Nordic Iron Ore
Annual Report 2016

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ERA-MIN project

This EU funded project, primarily organised by Uppsala University (UU), has proved to be very useful for advancing geological exploration technology and techniques and has provided NIO with additional data which can be used to support the feasibility study currently underway. ERA-MIN reported in December that the rock property measurements, particularly magnetic properties, have been finalized and only a few more geological site visits are expected at the Ludvika mine sites. The geological and geophysical data from the 2016 are being prepared for processing and modelling.

NIO is working closely with UU to move into an extension project, "Smart Exploration" as part of H2020 EU sponsored projects. This work is intended to build on the development of advanced exploration techniques used to improve the knowledge and understanding of mineral resources as part of the development and operations of mining ventures. As well as the practical applications these techniques will help with geological and structural interpretation of the mineral occurrences and improve the establishment of viable mining businesses across Europe.

Summary of 2016

2016

JANUARY	Additional process tests performed at SGA and Weir Minerals in Germany confirm process design and show improved product quality and reduced energy consumption relative to previous tests.
MARCH	Condemnation drilling on marshlands where tailing dams are to be expanded.
APRIL	Application for Mining Concession made for adjacent area NE of Blötberget.
MAY	AGM; customer specific beneficiation tests performed at SGA.
JULY	Inlandsinnovation disposes their investment in NIO to Copperstone Resources AB.
SEPTEMBER	Sigrun Hjelmquist resigns from the position of director and chairman of the board
OCTOBER	Results from NIO's collaboration with Uppsala University, in the ERA-MIN exploration development program, not only demonstrate good agreement between measurement techniques, but also provide additional data to assist with NIO's feasibility study (see reports and links to ERA-MIN on www.nordicironore.se
NOVEMBER	A short term loan commitment amounting to SEK 2 million received from major shareholders. Commissioned a new mineral resource estimate (MRE) report; expected to provide additional measured resources at Blötberget as well as forming the basis for a Measured Reserve estimate in 2017. NIO have commissioned the final stages of the mine design and the mining schedule for inclusion in the definitive feasibility study.
DECEMBER	Draft Letter of Intent agreed with large international operator for the logistics regarding handling of products from mine to harbor.

Nordic Iron Ore in brief

Vision

Nordic Iron Ore aims to become one of the major Swedish producers 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 resources
- 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, with an anticipated annual production of about 4.4 million tonnes of finished 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 profit on a par with the average for the industry within two years of the start of full-scale production.

Organisation

Nordic Iron Ore has a small organisation with an experienced management team supported by a number of external consultants and consulting firms with extensive experience from similar projects in Sweden.

MINERAL RESOURCES

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

Measured mineral resources
A measured mineral resource is the part of a mineral resource for which the tonnage, density, shape and physical characteristics are so well known that they can be estimated with a reliability that is sufficient to accord the application of the technical and financial parameters required for calculating mineral reserves.

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 estimated with a reliability that is sufficient to permit the application of the technical and financial parameters required for calculating mineral reserves, drawing up a mining plan, and evaluating the economic viability of the deposit. The estimate is based on detailed exploration and testing data, reliably com- piled 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 that 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, sample pits, quarry grindings and drill holes.

Current permits and mineral resources

In 2016, the company relinquished a minor exploration permit, since it was not needed to protect deposits with a direct impact on Ludvika Gruvor.

CURRENT EXPLORATION PERMITS

PERMIT ID	NAME	PERIOD OF VALIDITY	AREA (HA)
2007:148	Blötberget No 1	29-05-2007 – 29-05-2017	255.84
2007:167	Blötberget No 2	07-06-2007 – 07-06-2017	421.24
2010:100	Blötberget No 3	16-06-2010 – 16-06-2017	215.72
2008:222	Främundsberget No 1	25-09-2008 – 25-09-2016*	156.03
2007:156	Håksberg No 100	30-05-2007 – 30-05-2017	205.83
2007:157	Håksberg No 200	30-05-2007 – 30-05-2017	626.70
2007:158	Håksberg No 300	01-06-2007 – 01-06-2017	200.01
2010:109	Väsman No 1	02-08-2010 – 02-08-2016*	483.46

*Protected by application in progress for exploitation concession

CURRENT MINING CONSESSIONS

NAME	MINERAL	PERIOD OF VALIDITY	AREA (HA)
Blötbergsgruvan K No 1	Iron, lanthanum, lanthanides, apatite	30-08-2011 – 30-08-2036	126.4
Håksbergsgruvan K No 1	Iron, copper, gold, molubdenum	15-12-2011 – 15-12-2036	136.3

MINERAL RESOURCES

PROJECT	MEASURED		INDICATED		INFERRED		CLASSIFICATION ACCORDING TO
	MT	% FE	MT	% FE	MT	% FE	
Blötberget	42.5	41.9	5.3	38.2	5.4	33.5	JORC 2012
Håksberg	-	-	25.4	36.4	11.6	36	JORC
Väsman			7	38.5	85.9	38.4	JORC

Statement from the Managing Director

The main highlight from 2016 was a clear indication that the iron ore market was not going to go into meltdown again, at least for a while. Looking at the iron ore price trends in the past few years suggests that a good recovery has taken place. Prices now seem to have settled at levels considered unlikely 18 months ago. See the curve below, from Steel Index.

We started the year, strengthened by the money from the 2015 rights issue, performing additional process tests and some condemnation drilling in wet areas of the tailings area during the winter. At the test centres of SGA and Weir in Germany the work confirmed our process design flow sheet and show improved product quality; as well as demonstrating reduced energy consumption relative to previous tests.

