

Interim report January – June 2012

Significant events during the second quarter of 2012

- Financing the summer's drilling campaigns was secured through a convertible loan of SEK 60 million
- Procuring drilling contractors for drilling campaigns at the Väsman field and Blötberget commenced
- Initial test mining was carried out
- Göran Ekdahl, Thomas Olofsson and Johnas Jansson were elected new ordinary board members at the AGM on 29 June

Second quarter, 1 April – 30 June 2012

- Income amounted to SEK 0 million (0)
- Earnings after tax were SEK -7.9 million (-1.2)
- Investments during the period April – June amounted to SEK 1.2 million (6.0)
- Earnings per share before dilution were SEK -1.01 (-0.26)

Interim period 1 January – 30 June 2012

- Income amounted to SEK 0 million (0)
- Earnings after tax were SEK -12.1 million (-1.9)
- Investments during the period January – June amounted to SEK 3.2 million (7.9)
- Earnings per share before dilution were SEK -0.56 (-0.26)
- Cash and cash equivalents at 30 June 2012 amounted to SEK 14.4 million (14.9)

Significant events after the end of the period

- An application for an environmental permit was submitted to the Land and Environment Court
- Drilling programmes at the Väsman field and Blötberget commenced

Comments from the CEO

Following a challenging start to 2012 for Nordic Iron Ore, which included a delay in the process of becoming listed on the stock market, the second quarter and July were much more positive and a number of important milestones were passed.

In June, the Company secured new financing through issuing a convertible loan of SEK 60 million, directed at both external lenders and existing owners. The Company then accelerated the start-up of the planned drilling programmes, and drilling at Blötberget commenced in July. Drilling at the Väsman field will commence shortly, and all the necessary permits for the process have been received. The drilling campaigns will form an important part of the forthcoming feasibility study.

At the beginning of July, the Company's crucial application for an environmental permit was submitted to the Land and Environment Court in Nacka regarding resuming mining operations at Blötberget and Håksberg.

Despite the prevailing major uncertainties in our business environment due to the economic climate, with sagging spot rates for iron ore in the summer, we can observe that many experts continue to emphasise the solid long-term fundamentals for a sustained high iron ore price. While the project is indeed under way, it was delayed in the spring due to the prolonged financing process, and we now intend to make up for lost time. Our plan to start up production in the latter part of 2015 remains in place.

Christer Lindqvist, CEO Nordic Iron Ore

The operations

Technical surveys

A small test mining initiative was carried out in the second quarter. The mined material will primarily be used to conduct various process technology tests, and the results will form part of the final feasibility study. During the period, planning for the drilling programmes at the Väsman field and Blötberget was carried out, and drilling in the Blötberget concession commenced. The aim is to improve the geological basis, chiefly in order to define mineral resources and transfer them to mineral reserves that can be included in the forthcoming feasibility study. Contractors for the drilling programmes were procured and work commenced at the end of the period.

Application for an environmental permit

An application for an environmental permit regarding resuming operations at the Blötberget and Håksberg mines was completed and submitted to the Land and Environment Court in Nacka at the beginning of July.

The Väsman deposits

During the period, the Company continued its work on analysing available historical information regarding the Väsman field, which improved knowledge about its geology.

In August, the Company embarked on a drilling campaign, which will continue during the autumn of 2012. The purpose of this drilling campaign is to increase knowledge about the geology of the Väsman field and, if possible, assess the mineral resources according to the international JORC standard. If the results are positive, the Company intends to apply for an exploitation concession for the iron deposits at the Väsman field, which also includes Finnäset on the Väsman's south bank.

Financing

In order to secure the financial resources needed to maintain momentum in the project, the Company completed a round of financing in the second quarter with an offering directed at a limited circle of investors in the form of a short-term loan with mandatory conversion. The loan, which amounts to SEK 60 million, will be converted into shares by 30 October of the current year at the latest. The terms of conversion depend on the outcome of the work regarding a directed new share issue.

While the Company is still prepared for a stock market listing of its shares, the board of directors has, due to the uncertain climate on the financial market, not made a decision regarding the timing of listing the Company's shares.

The share and ownership structure

Share capital at the end of the period was SEK 1,349,928 distributed over 7,784,000 shares with a par value of SEK 0.17 per share. Shareholders are 38 in number.

AGM

Göran Ekdahl, Tomas Olofsson and Johnas Jansson were elected new ordinary board members at the AGM on 29 June.

Financial position

The Group had a cash balance of SEK 14,374 thousand at the balance sheet date. The equity/assets ratio was 34.3%. The Company's equity was SEK 18 030 thousand, corresponding to SEK 2.32 per share.

Investments

During the period January – June 2012, investments equalled SEK 1 167 thousand, of which SEK 3 250 thousand relates to prospecting assets and survey initiatives relating to the planned start-up of mining operations. The survey initiatives chiefly refer to the feasibility study for Blötberget and Håksberg and related planned facilities, as well as measurements and analysis regarding the Väsman deposits. Investments in equipment amounted to SEK 68 thousand.

Employees

Four people were employed at the company during the period.

