

# Q2



## Interim Report January – June 2016

### Significant events during the second quarter 2016

- An application for mining concession in an area directly adjacent to Blötberget was submitted to Bergsstaten in the beginning of April.
- Additional test enrichment on a pilot scale of crude ore from Blötberget performed at SGA and Weir Minerals in Germany.

#### Second quarter, 1 April – 30 June 2016

- Income amounted to SEK 0 million (0)
- Earnings after tax amounted to SEK –2.4 million (–4.4)
- Investments in the period April–June totalled SEK 0.8 million (3.5)
- Basic earnings per share were SEK –0.07 (–0.31)

#### Interim period, 1 January – 30 June 2016

- Income amounted to SEK 0 million (0)
- Earnings after tax amounted to SEK –4.8 million (–8.2)
- Investments in the period January–June totalled SEK 2.9 million (8.8)
- Basic earnings per share were SEK –0.13 (–0.56)
- Cash and cash equivalents on 30 June 2016 amounted to SEK 4.3 million (3.9)

### Key ratios (Group)

Amounts in SEK	2016 April-June	2015 April-June	2016 Jan - June	2015 Jan - June	2015 Jan - Dec
Equity ratio (%)	86,74%	80,70%	86,74%	80,70%	86,98%
Earnings per share	-0,07	-0,31	-0,13	-0,56	-0,79
Equity per share	2,79	6,26	2,79	6,26	3,29
Quick ratio (%)	280,64%	52,40%	280,64%	52,40%	445,54%
No. of shares	36 545 550	14 510 712	36 545 550	14 510 712	32 460 954

Nordic Iron Ore AB is a mining development company that aims to resume and develop iron ore production at Ludvika Mines in Blötberget and Håksberg. The Company has all the essential permits in place, which will enable it to produce iron ore of extremely high quality from significant mineral resources.

# Comments from the Managing Director

## The marketing follow up to recent process improvements brings about renewed interest.

The second -quarter of the year has seen NIO to continue to evaluate the process improvements made during the recent testwork programme and relate that to the market for iron ore. It is clear that the refined process flowsheet derived from the recent testwork programme in Germany provides considerable flexibility in the product(s) that can be made. NIO is now having discussions with an expanded potential market for NIO products. NIO needs to, therefore, engage and evaluate this expanded potential market and establish the products that can secure the largest margin and long-term sales agreements.

Efforts by NIO have brought about expanded interest from a wider potential market, with significant discussions underway for off-take agreements. Several potential off-takers have tested products from NIO for use in their processes and as a consequence have expressed interest in NIO products. Further tests are planned by several potential buyers in the coming months, after which it is hoped that some conditional agreements can be made.

In parallel with the continued marketing efforts NIO and as a result of the provisional improved OPEX numbers generated from the process improvements, NIO is seeking to engage with new investors and industrial partners. Exploratory discussions have started with a number of possible candidates which are hoped to be developed in the coming months.

Logistics continues to be a major OPEX cost item for delivery of the product to customers. The efficiency and cost of these logistics can have a significant impact. The Swedish government continues to invest in the improvements to the rail line between Ludvika and Oxelösunds hamn, with a budget increase from SEK 450M to SEK 750M and with an expectation that there will be a further increase to SEK1.1bn. Work on the improvements to the line have already started and will continue for the next 4-5 years. These improvements to the logistics solution should be largely completed by the time that NIO gets into production, helping to ensure that NIO starts production with an efficient logistics solution from the mine to the port available.

NIO is in the final stages of formulating an agreement with the selected logistics solution provider, who will then assist with the evaluation of the best solutions for delivery to specific markets. This will ensure that NIO can identify the markets that give the best net margins of profit and enable NIO to develop a production schedule over the first years of operations.

NIO is, also, looking to advance the next technical stage of the DFS; which is namely to add to the resource model and improve the mine life, evaluate and integrate the geophysical and rock mechanics data into the block models, design the mine infrastructure, equipment specifications and the mine schedule. The pace of the development will, however, ultimately depend upon the ability of the project to attract further financing.

The iron ore market has lost most of the ground made in the first quarter of the year, with iron ore prices falling from the highs around \$60/t to the current lows around \$50/t for Fe62% C&F China, with an average of around \$53/t recently. The price is expected, by many, to continue to hang around the \$50/t level for a while. Despite continued closure of China mined iron ore capacity and increasing demand for imported ore some analysts continue to paint a gloomy picture with iron ore prices remaining below the \$50/t level. However what is beginning to change is the view as to when iron ore prices may begin to rise and most analysts agree that this is likely to be between 2018 and 2020, when the economic cycle is expected to move upwards and with it iron ore. It should also be noted that a general slowdown in the global economy is likely to reverse; and indeed in Europe there are certainly signs that this process may have started with significant improvements to the steel industry margins in recent months. This fact appears to be a continuation of the early signs of recovery in the mining and steel sectors detected in Q1 this year and reinforces management view that the company is in a good position to complete the feasibility study and be ready to start production when the market really begins to pick up again.