In April, we applied for mining concession for the north east extension area of Blötberget. Preparations were also made to start the final technical evaluation stage of the Feasibility Study, (that of the Mine Design), which can be completed thanks to a successful rights issue in early 2017. This is a key milestone for the project as it defines the production schedule and quality of feed to the process plant, as well as establishing the Mineable Reserves. All of which are required for the final economic model.

Because of improvements to the market, we were successful in attracting several suitors for discussions regarding potential investments and off-take agreements.

Considering the future supply/demand balance – what impact do you believe it will have for NIO?

The outlook was gloomy in late 2015 and most of 2016, with prices low and, worse still, with many analysts predicting even lower prices to come. At the time futures market bore this view out, trading below $40/t. I have always believed this to be an unrealistic and unsustainable prediction; and that the analysts had misjudged the markets and how the major mining companies would react.

The implications for NIO are that whilst there has been a bit of a slowdown in the global economies during the past few years, there has been an even more significant slowdown in investment in iron ore mines during the past 3-4 years. This implies that when the global economies pick up and demand increases there is a likelihood that the mining industry may not

IRON ORE JUMPS BACK ABOVE $90

be able to respond quickly to the increased demand. Whilst the big 4 or 5 producers control the global flow of iron ore once again with close to 90% of seaborn iron ore, there is unlikely to be a seriously large and sustained fall in prices for some time. Since the end of 2016 and into the first 3 months of 2017 iron ore prices have averaged around $85/t, more than double the averages for similar periods of time in 2015. Whilst most observers, including me, expect the prices to fall back a little, expectations are that the prices are likely to average more than $70/t. Perhaps more importantly for NIO, the total value of iron ore quality premiums paid in some markets have risen considerably in recent months and predictions are that this will continue for some years.

Using the average of recent iron ore prices as well as the consensus of averages predicted by analysts with experience, NIO's Interim DFS economic figures indicate that these prices would be sufficient for a viable business; where on average there is sufficient margin and profit to sustain repayments, dividends and invest in further mine expansion and development.

NIO has been fortunate that the owners of the company have maintained their patience and their support to the project. We have managed to keep a core of management and geologists and continued to develop the project, completing many aspects required for the feasibility study in controlled and considered way.

And what about China?

Demand has remained reasonably strong from China and now China does not look as though it is heading into economic meltdown. Quite the reverse, it is changing its focus once again to value adding, higher technologies and lower environmental emissions. High-quality ores are now valued once again and in greater demand than the supply available, helping bring confidence back to management and financiers of some iron ore projects.

Regarding fluctuating iron ore prices, have we seen the bottom yet?

I believe that we are unlikely to see prices <$40/t anytime in the near to medium term. The fact is that these low prices are not sustainable for any iron ore business. The very low prices are also unlikely as miners have significantly reduced their capital spends and that the lack of future developments will start to have a significant effect in the next 5 years.

The market trends are generally very positive for NIO. I believe it is likely to see more stability on the market and we should have a period of sustainable business. Of course, there will be some ups and downs, but iron ore is a long-term business, with projects taking more than 7 years to come into fruition.

You often talk about high-quality iron ore as a key to success

The quality of the iron ore is one of several keys to the success of NIO's projects, given that buyers prefer to purchase ore with a high iron content in order to reduce energy consumption (less non-iron content to melt per tonne of iron) and CO2 emissions (thereby reducing the environmental impact), and to improve product quality. As the global supply of high-quality ores is not currently readily available, nor is this expected to be the case in the near future, NIO has a chance to fill the gap in demand.

The vast majority of iron-ore trade is nominally between 55% and 65%Fe as very few suppliers are able to produce an average 69%Fe content. We are in discussion with several global potential buyers of our product, and some of them report that there is significant demand for high-quality products and that this is not necessarily easily recognised by many analysts. They report that some buyers would purchase higher-quality ores if they could be sustainably sourced.

Are not other producers trying to increase the quality also?

Many of the other iron ore companies and projects are trying to improve quality, but in many instances this is either impossible (in the case of pure hematite production) and or very costly to undertake. Whatever the scenario, NIO is always likely to be in the top 3% of the highest quality ores available and that global portion is unlikely to grow.

Several other Iron Ore mining companies have gone bankrupt in recent years. Would you say NIO was "saved" by the fact that you still haven't started your mining operations?

At NIO we are very aware of the failings of some prominent projects during the past 20 years or more and some good insight as to the reasons why. NIO has, I believe, always understood the importance of using latest tried and tested technology along with high levels of management control systems to provide efficient operations with potential for development. This all has to be wrapped up in a well thought through and thorough feasibility study. Many other mine developments around the world often rushed half-thought-through projects and brought them too quickly into operations, long before the project was optimised; hence the consequences were predictable. There have been some projects where major investment decisions have been made with significant parts of the FS missing.

You have raised capital twice in a quite short period of time to prepare NIO for the "next step". How many steps are there, and when will the ongoing study be completed?

We believe that we will need one more capital raise to complete the studies and support the company through to the main capital raise to build the mine. This could be in a number of ways, rights issues and/or strategic investors.

You now have approximately 3,500 shareholders – when do you plan an IPO?

Our board has always maintained that NIO will go to an IPO only when it is ready and the market conditions were favourable. It is important for our shareholders that the listing is successful, not only providing the possibility to trade. However, I believe that the right time to bring the project to the market could be approaching.

Q: Could you give a brief outlook on the future for NIO? What are the key milestones on short, mid and long-term?

