts in SEK 000	2018		2017	
	Liability to related party at 31 December	Receivable from related party at 31 December	Liability to related party at 31 December	Receivable from related party at 31 December
Related party				
Owner: Copperstone Resources AB	–	–	15,833	–
Total			15,833	

Related parties are defined as subsidiaries included in the Group, members of the company's Board of Directors and senior executives of the Group including close family members of such individuals. At the balance-sheet date, Nordic Iron Ore had no liabilities to related parties. During the year, the company borrowed SEK 3.7 million from Ludvika Holding AB, of which a total of SEK 2.6 million including interest has been repaid. The remainder of the loan has been offset as payment for issued shares. The company borrowed SEK 3.7 million from Bengtssons Tidnings AB during the year, of which a total of SEK 2.3 million including interest has been repaid. The remainder of the loan has been offset as payment for issued shares. Refer to Note 8 for remuneration to Board members.

Note 26 Significant events after the end of the financial year

The company engaged SRK Consulting UK to update the mineral resource estimates for Södra Väsman and to make a general assessment of the mining prerequisites of the area encompassing the Väsman and Håksberg exploitation concessions as well as the areas in between.

A short-term SEK 10 million loan was received from the two largest owners.

The undersigned hereby affirm that the annual accounts and the consolidated financial statements were prepared in compliance with International Financial Reporting Standards IFRS, as adopted within the European Union, and with generally accepted accounting principles, and that they provide a true and fair representation of the Group's and the Parent Company's financial position and earnings, and that the Administration Report provides a true and fair view of the Group's and Parent Company's operations, financial position and performance and describes the material risks and uncertainties faced by the companies in the Group.

Ludvika, 25 April 2019

Tomas Olofsson
Chairman of the Board

Jonas Bengtsson

Gösta Bergman

Michael Mattsson

Lennart Eliasson
Managing Director

Our auditor's report was submitted on 26 April 2019.
Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Nordic Iron Ore AB (publ), corporate identity number 556756-0940

REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Nordic Iron Ore AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 28-46 in this document.

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 2018 and its financial performance and cash flow 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 2018 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), 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 general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the statement of comprehensive income and balance sheet for the Group.

Basis for Opinions

We conducted our audit in accordance with the International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are described further in the Auditor's responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts, and can be found on pages 1-27 and page 49. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and the consolidated accounts does not cover this other information, and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter

We would like to draw attention to the Financial position, cash balance and future capital requirements section in the Administration Report, which states that in conjunction with the rights issue in June 2018, the company has issued warrants, which if exercised in full, will raise SEK 36.5 million for the company before issue costs. The funds raised through the warrants are intended to finance operations until an issue to finance the forthcoming construction can be carried out. If insufficient warrants are exercised, the company must raise alternative short- and medium-term funding.

As a safeguard for the above, the company has agreed a short-term SEK 10 million loan from the two largest owners. The assessment of the Board is that these funds will suffice until further capital can be raised.

Our opinion is not modified in respect of this matter.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revi-sornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordic Iron Ore AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposed appropriation of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organisation and for the administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other matters, take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act, or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the administration can be found on the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Gävle, 26 April 2019

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.

Exploitation concession

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

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.

Mining

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

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.

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.

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.

Core drilling

Rotary drilling used to extract a core from the bedrock.

Magnetite

Mineral with the chemical composition Fe_3O_4 . Mined for the extraction of iron. Also referred to as black ore.

Ore

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

Blast furnace

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

Metavolcanite

Volcanic rock types that have undergone metamorphism.

Environmental permit

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

Mineralisation

Concentration of potentially economically interesting mineral deposits in the bedrock.

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.

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.

Drift

Mining tunnel.

Pegmatite

Igneous rocks with exceptionally coarse and variable grain size.

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.

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.

Exploration

The search for ore.

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.

Ore concentrate

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

Inclined trackway

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

Raise

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

Stoping

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

Lump ore

Iron ore product obtained when dressing.

Exploration permit

Permit from the Mining Inspectorate of Sweden to operate.



Nordic
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