

Interim report January – June 2014

Significant events during the second quarter of 2014

- The annual general meeting was held on 22 May in Ludvika.
- The Land and Environment Court's judgement granting an environmental permit was finalised on 24 June.
- Financing totalling at least SEK 40 million was secured through subscription commitments and guarantees from Inlandsinnovation AB and Bengtssons Tidnings AB.

Second quarter, 1 April – 30 June 2014

- Income amounted to SEK 0 million (0)
- Earnings after tax amounted to SEK -5.3 million (-4.4)
- Investments during the period April - June amounted to SEK 2.7 million (2.7)
- Earnings per share before dilution amounted to SEK -0.46 (-0.38)

Interim period, 1 January – 30 June 2014

- Income amounted to SEK 0 million (0)
- Earnings after tax amounted to SEK -11.1 million (-9.1)
- Investments during the period January - June amounted to SEK 5.9 million (7.5)
- Earnings per share before dilution amounted to SEK -0.96 (-0.79)
- Cash and cash equivalents on 30 June 2014 amounted to SEK 2.4 million (6.5)

Significant events after the end of the period

- A supplementary drilling programme for Blötberget was started in early July
- The consulting firm IMC (International Mining Consultants) was hired for independent review of the feasibility study

Key ratios (Group)

	2014	2013	2014	2013	2013
<i>Amounts in SEK</i>	<i>April - June</i>	<i>April - June</i>	<i>Jan - June</i>	<i>Jan - June</i>	<i>Jan - Dec</i>
The Group					
Equity/assets ratio (%)	53.84%	78.66%	53.84%	78.66%	67.60%
Earnings per share (weighted average)	-0.46	-0.38	-0.96	-0.79	-1.38
Equity per share	3.83	5.38	3.83	5.38	4.80
Quick ratio (%)	13.96%	170.39%	13.96%	170.39%	45.31%
No. of shares	11,492,738	11,492,738	11,492,738	11,492,738	11,492,738

Comments from the CEO

An eventful period

Development during the period was eventful, with finalisation of the Land and Environment Court's judgement and the pleasing decision from SGU to name the area Blötberget-Väsman-Håksberg an area of national interest for mineral extraction.

Now, all we are waiting for is positive results from the feasibility study before we can begin our mining work. We have commissioned the British mining consulting firm IMC Group Consulting Ltd to lead the final work and then, as independent consultant, certify the study according to the JORC standard. Work on the study is progressing largely according to plan with, among other things, a further increase in the quality of our geological database through a supplementary drilling programme in Blötberget.

The study is being financed through a directed issue of shares currently being conducted by the company, most of which is guaranteed by the state-owned company Inlandsinnovation as well as the Company's largest owner. In times like these, it is comforting to know that even the state – for the first time in nearly 60 years – is supporting new iron ore production. In September, there will be a rights issue, giving Company shareholders the opportunity to subscribe for shares at the same price (SEK 25) as the directed issue.

Quality wins over quantity

The results of the ongoing process tests are encouraging. They show that we will be able to produce ore products with an even higher ore content than we previously believed possible to achieve. This means that our products will be among the best on the market. This will likely enable us to establish ourselves as a future producer of high-quality iron ore. This is extremely important since the trend in the iron ore market clearly shows that concentrate with a high iron content and good quality is in demand. We can see this interest in our interactions with potential ore customers.

Generally speaking, the quality of the ore deliveries from the larger producers has declined in recent years. This is particularly true for ore concentrate from Brazil. In China, where steel mills are facing greater and greater demands for increased efficiency and reduced environmental impact, demand for high-quality ore products is on the rise. Steel mills in Europe are also concerned about the declining quality of ore deliveries as this negatively impacts their profitability.

In May, the Company hired CRU, one of the largest international research firms in the commodities sector, to compare Ludvika mines with some 30 different ongoing international mining projects. The results of the study were encouraging as the Ludvika mines were considered one of the best ongoing iron ore projects next to the projects of the big mining companies.

The rest of the year will for the most part be marked by completion of the feasibility study, organisational development and financing work for the planned construction start in Blötberget next year.

Christer Lindqvist, CEO Nordic Iron Ore

Operations

Significant events during the period

Raising of capital

During the second quarter, the Board decided to conduct a directed issue of shares as well as a rights issue. The Company received subscription commitments and guarantees for a total of SEK 40 million for the directed issue from the state-owned venture capital company Inlandsinnovation AB as well as Bengtssons Tidnings AB. The price for new shares is set to SEK 25 per share for both issues.