The short term milestone will be to complete the feasibility study. This will be a prerequisite for capital financing and will provide considerably greater access to financing opportunities. Our short to medium term goal thereafter is to raise the necessary funds and re-build the mining operations in the Ludvika area.

Our medium term target is to start production and deliveries of the Phase I products to the market. On the long-term, we will bring Phases II and III into production to become a medium sized mining business.

NIO has been fortunate that the owners of the company have maintained their patience and their support to the project. We have managed to keep a core of management and geologists and continued to develop the project, completing many aspects required for the feasibility study in controlled and considered way. We will not make the decisions to raise significant capital to build the mine before we have compiled a complete and considered feasibility study that shows a sustainable business is possible in all typical market conditions.

Paul Marsden
Managing Director Nordic Iron One

Market and products

Iron ore is one of the most important base metals used in the production of both steel and iron, making it an important raw material used in, for example, machinery, vehicles and buildings. It is the most important metal in economic terms, with annual sales of around USD 225 billion.

Iron ore prices rose in 2016. This was gratifying but it was also expected, since the trend in prices in 2011–2015 was so negative that it took even the most pessimistic analysts by surprise, resulting in price levels where essentially no mining companies would be able to operate a profitable long-term business. Therefore, the industry has had to work hard to reduce its operating costs and capital requirements.

It is clear, however, that the volumes of iron ore traded internationally have continued to grow, and imports are reaching record levels in China, where new government expansion plans have helped to increase the annual growth rate from 4% back to levels of nearly 7%. Rising prices for coal and oil have recently helped to keep prices for iron ore at USD 70-80/dmt.

The general trend towards higher demand for iron ore is positive for NIO, since it is expected to help maintain iron ore prices. Demand for high-quality ores is also increasing, and high-quality niche products such as NIO's products can be expected to fetch a higher price. Current deliveries (January 2017) of high-quality concentrate with about 67-68% iron content from South America to Asia have had a price mark-up of over USD 15/dmt compared with standard ore with 62-63.5% iron content.

At the same time, access to high-quality iron ore is limited since there are essentially no new resources, since many of the high-quality suppliers have gone bankrupt due to excessively high costs. However NIO has managed to achieve lower estimated costs and higher margins than most similar projects. This is because NIO's mining projects take place in existing mines with extensive infrastructure resulting in lower investments, which in combination with a cost-efficient design produces lower operating costs.

USD 225 billion

Iron ore has annual sales of approximately USD 225 billion

The future for iron ore

It has proven to be the case that many analysts have been wrong in the last few years, and it is difficult for NIO to understand their view that iron prices will experience a long decline (again) to about USD 45/ tonne. Higher demand for iron ore in the short and medium terms is expected to rise even more, to balance a growing global economy. Moreover, the closure of unprofitable mines is expected to continue to some extent.

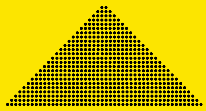
Key factors

In view of the forecast trend in the price for iron ore, the company has identified several key factors that are decisive for profitable iron ore extraction, and apply in general to the market as a whole. The following factors are required for profitable and successful operation:

- Good mine design, with effective process control and management system.
- Proximity to the market or access to cost-effective transportation, along with access to competitive energy prices
- Production of high-quality iron ore in order to be able to charge premium prices and achieve added value in use.
- An efficient production process that minimises operating and maintenance costs for the mine and processing plant, thereby securing satisfactory operating margins for the business.
- Support from stakeholders and CSR (Corporate Social Responsibility) – form good relationships with stakeholders and ensure healthy work environment and environmental conditions.

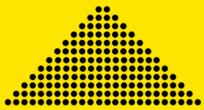
Nordic Iron Ore describes its work in these key areas in more detail in the Strategic Positioning section.

ORE CONCENTRATE



Ore concentrate is the most enriched iron ore product and has a typical grain size of not more than 6 mm. This product is used as the raw material for sintering and pelletisation processes producing sinter and pellets that can be used in blast furnaces. Ore concentrates account for around 20% of iron ore production. Iron ore concentrates used to trade at a discount to sinter fines, but in recent years the prices have been very similar, with concentrates often commanding a premium for their iron content and low levels of gangue and trace elements.

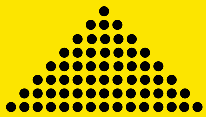
SINTER



Sinter is made generally using sinter fines with up to 15% concentrates and a binding agent after which the sinter is crushed into smaller pieces for use, just like pellets, in blast furnaces. Consequently, sinter does not have the same consistency in shape as pellets. In addition, sinter normally has a lower iron content than pellets.

Typically, sinter contains 56–59% Fe compared with pellets which are more commonly 62–68% Fe, mainly because the sinter plant is used as a method of re-using (recycling) iron and carbon bearing wastes and also for adding the flux additions for the blast furnace).

PELLETS



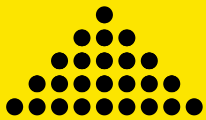
Pellets are made by the agglomeration of fine concentrate and a binding agent.

Pellets are commonly 8–18mm in size. Pellets are a value adding process which can enhance the blast furnace productivity and help improve thermall efficieny and reduce carbon emissions. Pellets are of a higher and more consistent quality, and consequently attract a premium price in relation to lump ore (6–30 mm).

8-18

Pellets are typically spherical and 8–18mm.

LUMP ORE



Lump is a natural product and therefore does not need to be sintered before use in a blast furnace process.

Normally lump or is sized between 6 and 30mm and again usually trades at a premium above fines price; though not always. The lump or is screened to remove fines (degredation) and then charged directly to the blast furnace

Lump ore can be used directly in blast furnaces and so trades at a premium price in relation to ore concentrate.