**Paul Marsden**

*Managing Director, Nordic Iron Ore AB (publ)*

# Operations

## Significant events during the period

### *Permits and concessions*

An application for mining concession in an area directly adjacent to Blötberget to the North East was submitted to Bergsstaten in the beginning of April. Based on NIO evaluation this could secure a further 8Mt of resources for the the project to be included in the final DFS. The inclusion of this mineral zone as resources could significantly improve the economics of the mine development by bringing around opportunities of early cash-flow and increase NPV.

### *Annual general meeting*

The annual general meeting of shareholders was held in Ludvika on the 24<sup>th</sup> of May. The meeting decided to adjust the limits for the share capital of the company and authorised the board of directors to decide on new issues of shares or convertible bonds, with or without preferential rights for existing shareholders.

### *Process development*

Additional test enrichment on a pilot scale of crude ore from Blötberget was performed at SGA. These tests were focused on the preparation of products according to specifications for potential customers.

### *Geotech*

Geotechnical data continues to be collected by NIO geologists, with additional data provided by innovative techniques and equipment used by ERA-MIN to be used in the final design of the mine development.

## Share and ownership structure

At the end of the period the share capital amounted to SEK 6 337 854 divided between 36 545 550 with a quota value of SEK 0.17 per share. The number of shareholders totalled 3,510.

## Financial position

On the balance sheet date the Group had a liquidity of SEK 4.3 million. The equity/assets ratio was 86.74%. The Group's equity amounted to SEK 102.1 million, corresponding to SEK 2.79 per share.

## Investments

During the period January – June investments totalled MSEK 2.9. The entire amount relates to prospecting resources and investigation work for the planned resumption of mining operations in Blötberget.

## Employees

On average, two people were employed by the Company during the period and three were engaged on a consultancy basis.

## Financial calendar

Interim report January – September 2016: 17 November 2016  
Year-end report for the 2016 financial year: February 2017

## Risks and uncertainties

In addition to 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 possibilities of starting up operations depend 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](http://www.nordicironore.se).

# Operations

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Stockholm, 19 August 2016

The Board of Nordic Iron Ore AB (publ), corporate identity no. 556756-0940

Jonas Bengtsson

Sigrun Hjelmquist

Johnas Jansson

Ryan Huff

Paul Marsden  
*Managing director*

This report has not been reviewed by the auditors.

Technical source material has been reviewed by the Company's qualified persons, Hans Thorshag and Paul Marsden. Hans Thorshag is a qualified person under FRB standards and Paul Marsden as defined in the internationally recognized JORC Code, based on his training and experience in exploration, project development and mineral process engineering.

For further information, please contact:

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# Consolidated statement of comprehensive income - summary

Amounts in SEK	Note	2016	2015	2016	2015	2015
		April - June	April - June	Jan - June	Jan - June	Jan - Dec
Net revenue		0	0	0	0	0
Other operating income		0	0	0	0	100 000
<b>Total operating income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100 000</b>
Other external costs		-1 812 840	-2 559 935	-3 614 871	-4 457 227	-6 869 229
Personnel expenses		-206 027	-1 301 314	-382 212	-2 677 586	-4 163 830
Depreciation/amortization and impairment of property, plant and equipment and intangible assets		-30 963	-65 822	-65 741	-100 599	-170 154
<b>Operation profit/loss</b>		<b>-2 049 830</b>	<b>-3 927 071</b>	<b>-4 062 824</b>	<b>-7 235 412</b>	<b>-11 103 213</b>
Financial income		270	0	539	96	638
Financial expenses		-334 331	-508 180	-704 075	-935 325	-1 806 604
Net financial income/expense		-334 061	-508 180	-703 536	-935 229	-1 805 966
<b>Profit/loss after financial income and expense</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>
<b>OTHER COMPREHENSIVE INCOME</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>
<b>Attributable to:</b>						
Parent company shareholders		-2 383 891	-4 435 251	-4 766 360	-8 170 641	-12 909 179
<b>TOTAL</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>
<b>Number of shares</b>						
Number of shares at year-end		36 545 550	14 510 712	36 545 550	14 510 712	32 460 954
Average no. of shares (before dilution)		36 545 550	14 510 712	36 388 450	14 510 712	16 289 394
Average no. of shares (after dilution)		36 545 550	14 510 712	36 388 450	14 510 712	16 289 394
<b>Earnings per share</b>						
Earnings per share, weighted average before dilution, SEK		-0,07	-0,31	-0,13	-0,56	-0,79
Earnings per share, weighted average after dilution, SEK		-0,07	-0,31	-0,13	-0,56	-0,79