Mineral resources

Preparations for the supplementary drilling programme in Blötberget were completed during the period and a drilling contractor was procured. The programme, which comprises up to 7,000 metres of core drilling, aims to examine the area between the Hugget/Betsta mines and Kalv/Flygruvorna, and to upgrade parts of the mineral deposits in Hugget/Betsta from assumed mineral resources to indicated mineral resources. The Finnish company Oy Kati ab contracted by the Company began work in early July. The drilling programme is expected to be completed in September.

Process development

During the period, GTK in Finland continued the important process tests with raw ore from Blötberget. The preliminary results from these tests in bench scale confirm the ore's excellent enrichment properties and the huge potential to produce ore products of the highest quality. The mineralogical composition of the ore varies in different parts of the Blötberget mine as regards percentages of magnetite, hematite and apatite content. Supplementary bench scale tests have been performed to ensure the design of a maximally efficient enrichment process and to select the most suitable process equipment. The final stage of process development begins in the autumn and comprises a larger programme for the enrichment of raw ore in pilot scale. The aim of this is to ultimately verify the proposed process configuration in the ore processing plant.

Logistics

Project design work for the train terminal at Skeppmora, under the supervision of the Swedish Transport Administration, continued during the period and is expected to be completed during the third quarter. Procurement of a rail operator for the ore transports between the Skeppmora terminal and the Port of Oxelösund began during the period and evaluation of the nine submitted tenders is currently underway.

Permits

The judgement from the Land and Environment Court was finalised on 24 June 2014. As a result, the Company has all material permits, except for the municipal building permits, to restart mining operations at the mines in Blötberget and Håksberg.

The procedure for approving the detailed development plans for the industrial areas in Blötberget and Håksberg drawn up by Ludvika Municipality continues and is expected to be completed in late 2014.

Land allocation work in accordance with the Swedish Minerals Act for the land affected by the planned mining operations in Blötberget and Skeppmora is expected to be completed in connection with completion of the feasibility study.

Events after the reporting period

NIO has initiated a core drilling campaign in Blötberget. This comprises up to 7,000 metres of core drilling and will continue until September. The drilling campaign is intended to supplement the already significant geological database and raise the classification of parts of the mineral resources

according to the 2012 JORC Code.

The drilling work is part of the final feasibility study for restart of operations in the Blötberget mine, which is expected to be completed by late 2014/early 2015.

Share and ownership structure

At the end of the period, the share capital amounted to SEK 1,993,110 divided between 11,492,738 shares, with a quota value of SEK 0.17 per share. The number of shareholders totalled 1,756.

Financial position

On the balance sheet date, the Group had a liquidity of SEK 2.4 million. The equity/assets ratio amounted to 53.84%. The Group's equity amounted to SEK 44.1 million, which corresponded to SEK 3.83 per share.

The Company is currently working to raise capital to finance completion of the final feasibility study of the Blötberget mine with associated ore processing plant. Upon completion of a positive study, decisions will be made regarding investments in an ore processing plant, mining equipment, etc., which will require another extensive injection of capital.

Investments

During the period January - April 2014, investments amounted to SEK 5,984,000, of which SEK 5,984,000 relates to prospecting resources and investigation work on the planned start of mining operations. The investigation work mainly relates to drilling work in Blötberget and the Väsman deposit, including analyses. Investments in equipment amounted to SEK 0.

Employees

On average, seven people were employed by the Company during the period.

Financial calendar

Interim report January – September 2013: 21 November 2014

Year-end report January – December 2014: February 2015

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, as well as the technical risks, the possibility of starting up operations depends on the requisite permits from authorities being obtained and the extensive capital requirements being met.

There have been no significant changes to alter this description.

Annual report and financial reports

The Company's press releases and financial reports are distributed via Cisionwire and are available at www.nordicironore.se

Stockholm, 22 August 2014

Board of Nordic Iron Ore AB (publ), corporate identity number 556756-0940

Göran Ekdahl

Jonas Bengtsson

Sigrun Hjelmquist

Johnas Jansson

Lars-Göran Ohlsson

Christer Lindqvist

This report has not been reviewed by the auditors.

Technical source material has been reviewed by the Company's independent qualified person, mining engineer Thomas Lindholm, GeoVista AB, Luleå. Lindholm is a Competent Person as defined in the internationally recognized JORC Code, based on his training and experience in prospecting, mining and assessment of mineral resources for iron, base metals and precious metals.