6-30

Normally, lump ore is screened to be between 6 and 30mm in size.

IRON MAKING IN BLAST FURNACE

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

SOURCE TEXT: COMMODITY SPECIAL FEATURE FROM WORLD ECONOMIC OUTLOOK OCTOBER 2015, INTERNATIONAL MONETARY FUND.

Strategic positioning

The simple rule for profitable iron ore extraction is to deliver ore from the ground to the customer at a competitive price and at a cost that allows for a profitable business. With access to good-quality iron ore, which is in abundance in Bergslagen and in the Ludvika area, it is currently possible to conduct cost-efficient production using the right extraction and processing technology.

Nordic Iron Ore is well aware of the challenges that the iron ore industry is facing, as well as the importance of being well prepared for both upturns and downturns in the market. Therefore, NIO is focusing on establishing an up-to-date operation. In our view, there are three key areas that must be optimised to ensure a successful business: logistics, product quality and production efficiency.

Logistics

One requirement for Nordic Iron Ore's competitiveness is access to a cost-effective transport system that can deliver products to the market with the least possible handling and at low cost. Since iron ore is not a perishable commodity, price is more important than rapid transport. At the same time, the logistics chain must work properly so that customers can receive their raw material when they need it. Thanks to the location of the ore resources, NIO has the advantage of being able to make use of existing facilities from earlier mining operations, which means that most aspects are in place to be able to conduct Just In Time deliveries.

NIO has access to an existing modern and efficient railway system, which most of its competitors lack. The infrastructure has been in place since 1878 when the TGOJ line between Grängesberg and Oxelösund was completed, enabling the transport of ore from the Grängesberg mine to the deep-water port in Oxelösund. In Oxelösund, the ore is loaded onto ships in the port that is ice-free all year round and, at a depth of 16.5 metres, can receive the largest (loaded) bulk carriers that can enter the Baltic. NIO's advanced logistics chain is the foundation for cost-effective transport of iron ore to its customers, even on the other side of the world.

Product quality

Nordic Iron Ore will stand out in the steel industry as a supplier of one of the highest quality iron ores in the world. Products of the highest quality class with an iron content in excess of 71% can be produced from the NIO mines. This is positive, since high-class iron ore is generally sold for premium prices compared with lower-quality ore. High-class iron ore reduces the costs of the steelworks' production processes, and carbon emissions from the steelworks are lower given that less fuel is used to smelt non-ferrous minerals. High-grade iron ore also yields environmental benefits by reducing emissions of carbon dioxide, other gases and dust.

Production efficiency

The current state of the mining industry provides Nordic Iron Ore with good opportunities to acquire highly efficient extraction and processing equipment. When producers have a low number of orders on their order books, the prospects are good for investing at advantageous terms.

The company's operating costs are also expected to decline as more efficient extraction methods will lead to future cost reductions. In connection with the ongoing definitive feasibility study, two pilot tests were performed using ore from Blötberget in order to maximise the product quality and extraction of iron for the products. The company sees opportunities to further reduce operating costs based on these tests.

Sweden already has some of the world's most efficient mining plants, and equipment suppliers are eager to learn from best practice at these facilities, which is beneficial for NIO in its work to select efficient equipment and extraction technologies. Sweden is also at the cutting edge of process automation, and the company can therefore leverage all of the existing knowledge and choose technical solutions that allow for a high level of automation in the company's mines and ore concentration plants right from the beginning.

Where NIO concentrates can be used

	1 1. Pelletizing/ Sintering Operations	2 2. Steel mills with focus on efficiency	3 Small Niche Markets
Where to be used:	• DR and BF pellet production • Integrated Pellet production • High quality Sinter • Processes with low quality feed available	• Reducing operational expenses • Meeting and exceeding environmental regulations • Value high quality and stable supply • Strategic supply to end user to provide "guaranteed" supply	• Water treatment • Coal washing as heavy media • Heavy ballast/aggregate–pipe coating • High quality metal powder • Specialist magnets • Lower volumes • Project based
Potential Customers:	• Pellet plant operators, integrated steel works • Markets: Europe, MENA, China, India, Vietnam, Indonesia	• European steel companies, MENA DR pellet suppliers, DR producers in SE Asia, typically steel operators in Japan, Korea, India, Taiwan, Iran etc • Markets: Europe, India, Japan	• Predominantly in Europe
Feasibility:	• Sinter production to improve Fe content	• Integrated steelworks as part of quality and environ- mental improvements	• Steel works to assist with improvements to meet environmental legislation

Project development and planning

With the start of the Feasibility Study for Blötberget, Nordic Iron Ore has initiated the last part of the planning phase. Once this study is completed and financing is secured, the design and construction of the plants prior to production can begin.