Financial calendar

Interim report January – September 2012: 23 November 2012

Year-end report January – December 2012: February 2013

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, 23 August 2012

Christer Lindqvist
President and CEO

This report has not been reviewed 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 recognised JORC code, based on his training and experience in prospecting, mining and assessment of mineral resources for iron, base metals and precious metals.

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – SUMMARY

		2012	2011	2012	2011	2011
<i>Amounts in SEK</i>	Note	April–June	April–June	Jan–June	Jan–June	Jan–Dec
Other external expenses	2	-6,294,581	-809,074	-9,232,966	-1,499,674	-5,780,996
Personnel expenses		-1,189,927	-416,867	-2,393,524	-416,867	-1,795,567
Depreciation/amortisation and impairment of property, plant and equipment and intangible fixed assets		-22,622	-3,070	-45,243	-3,813	-32,757
		-	-	-	-	-
Operating profit/loss		7,507,130	1,229,011	-11,671,733	1,920,354	7,609,320
Financial income		21,952	142	28,959	5,748	197,426
Financial expense		-374,694	0	-467,213	0	-8,048
Net financial income/expense		-352,742	142	-438,254	5,748	189,378
Profit/loss after financial income and expense		-	-	-	-	-
		7,859,872	1,228,869	-12,109,987	1,914,606	7,419,942
		-	-	-	-	-
PROFIT/LOSS FOR THE PERIOD		7,859,872	1,228,869	-12,109,987	1,914,606	7,419,942
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
Total comprehensive income for the period		-	-	-	-	-
		7,859,872	1,228,869	-12,109,987	1,914,606	7,419,942
Attributable to:						
Parent Company shareholders		-7,859,872	-1,228,869	-12,109,987	-1,914,606	-7,419,942
		-	-	-	-	-
TOTAL		7,859,872	1,228,869	-12,109,987	1,914,606	7,419,942
No. of shares						
No. shares at year-end		7,784,000	7,784,000	7,784,000	7,784,000	7,784,000
Average no. shares (before dilution)		7,784,000	7,784,000	7,784,000	7,403,337	7,595,233
Average no. shares (after dilution)		7,784,000	7,784,000	7,784,000	7,403,337	7,595,233
Earnings per share						
Earnings per share, weighted average before dilution, SEK		-1.01	-0.16	-1.56	-0.26	-0.98
Earnings per share, weighted average after dilution, SEK		-1.01	-0.16	-1.56	-0.26	-0.98

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – SUMMARY

<i>Amounts in SEK</i>	Note	30/06/2012	30/06/2011	31/12/2011
Assets				
Non-current assets				
Intangible assets		36,943,466	24,924,045	33,693,042
Property, plant and equipment		184,607	88,316	207,515
Financial assets		77,027	75,771	76,782
Current assets				
Other current assets		1,028,550	1,445,971	1,327,005
Cash and cash equivalents		14,373,849	14,903,398	729,728
Total assets		52,607,499	41,437,501	36,034,072
Equity and liabilities				
Equity		18,030,256	35,235,579	30,140,243
Current liabilities	1, 2	34,577,243	6,201,922	5,893,829
Total equity and liabilities		52,607,499	41,437,501	36,034,072

CONSOLIDATED STATEMENT OF CHANGE IN EQUITY

<i>Amounts in SEK</i>	Note	Share capital	Other contributed capital	Profit/loss brought forward, inc. profit/loss for the period	Total equity
Opening equity 01/01/2012		1,349,928	32,191,370	-3,401,055	30,140,243
Comprehensive income for the period				-12,109,987	-12,109,987
CLOSING EQUITY 30/06/2012		1,349,928	32,191,370	-15,511,042	18,030,256
Opening equity 01/01/2011		890,356	11,255,317	4,018,887	16,164,560
Comprehensive income for the period				-1,914,606	-1,914,606
New share issue		459,572	20,526,053		20,985,625
CLOSING EQUITY 30/06/2011		1,349,928	31,781,370	2,104,281	35,235,579
Opening equity 01/01/2011		890,356	11,255,317	4,018,887	16,164,560
Comprehensive income for the period				-7,419,942	-7,419,942
Option premium			410,000		410,000
New share issue		459,572	20,526,053		20,985,625
CLOSING EQUITY 31/12/2011		1,349,928	32,191,370	-3,401,055	30,140,243

CONSOLIDATED CASH FLOW STATEMENT – SUMMARY

<i>Amounts in SEK</i>	Note	2012 April–June	2011 April–June	2012 Jan–June	2011 Jan–June	2011 Jan–Dec
Operating activities						
Profit/loss for the period		-7,859,872	-1,228,869	-12,109,986	-1,914,606	-7,419,942
Adjustment for items not included in the cash flow		22,621	3,070	45,243	3,813	21,589
Cash flow from operating activities before changes in working capital		-7,837,251	-1,225,799	-12,064,743	-1,910,793	-7,398,353
Cash flow from changes in working capital						
Change in working capital		-210,928	-650,597	298,456	-912,711	-843,746
Change in operating liabilities		-8,329,341	3,132,983	928,412	4,119,903	3,811,811
Cash flow from operating activities		-16,377,520	1,256,587	-10,837,875	1,296,399	-4,430,288
Cash flow from investing activities		-1,167,742	-6,109,156	-3,273,004	-8,116,225	16,973,208
Cash flow from financing activities	1	27,755,000	-	27,755,000	20,985,625	21,395,625
Cash flow for the year		10,209,738	-4,852,569	13,644,121	14,165,799	-7,871
Opening cash and cash equivalents		4,164,111	19,755,967	729,728	737,599	737,599
CLOSING CASH AND CASH EQUIVALENTS		14,373,849	14,903,398	14,373,849	14,903,398	729,728