For further information, please contact:

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SUMMARY

		2014	2013	2014	2013	2013
<i>Amounts in SEK</i>	Note	Apr-June	Apr-June	Jan-June	Jan-June	Jan-Dec
Other external expenses		-2,866,586	-2,172,908	-4,573,299	-5,487,888	-8,693,276
Personnel expenses		-1,471,971	-1,132,960	-2,772,230	-2,566,597	-4,749,980
Depreciation/amortization and impairment of property, plant and equipment and intangible fixed assets		-34,776	-31,326	-2,076,942	-55,752	-125,304
Operating profit/loss		-4,373,333	-3,337,194	-9,422,471	-8,110,237	-13,568,560
Financial income	15	5,289	5,289	5,199	27,244	37,112
Financial expense		-918,728	-1,028,915	-1,645,749	-1,029,044	-2,278,583
Net financial income/expense		-918,713	-1,023,626	-1,640,550	-1,001,800	-2,241,471
Profit/loss after financial income and expense		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,810,031
PROFIT/LOSS FOR THE PERIOD		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,810,031
OTHER COMPREHENSIVE INCOME		-	-			-
Total comprehensive income for the period		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,810,031
Attributable to:						
Parent company shareholders		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,810,031
TOTAL		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,810,031
No. of shares						
No. of shares at year-end		11,492,738	11,492,738	11,492,738	11,492,738	11,492,738
Average no. of shares (before dilution)		11,492,738	11,492,738	11,492,738	11,492,738	11,492,738
Average no. of shares (after dilution)		11,482,738	11,482,738	11,482,738	11,482,738	11,492,738
Earnings per share						
Earnings per share, weighted average before dilution, SEK		-0.46	-0.38	-0.96	-0.79	-1.38
Earnings per share, weighted average after dilution, SEK		-0.46	-0.38	-0.96	-0.79	-1.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – SUMMARY

<i>Amounts in SEK</i>	Note	30/06/2014	30/06/2013	31/12/2013
Assets				
Non-current assets				
Intangible assets		77,554,976	66,738,956	73,578,099
Property, plant and equipment		429,523	568,631	499,075
Financial assets		78,403	77,840	78,404
Current assets				
Other current assets		1,352,672	4,690,060	1,361,968
Cash and cash equivalents		2,403,293	6,505,712	6,004,854
Total assets		81,818,867	78,581,199	81,522,400
Equity and liabilities				
Equity		44,049,491	61,810,506	55,112,512
Long-term liabilities		10,855,555	10,200,000	10,151,666
Current liabilities	1.2	26,913,821	6,570,693	16,258,222
Total equity and liabilities		81,818,867	78,581,199	81,522,400

<i>Amounts in SEK</i>	Note	30/06/2014	30/06/2013	31/12/2013
Deposit in accordance with the Swedish Minerals Act, Bergsstaten		31,447	31,057	31,216
Rent guarantee		-	45,600	45,600

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>Amounts in SEK</i>	Note	Share capital	Other contributed capital	Profit/loss brought forward, incl. profit/loss for the period	Total equity
Opening equity 01/01/2014		1,993,110	94,208,734	-41,089,332	55,112,512
Comprehensive income for the period				-11,063,021	-11,063,021
CLOSING EQUITY 30/06/2014		1,993,110	94,208,734	-52,152,353	44,049,491
Opening equity 01/01/2013		1,993,110	94,208,734	-25,279,301	70,922,543
Comprehensive income for the period				-9,112,037	-9,112,037
CLOSING EQUITY 30/06/2013		1,993,110	94,208,734	-34,391,338	61,810,506
Opening equity 01/01/2013		1,993,110	94,208,734	-25,279,301	70,922,543
Comprehensive income for the period				-15,810,031	-15,810,031
CLOSING EQUITY 31/12/2013		1,993,110	94,208,734	-41,089,332	55,112,512

CONSOLIDATED CASH FLOW STATEMENT – SUMMARY

<i>Amounts in SEK</i>	Note	2014 April- June	2013 April- June	2014 Jan - June	2013 Jan - June	2013 Jan - Dec
Operating activities						
Profit/loss for the period		-5,292,047	-4,360,820	-11,063,021	-9,112,037	-15,810,031
Adjustment for items not included in the cash flow		781,045	31,326	3,550,226	55,752	1,008,162
Cash flow from operating activities before changes in working capital		-4,511,002	-4,329,494	-7,512,795	-9,056,285	-14,801,869
Cash flow from changes in working capital						
Change in working capital		-284,584	-3,358,531	9,296	-2,341,460	986,632
Change in operating liabilities		6,073,237	25,200	6,886,205	-3,700,912	-4,944,571
Cash flow from operating activities		1,277,651	-7,662,825	-617,294	-15,098,657	-18,759,808
Cash flow from investment activities		-2,697,650	-2,651,050	-5,984,267	-7,521,208	-14,360,915
Cash flow from financing activities		3,000,000	10,200,000	3,000,000	10,200,000	20,200,000
Cash flow for the year		1,580,001	-113,875	-3,601,561	-12,419,865	-12,920,723
Opening cash and cash equivalents		823,292	6,619,587	6,004,854	18,925,577	18,925,577
CLOSING CASH AND CASH EQUIVALENTS		2,403,293	6,505,712	2,403,293	6,505,712	6,004,854