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

Exploration and evaluation

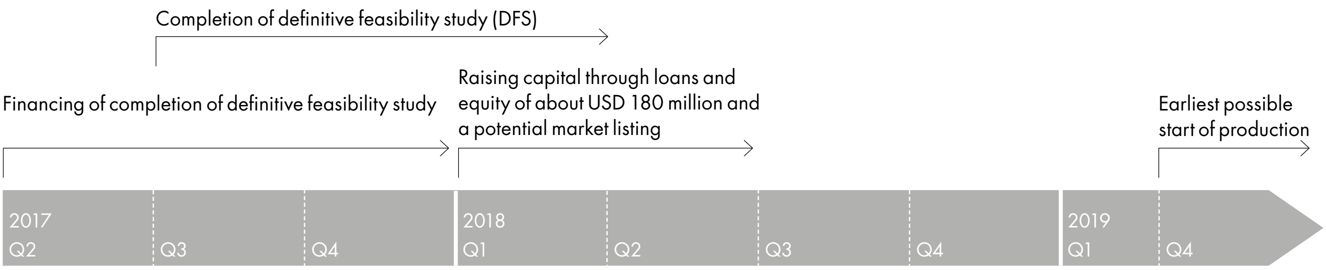
In order to localise deposits and increase and upgrade its mineral resources, the company is operating a continuous programme of exploration throughout the entire development process. This is effected through core drilling and geophysical surveys. When knowledge about a mineralisation is sufficiently advanced, the mineral resources are estimated, which then forms the basis for the estimation of mineral reserves and the further evaluation of the deposit.

Evaluation

A mineral deposit is normally evaluated in a series of steps involving an increasing level of detail. These aim to gather more detailed knowledge of the prevailing conditions for profitable mineral extraction. The initial study forms the basis for preparing the application to the Mining Inspectorate of Sweden for an mining consession. The next stage is then usually commenced – a Preliminary Economic Assessment (PEA) or a Preliminary Feasibility Study (PFS). A Feasibility Study (FS) then follows, which forms the basis for an investment and production decision.

Project planning and construction

After obtaining an mining consession, generally the project planning along with large-scale test mining and ore processing tests begin. The construction and installation of plants is normally initiated after the environmental permit has been obtained, an investment decision has been made, and the requisite funding has been secured. After the start of production, a ramp-up period of running adjustments is normally required before the mine and ore processing plant reach full capacity.



Financing and commencement of construction

Additional capital is needed to restart production at the Blötberget mine. The proceeds from the rights issue at the beginning of 2017 are to be used primarily to finance the important DFS activities for planning mining and production. These activities are expected to be completed in summer 2017. During the year, NIO plans to raise additional capital in order to finance the completion of the definitive feasibility study and cover costs for the build-up of the organisation ahead of the start of construction and market listing.

Multi-stage projects

Efforts are currently focused on the restart of the Blötberget mine. This is the first stage (phase I) of three, and will only be started following completion of the ongoing definitive feasibility study. Previously completed parts of the study show promising prospects, with high product quality and low processing costs, as well as low transport costs which are equally important. The definitive feasibility study will provide information for determining the costs of operation and investments with greater precision.

Expansion of operations to phases II and III, which comprise the Väsman and Håksberg sub-projects, will benefit from the mining facility and ore concentration plant set up in phase I, as well as the surrounding infrastructure. This means that these subsequent steps will thus require significantly lower investments than if they had been independent mining projects.

View to the north from the headframe at Blötberget.

Project Ludika Mines

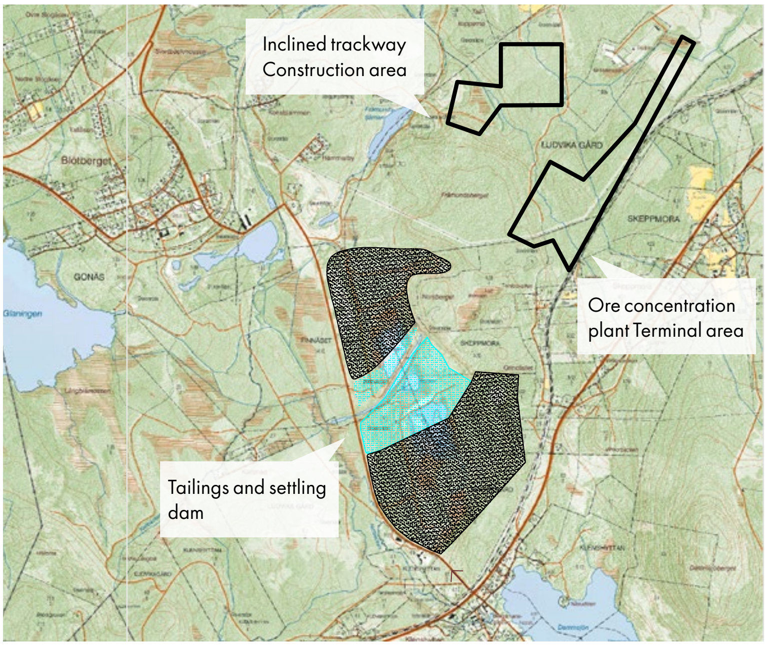
Ludvika Mines is the collective name for a development project in three stages starting at Blötberget. It comprises the deposits at Blötberget, the Väsman field and Håksberg in the vicinity of Ludvika, and comprise a mineralised body roughly 15 kilometres long containing various types of iron mineralisations.

Nordic Iron Ore aims to resume mining operations at Ludvika Mines. When fully operational, these mines are expected to have an annual production of roughly 4.4 Mt/y of concentrate with a typical iron content between 66 and 70 per cent. Profitable mining requires integrated and optimised mine, process plant and logistics solutions that deliver an optimised and integrated business delivering iron ore to customers.

The mine

The existing production infrastructure with shafts and drifts will be upgraded to allow for modern mining operations with much larger machines than those used in previous mining periods.

The mine's infrastructure will be supplemented by a new inclined conveyor belt transporting the raw ore from the mine to the new industrial area at Skeppmora, down to the 420-metre level where the primary crusher will be placed initially. This inclined tunnel, called the decline, will be built with a 1:7 incline and be approximately 3 kilometres long. It will be responsible for the ore and rock hauling via conveyor belt to the above ground plants and serve as a communication tunnel to the mine.