# Consolidated statement of financial position - summary

<i>Amounts in SEK</i>	<i>Note</i>	<b>30/06/2016</b>	<b>30/06/2015</b>	<b>31/12/2015</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		112 145 474	107 229 351	109 219 231
Property, plant and equipment		155 112	290 409	220 854
Financial assets		31 564	31 618	31 564
<b>Current assets</b>				
Other current assets		1 007 489	1 065 488	659 503
Cash and cash equivalents		4 316 134	3 898 402	12 695 599
<b>Total assets</b>		<b>117 655 773</b>	<b>112 515 268</b>	<b>122 826 751</b>
<b>Equity and liabilities</b>				
<b>Equity</b>		<b>102 060 455</b>	<b>90 769 037</b>	<b>106 838 696</b>
Non-current liabilities		13 698 334	12 275 000	12 990 556
Current liabilities		1 896 984	9 471 231	2 997 499
<b>Total Equity and liabilities</b>		<b>117 655 773</b>	<b>112 515 268</b>	<b>122 826 751</b>
<b>Amounts in SEK</b>				
<i>Note</i>		<b>30/06/2016</b>	<b>30/06/2015</b>	<b>31/12/2015</b>
Deposit in accordance with the Swedish Mineral Act, Bergsstaten		31 564	31 492	31 564
Contingent liabilities		None	None	None

# 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
<b>Opening equity 01/01/2016</b>		<b>6 337 854</b>	<b>176 621 884</b>	<b>-76 121 042</b>	<b>106 838 696</b>
Comprehensive income for the period				-4 766 360	-4 766 360
Transaction costs			-11 881		-11 881
<b>CLOSING EQUITY 30/6/2016</b>		<b>6 337 854</b>	<b>176 610 003</b>	<b>-80 887 402</b>	<b>102 060 455</b>
<b>Opening equity 01/01/2015</b>		<b>2 516 497</b>	<b>159 635 044</b>	<b>-63 211 863</b>	<b>98 939 678</b>
Comprehensive income for the period				-8 170 641	-8 170 641
<b>CLOSING EQUITY 30/6/2015</b>		<b>2 516 497</b>	<b>159 635 044</b>	<b>-71 382 504</b>	<b>90 769 037</b>
<b>Opening equity 01/01/2015</b>		<b>2 516 497</b>	<b>159 635 044</b>	<b>-63 211 863</b>	<b>98 939 678</b>
Comprehensive income for the period				-12 909 179	-12 909 179
Unregistered share capital		708 364	3 376 232		4 084 596
New share issued		3 112 993	14 837 250		17 950 243
Transaction costs			-1 226 642		-1 226 642
<b>CLOSING EQUITY 31/12/2015</b>		<b>6 337 854</b>	<b>176 621 884</b>	<b>-76 121 042</b>	<b>106 838 696</b>

# Consolidated cash flow statement - summary

		2016	2015	2016	2015	2015
<i>Amounts in SEK</i>	<i>Note</i>	<i>April - June</i>	<i>April - June</i>	<i>Jan - June</i>	<i>Jan - June</i>	<i>Jan - Dec</i>
<b>Operating activities</b>						
Profit/loss for the period		-2 383 891	-4 435 251	-4 766 360	-8 170 641	-12 909 179
Adjustments for items not included in the cash flow		30 963	65 822	65 741	100 599	170 154
<b>Cash flow from operating activities before changes in working capital</b>		<b>-2 352 928</b>	<b>-4 369 429</b>	<b>-4 700 619</b>	<b>-8 070 042</b>	<b>-12 739 025</b>
<b>Cash flow from changes in working capital</b>						
Change in working capital		-84 858	198 243	-347 987	1 580 221	1 986 260
Change in operating liabilities		-1 462 763	-1 243 835	-404 616	-4 819 488	-3 101 006
<b>Cash flow from operating activities</b>		<b>-3 900 549</b>	<b>-5 415 021</b>	<b>-5 453 222</b>	<b>-11 309 309</b>	<b>-13 853 771</b>
<b>Cash flow from investment activities</b>		<b>-812 901</b>	<b>-3 467 711</b>	<b>-2 926 243</b>	<b>-8 753 556</b>	<b>-10 743 436</b>
<b>Cash flow from financing activities</b>		<b>0</b>	<b>4 250 000</b>	<b>0</b>	<b>4 250 000</b>	<b>17 581 539</b>
<b>Cash flow for the year</b>		<b>-4 713 450</b>	<b>-4 632 732</b>	<b>-8 379 465</b>	<b>-15 812 865</b>	<b>-7 015 668</b>
Opening cash and cash equivalents		9 029 584	8 531 134	12 695 599	19 711 267	19 711 267
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>4 316 134</b>	<b>3 898 402</b>	<b>4 316 134</b>	<b>3 898 402</b>	<b>12 695 599</b>