PARENT COMPANY INCOME STATEMENT –SUMMARY

<i>Amounts in SEK</i>	Note	2014 Apr-June	2013 Apr-June	2014 Jan-June	2013 Jan-June	2013 Jan-Dec
Other external expenses	2	-2,866,586	-2,172,908	-4,573,299	-5,487,888	-8,691,787
Personnel expenses		-1,471,971	-1,132,960	-2,772,230	-2,566,597	-4,749,980
Depreciation of property, plant and equipment and intangible fixed assets		-34,776	-31,326	-2,076,942	-55,752	-125,304
Operating profit/loss		-4,373,333	-3,337,194	-9,422,471	-8,110,237	-13,567,071
Other interest income and similar profit/loss items		15	5,289	5,199	27,244	37,058
Interest expense and similar profit/loss items		-918,728	-1,028,915	-1,645,749	-1,029,044	-2,278,583
PROFIT/LOSS FOR THE PERIOD		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,808,596
PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME						
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,808,596
Attributable to:						
Parent company shareholders		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,808,596
TOTAL		-5,292,046	-4,360,820	-11,063,021	-9,112,037	-15,808,596

PARENT COMPANY BALANCE SHEET – SUMMARY

<i>Amounts in SEK</i>	Note	30/06/2014	30/06/2013	31/12/2013
Assets				
Non-current assets				
Intangible assets		77,554,976	66,738,956	73,578,099
Property, plant and equipment		429,523	568,631	499,075
Financial assets		78,403	77,840	78,404
Shares in subsidiaries		50,000	50,000	50,000
Current assets				
Other current assets		1,352,672	4,690,061	1,361,968
Cash and cash equivalents		2,360,055	6,461,278	5,961,617
Total assets		81,825,629	78,586,766	81,529,163
Equity and liabilities				
Equity		44,056,252	61,816,073	55,119,274
Long-term liabilities		10,855,555	10,200,000	10,151,666
Current liabilities		26,913,822	6,570,693	16,258,223
Total equity and liabilities		81,825,629	78,586,766	81,529,163

Pledged assets and contingent liabilities

<i>Amounts in SEK</i>	Note	30/06/2014	30/06/2013	31/12/2013
Deposit in accordance with the Swedish Minerals Act, Bergsstaten		31,447	31,057	31,216
Rent guarantee		-	45,600	45,600

ACCOUNTING POLICIES

The Group

This interim report was prepared in accordance with IAS 34 Interim Financial Statements and in accordance with RFR 1 of the Swedish Financial Reporting Board and, for the Parent Company, RFR 2. The same accounting policies and calculation methods are applied as in the last interim report. For a detailed description of the accounting policies applied for the Group and the Parent Company in this interim report, see the annual report of 2013.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Related parties

The following are considered to be related parties: Subsidiaries included in the Group; members of the Company's board; senior executives in the Group and close family members of such persons.

During the reporting period, Kopparberg Mineral AB invoiced SEK 66,000 in fees and expenditures. Nordic Iron Ore's liability amounted to SEK 1,532,000 to Kopparberg Mineral AB and SEK 2,484,000 to Bengtssons Tidnings AB as of 30 June 2014.

Note 2 Key ratios (Group)

<i>Amounts in SEK</i>	2014 April - June	2013 April - June	2014 Jan - June	2013 Jan - June	2013 Jan - Dec
The Group					
Equity/assets ratio (%)	53.84%	78.66%	53.84%	78.66%	67.60%
Earnings per share (weighted average)	-0.46	-0.38	-0.96	-0.79	-1.38
Equity per share	3.83	5.38	3.83	5.38	4.80
Quick ratio (%)	13.96%	170.39%	13.96%	170.39%	45.31%
No. of shares	11,492,738	11,492,738	11,492,738	11,492,738	11,492,738
Weighted average no. of shares before dilution	11,492,738	11,492,738	11,492,738	11,492,738	11,492,738
Weighted average no. of shares after dilution	11,492,738	11,492,738	11,492,738	11,492,738	11,492,738

Key ratio definitions

Equity/assets ratio:	Equity as a per cent of the balance sheet total.
Earnings per share:	Profit/loss after tax in relation to the weighted average number of shares.
Equity per share:	Equity in relation to the number of shares on the balance sheet date.
Quick ratio:	Current assets excluding stock in relation to current liabilities.