Ore concentration plant

The projected ore concentration plant will include crushing and grinding with magnetic and gravimetric separation, as well as flotation, dewatering and conveying to the product silo at the railway terminal.

Product loading terminal

The Product loading terminal with its switching yard will be located directly adjacent to the ore concentration plant in Skeppmora. The switch from the railway line to the railway siding leading to the load out trade and switching yard will be located level with Skeppmora. The detail design, which has been done under the direction of the Swedish Transport Administration, is complete and an integral part of the Feasibility Study.

Tailings dam

The company intends to locate the tailings dam directly adjacent to the previously used landfill at Blötberget, located south west of the planned industrial area in Skeppmora. The water contained in the deposited tailings will be collected in a settling basin and recirculated from there via a pipeline to the ore concentration plant, where it will be reused in the ore concentration process.

The planned tailings dam covers the area around and on top of the old tailings dam and is sufficient for the entire anticipated volume of tailings from the mining operations at both Blötberget and Håksberg. The tailings dam will be expanded in stages from an initial dam to its finished size over approximately 12 years.

Port

The company has an agreement in principle with the Port of Oxelösund. The Port is now ready to receive ore trains for transhipment to ships of up to Panamax size. Only minor investments are required, for which the Port will be responsible.

Three partial projects

The development of Ludvika Mines will follow an established plan in which a number of steps must be completed before any mining operations can be initiated. Construction for the project will only commence once the ongoing Feasibility Study for Blötberget has been completed and the necessary financing has been secured.

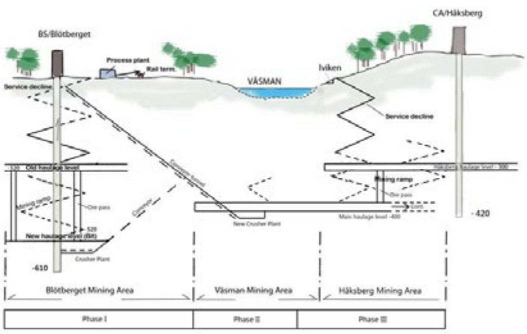
Initially, mining will be started at Blötberget where an annual production of around 1.3 Mt/y will be achieved at full operation. Given this rate of production and its current measured, indicated and inferred mineral resources, Blötberget is estimated to have a potential life of at least 14 years. When mining starts in the Väsman field and later in the Håksberg field, the life of the project will be extended considerably.

Blötberget

The deposits at Blötberget consist mainly of five mineralised bodies with varying magnetite and haematite content. The exploitation concession was granted by the Mining Inspectorate of Sweden on 30 August 2011. It runs for 25 years with the option of an extension, and entails the right to extract and exploit iron, lanthanum, lanthanides and apatite. An environmental permit was granted in 2014.

In 2015 and 2016, extensive test enrichment on a pilot scale was performed on a total of about 20 tonnes of crude ore from Blötberget at GTK in Finland, as well as SGA and Weir Minerals in Germany. The initial evaluations confirm the fundamental process flow layout and the choice of primary equipment. The testing has improved the extraction of ferrous minerals to the concentrate, reduced the energy demand and increased the quality of the products.

The results of the tests were good, with hematite recovery estimated at 84% and magnetite ore at over 95%. This produces a total average iron recovery of about 90%, which is a major success in view of the fact that the figure for most known operations is below 90%.



Väsman

The Väsman field provides NIO with an interesting expansion opportunity. The field is a direct continuation to the north of the iron mineralisations at Blötberget and Finnäset, and a southerly continuation of the Håksberg mineralisations. This means that the company can capitalise on its geographical location in terms of both logistics and infrastructure, and in the future, the three fields can potentially be mined from a common drift system.

In 2012, Nordic Iron Ore carried out a limited core drilling campaign which formed the basis for the mining consession application submitted to the Mining Inspectorate of Sweden in 2015 for the southern part of the Väsman field. The campaign comprised approximately 10,000 metres of core drilling and the results from the drilling campaign show that within these limited parts of the Väsman field and down to a depth of roughly 300 metres, there are indicated and inferred mineral resources of 7.0 million tonnes with 38.5 per cent iron content, and 85.9 million tonnes with 38.4 per cent iron content.

Håksberg

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, deep hole historic drilling to around 800 meter suggests that the ore bodies continue to depth. Current mineral resource estimate to a shallower depth indicate mineral resources of at least 11.6 million tonnes with an iron content of roughly 36.0 per cent.

Nordic Iron Ore's application for a mining consession for the Håksberg field was granted by the Mining Inspectorate of Sweden on 15 December 2011. The mining consession provides rights to extract and exploit iron, copper, gold and molybdenum for 25 years, with the option of an extension. Environmental permit was granted in 2014.

Sustainability

Sustainable development means satisfying humanity's needs today 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 ISO14001, and for its environmental work to use the environmental objectives of Dalarna as its beacon.

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

Environmental 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 the employee's entitlement to employment that develops him/her and involves taking responsibility in a working environment characterised by safety and security, respect for and confidence in each and every employee.

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 is subject to permission from the Land and Environmental 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.

On 20 March 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 Håksberg 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

Share capital

Share capital at the end of the financial year amounted to SEK 6,337,854 distributed among 36,545,550 shares with a par value of SEK 0.1734 per share. The company's articles of association stipulate a share capital of not less than SEK 5,700,000 and not more than SEK 22,800,000, and a maximum number of shares totalling 132,000,000. No limitations apply to the transferability of shares under the articles of association or applicable legislation.