# Parent Company Income statement - summary

		2016	2015	2016	2015	2015
<i>Amounts in SEK</i>	Note	April - June	April - June	Jan - June	Jan - June	Jan - Dec
Net revenue		0	0	0	0	0
Other operating income		0	0	0	0	100 000
<b>Total operating income</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100 000</b>
Other external costs		-1 812 840	-2 559 935	-3 614 871	-4 457 227	-6 869 229
Personnel expenses		-206 027	-1 301 314	-382 212	-2 677 586	-4 163 830
Depreciation of property, plant and equipment and intangible fixed assets		-30 963	-65 822	-65 741	-100 599	-170 154
<b>Operating profit/loss</b>		<b>-2 049 830</b>	<b>-3 927 071</b>	<b>-4 062 824</b>	<b>-7 235 412</b>	<b>-11 103 213</b>
Other interest income and similar profit/loss items		270	0	539	96	638
Interest expense and similar profit/loss items		-334 331	-508 180	-704 075	-935 325	-1 806 604
<b>PROFIT/LOSS FOR THE PERIOD</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>
<b>PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME</b>						
<b>Other comprehensive income</b>		-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>
<b>Attributable to:</b>						
Parent Company shareholders		-2 383 891	-4 435 251	-4 766 360	-8 170 641	-12 909 179
<b>TOTAL</b>		<b>-2 383 891</b>	<b>-4 435 251</b>	<b>-4 766 360</b>	<b>-8 170 641</b>	<b>-12 909 179</b>

# Parent Company Balance sheet - summary

Amounts in SEK	Note	30/06/2016	30/06/2015	31/12/2015
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets		112 145 474	107 229 351	109 219 231
Property, plant and equipment		155 112	290 409	220 854
Financial assets		31 564	31 618	31 564
Shares in subsidiaries		50 000	50 000	50 000
<b>Currens assets</b>				
Other current assets		1 007 490	1 065 488	659 503
Cash and cash equivalents		4 272 896	3 855 165	12 652 362
<b>Total assets</b>		<b>117 662 536</b>	<b>112 522 031</b>	<b>122 833 514</b>
<b>Equity and liabilities</b>				
<b>Equity</b>		<b>102 067 218</b>	<b>90 775 799</b>	<b>106 845 458</b>
Non-current liabilities		13 698 334	12 275 000	12 990 556
Current liabilities		1 896 984	9 471 232	2 997 500
<b>Total Equity and liabilities</b>		<b>117 662 536</b>	<b>112 522 031</b>	<b>122 833 514</b>
<b>Amounts in SEK</b>				
Deposit in accordance with the Swedish Mineral Act, Bergsstaten	Not	30/06/2016	30/06/2015	31/12/2015
		31 564	31 492	31 564
Contingent liabilities		None	None	None

# 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, see the annual report of 2015.

# 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, Copperstone Resources AB invoiced SEK 23,800 in fees and expenditures. Nordic Iron Ore's liability amounted to SEK 0 to Copperstone Resources AB as of 30<sup>th</sup> of June 2016.

## Note 2 Key ratios (Group)

<i>Amount in SEK</i>	2016 April - June	2015 April - June	2016 Jan - June	2015 Jan - June	2015 Jan - Dec
Equity ratio (%)	86.74%	80.70%	86.74%	80.70%	86.98%
Earnings per share	-0.07	-0.31	-0.13	-0.56	-0.79
Equity per share	2.79	6.26	2.79	6.26	3.29
Quick ratio (%)	280.64%	52.40%	280.64%	52.40%	445.54%
No. of shares	36 545 550	14 510 712	36 545 550	14 510 712	32 460 954
Weighted average no. of shares before dilution	36 545 550	14 510 712	36 388 450	14 510 712	16 289 394
Weighted average no. of shares after dilution	36 545 550	14 510 712	36 388 450	14 510 712	16 289 394

## Key ratio definitions

Equity/assets ratio:

Equity as a per cent of the balance 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.