PARENT COMPANY INCOME STATEMENT – SUMMARY

<i>Amounts in SEK</i>	Note	2012 April–June	2011 April–June	2012 Jan–June	2011 Jan–June	2011 Jan–Dec
Other external expenses	2	-6,294,581	-809,074	-9,232,966	-1,499,674	-5,780,994
Personnel expenses		-1,189,927	-416,867	-2,393,524	-416,867	-1,795,567
Depreciation of property, plant and equipment and intangible fixed assets		-22,622	-3,070	-45,243	-3,813	-32,757
Operating profit/loss		-7,507,130	-1,229,011	11,671,733	-1,920,354	7,609,318
Other interest income and similar profit/loss items		21,952	142	28,959	5,748	197,258
Interest expense and similar profit/loss items		-374,694	-	-467,213	-	-3,048
PROFIT/LOSS FOR THE PERIOD		-7,859,872	-1,228,869	12,109,987	-1,914,606	7,415,108

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-7,859,872	-1,228,869	12,109,987	-1,914,606	7,415,108
Attributable to:						
Parent Company shareholders		-7,859,872	-1,228,869	12,109,987	-1,914,606	-7,415,108
TOTAL		-7,859,872	-1,228,869	12,109,987	-1,914,606	7,415,108

PARENT COMPANY BALANCE SHEET – SUMMARY

<i>Amounts in SEK</i>	Note	30/06/2012	30/06/2011	31/12/2011
Assets				
Non-current assets				
Intangible assets		36,943,466	24,924,045	33,693,041
Property, plant and equipment		184,607	88,316	207,515
Financial assets		77,027	75,771	76,782
Shares in subsidiaries		50,000	50,000	50,000
Current assets				
Other current assets		1,028,550	1,445,971	1,327,006
Cash and cash equivalents		14,328,682	14,853,398	684,561
Total assets		52,612,332	41,437,501	36,038,905
Equity and liabilities				
Equity		18,035,090	35,235,579	30,145,077
Current liabilities	1, 2	34,577,242	6,201,922	5,893,828
Total equity and liabilities		52,612,332	41,437,501	36,038,905

Pledged assets and contingent liabilities

<i>Amounts in SEK</i>	Note	30/06/2012	30/06/2011	31/12/2011
Deposit under the Minerals Act, Swedish Mining Inspectorate		30,849	30,171	30,604
Rent guarantee		45,600	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 interim report for January – March 2012, pages 11–17.

NOTES TO THE FINANCIAL STATEMENTS

Note 1 Loans

The Company has secured financing amounting to just over SEK 60 million through a loan with mandatory conversion. At the balance sheet date, SEK 27.5 million of the loan had been paid into the Company. The loan received previously from Kopparberg Mineral AB and Bengtssons Tidnings AB totalling SEK 8 million has been converted and is included in the convertible loan to a corresponding amount. The entire loan, including calculated accrued interest, will be converted to equity by 31 October of the current year at the latest. The conversion rate will be a minimum of SEK 17 per share.

Because the conversion rate has not been established, the loan cannot, according to applicable accounting regulations, be recognised as equity, despite the fact that there will be no matter of repayment. The Company's financial position and also cash flow for the period are significantly affected by this accounting. Had the amount been recognised as equity per 30/06/2012, this would have amounted to SEK 45,785 thousand. In this case, the quick ratio would have been 225.76 %, and the equity/assets ratio 87.03%.

Note 2 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 154 thousand in fees and expenditure. At 30 June 2012, Nordic Iron Ore's liability to Kopparberg Mineral AB amounted to 4,179 thousand, and SEK 8,205 thousand to Bengtssons Tidnings AB.

Note 3 Key ratios (Group)

	2012	2011	2012	2011	2011
<i>Amounts in SEK</i>	<i>April–June</i>	<i>April–June</i>	<i>Jan–June</i>	<i>Jan–June</i>	
The Group					
Equity/assets ratio, %	34.27%	85.03%	34.27%	85.03%	83.64%
Earnings per share (weighted average)	-1.01	-0.16	-1.56	-0.26	-0.98
Equity per share	2.32	4.53	2.32	4.53	3.87
Quick ratio (%)	44.54%	263.62%	44.54%	263.62%	34.90%
No. shares at year-end	7,784,000	7,784,000	7,784,000	7,784,000	7,784,000
Average no. shares (before dilution)	7,784,000	7,784,000	7,784,000	7,403,337	7,595,233
Average no. shares (after dilution)	7,784,000	7,784,000	7,784,000	7,403,337	7,595,233

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.