Ownership

On 31 December 2016, the number of shareholders was 3,478 physical and legal persons, of which the three biggest owners were Bengtssons Tidnings AB, Garden Growth Industries AB, and Ludvika Holding AB.

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

Authorisation for new share issues
At the 2016 AGM, a resolution was passed to authorise the Board of Directors to issue financial instruments with or without pre-emptive rights for existing shareholders. Under this authorisation, share issues may comprise in total the maximum number of shares, convertibles and/or warrants that fall within the limits stated in the articles of association.

SHAREHOLDERS 31-12-2016

Shareholders	Number of shares	Share of votes and capital
Bengtssons Tidnings AB	8,713,340	23.84%
Garden Growth Industries AB	4,350,000	11.90%
Ludvika Holding AB	4,231,856	11.58%
Copperstone Resources AB	3,157,684	8.64%
Emil Nilsson	1,395,000	3.82%
Paul Lederhausen	1,139,805	3.12%
Michael Mattsson	816,305	2.23%
Günther &Wikberg Kapitalförvaltning AB	740,000	2.02%
Väsman Invest AB	674,010	1.84%
Jonas Bengtsson	499,930	1.37%
Other shareholders	10,827,620	29.63%
Total	**36,545,550**	**100.00%**

A new share issue was completed in February 2017, which partially changed the ownership situation. Ownership at 31 March 2017 is shown below.

SHAREHOLDERS 31-03-2017

Shareholders	Number of shares	Share of votes and capital
Bengtssons Tidning AB	32,730,995	29.85%
Ludvika Holding AB	16,222,509	14.80%
Copperstone Resources AB	11,157,684	10.18%
Garden Growth Industries AB	4,350,000	3.97%
Emil Nilsson	4,185,000	3.82%
Günther &Wikberg Kapitalförvaltning AB	3,095,097	2.82%
Nord Fondkommission AB	2,343,024	2.14%
Väsman Invest AB	2,022,030	1.84%
Jonas Bengtsson	1,934,165	1.76%
Jan Blomquist	1,349,772	1.23%
Other shareholders	30,246,374	27.59%
Total	**109,636,650**	**100.00%**

Board of Directors

The Board of Directors of Nordic Iron Ore AB consists of two members and two deputies. The shareholdings disclosed below are as of 31 March 2017, and they include indirect holdings via companies, etc.


1


2


3


4

❶ JONAS BENGTSSON, 1969

Board member since 2011

Jonas Bengtsson is a partner at BTAB Invest and has over 15 years' experience in the financial sector and financing of small and medium-sized industrial and property companies.

Other assignments: Chairman of the Board and owner of Jonas Bengtsson Invest AB. Chairman of the Board of Zensum AB, Board member of Bengtssons Tidnings AB and Origo Capital AB, as well as several assignments in property projects.

Holdings in the company: 1,934,165 shares privately. Jonas and Anders Bengtsson represent the company Bengtssons Tidnings AB with total holdings of 32,730,995 shares.

❷ JOHNAS JANSSON, 1971

Board member since 2012

Johnas Jansson is an entrepreneur with over 20 years' experience from the industrial sector and the staffing industry. He has developed and built up a number of industrial, staffing and real estate companies.

Other assignments: CEO and owner, partner and Board member of Elbolaget Montage AB, Östansbotjärnen Fastighets AB, Ludvika Vedlager AB, Ludvika Holding AB, Badhusudden AB, Elbolaget Jansson & Co AB and Hotellbacken Fastighets AB.

Holdings in the company: 16,222,509 shares indirectly via Ludvika Holding AB, which Johnas controls with Tomas Olofsson.

❸ ANDERS BENGTSSON, 1963

Deputy Board member since 2014

Anders Bengtsson is a partner at BTAB Invest and has over 20 years' experience as a company executive and management consultant from business development and the financing of small and medium-sized industrial and real estate companies.

Other assignments: Managing Director, Board member and owner of DIMITRA AB. Board member of Bengtssons Tidnings AB, Scandinavian Biogas Fuels International AB and Diös Fastighets AB, as well as several assignments in property projects.

Holdings in the company: 712,685 shares privately. Anders and Jonas Bengtsson represent the company Bengtssons Tidnings AB with total holdings of 32,730,995 shares.

❹ TOMAS OLOFSSON, 1968

Deputy Board member since 2014

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.

Other assignments: Managing Director of Lemont AB. Managing Director, owner and Board member of companies including Grytänge Invest AB, Logweld AB, Svanströms Lackeringar AB, Matojo AB, Hotellbacken Fastighets AB, Fastighets AB Morgårdshammar, Datorama AB, A.Rentall AB, Ludvika Holding AB, Badhusudden AB and Mecapto AB.

Holdings in the company: 16,222,509 shares indirectly via Ludvika Holding AB, which Tomas controls with Johnas Jansson.

Management

The company's management consists of the following senior executives. The shareholdings disclosed below are as of 31 March 2017, and they include indirect holdings via companies, etc.



❶ PAUL MARSDEN, 1957, CEO

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 SA, most recently as VP, Business Development. Prior to this, Paul Marsden was engaged as a consultant in the international mining, iron and steel industry for almost 30 years, including almost 27 years with Corus Consulting (formerly British Steel Consultants Ltd). Paul Marsden's most recent position at Corus Consulting, as Project Director, 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 (IOM3) and its regulatory framework.

Other assignments: –

Holdings in the company: 177 393 shares.

❷ LENNART ELIASSON, 1956, CFO

Lennart has been the CFO since April 2011. Lennart Eliasson was previously 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 DeltaEnviromental Projects AB (publ) and Deputy Board member of the subsidiary Ludvika Gruvor AB.

Holdings in the company: 100 000 shares.

❸ HANS THORSHAG, 1950, CTO

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 of H T Mineral Aktiebolag.

Holdings in the company: 60 000 shares.

AUDITOR

At the Annual General Meeting (AGM) on 24 May 2016, the accounting firm Öhrlings PricewaterhouseCoopers AB was appointed auditor of the company with Authorised Public Accountant Annika Wedin (born 1961 and a member of FAR) as principal auditor, with a term of office for the period until the end of the 2017 AGM.

Directors' 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.

OPERATIONS

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Definitive feasibility study for Blötberget

The geotechnical logging of drill cores continued during the year. Geological logging has been completed and work is now concentrating on determining the geological strength parameters, which will generate the necessary input data for the continued work on mine layout and mining planning.

Additional test enrichment on a pilot scale of about 10 tonnes of crude ore from Blötberget was performed by SGA and Weir Minerals in Germany. The initial evaluations of data confirm the fundamental process flow layout and the choice of primary equipment. The testing has improved the extraction of ferrous minerals to the concentrate, reduced the energy demand and increased the quality of the products.

The main aim of the continued development activities is to increase iron extraction for concentrate and thus reduce costs per tonne of product. The result was surprisingly good with a haematite extraction rate of 84%. Extraction of magnetite is excess of 95% yields a total average iron extraction rate of about 90%.

A mining concession application for an area immediately adjacent to the concession area for Blötberget was filed with the Mining Inspectorate of Sweden at the start of April. In the company's opinion, this will increase the project's mineral resources by 8Mt, which can be included in the definitive feasibility study. Including this area could improve the economic calculations for mine development by providing the potential for income at an early stage of the project and contributing increased economic value.

Customers

A proposed delivery agreement was received during the year and an two additional agreements were received after the end of the period. This demonstrates that there is demand for the product that the company intends to produce.

Permits

The company filed a mining concession application for an area immediately adjacent to the existing concession area for Blötberget.

During the financial year, the company surrendered its exploration permit for Håksberg 400. This permit was for a small area adjacent to the concession area.

Raising of capital

In November, Nordic Iron Ore AB obtained a short-term credit facility from a number of major shareholders. The purpose was to ensure the continued progress of the project pending proceeds from the rights issue implemented after the end of the period. A total of SEK 1 M of the credit facility was utilized.

EVENTS AFTER THE END OF THE FINANCIAL YEAR

The Board decided to implement a new share issue with pre-emptive rights for existing shareholders. The issue was significantly oversubscribed and the company received SEK 18.3 M in proceeds before issue costs. Based on the share issue, some 73.1 million shares were added to the company, after which the total number of shares amounts to 109,636,650.

EMPLOYEES

During the financial year, the average number of employees was 2 (4). All were employed by the Parent Company.

FINANCIAL POSITION, CASH BALANCE AND FUTURE CAPITAL REQUIREMENTS

On the balance-sheet date, the Group had a cash balance of SEK 1.0 M. The equity/assets ratio was 85.2%. Consolidated equity was SEK 98.1 M, corresponding to SEK 2.68 per share.

Additional capital needs to be raised to restart production in Blötberget. Issue proceeds from the rights issue at the start of 2017 will primarily be used to finance the important definitive feasibility study (DFS) for mining and production planning. This study is expected to be completed in the summer of 2017. During the year, NIO plans to raise additional capital in order to finance the completion of the DFS and cover costs for the build-up of the organisation ahead of the start of construction and market listing.

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 of the permits required, but the widely varying price scenario in the global iron ore market is making it difficult to raise the necessary capital.

FUTURE PROGRESS

Following application of the Land and Environment Court's judgment on 24 June 2014, the operations have focused on the ongoing feasibility study and preparations for the construction phase. During the final phase of this work, customer contact will become increasingly important. A key component is that concentrates produced by process testing will be evaluated by potential customers.

CORPORATE GOVERNANCE

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

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

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

THE SHARE

The share capital at the end of the financial year totalled SEK 6,337,854 distributed between 36,545,550 shares with a quotient value of SEK 0.1734 per share.

According to the Articles of Association, the company's share capital must not be less than SEK 5,700,000 or more than SEK 22,800,000, and the maximum number of shares is 132,000,000. No limitations apply to the transferability of shares under the Articles of Association or applicable legislation. At the 2016 AGM, a resolution was passed to authorise the Board to issue financial instruments with or without pre-emptive rights for existing shareholders. According to the authorisation, issues may in total comprise such a maximum amount of shares, convertibles and/or warrants that falls within the limits of the Articles of Association.

SHAREHOLDERS AND GENERAL MEETINGS OF SHAREHOLDERS

Nordic Iron Ore's highest decision-making body is the general meeting of shareholders, at which the latter exercise their influence over the company. Each year, an ordinary shareholder meeting shall be held – an Annual General Meeting (AGM). The AGM passes resolutions on items including adopting the income statement and balance sheet, appropriation of the company's profit or loss, discharging the Board of Directors and 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, the intended location of the company's main operations, or in the municipality of Stockholm. Notice of AGMs and Extraordinary General Meetings (EGMs) at which an amendment to the Articles of Association will be addressed must be issued not earlier than six weeks and not later than four weeks prior to the meeting. Notice of any other EGM must be issued not earlier than six weeks and not later than two weeks prior to the meeting. Notice of the meeting is given in the form of an announcement in Post och Inrikes Tidningar and on the company's website. Information about the notice having been issued is announced in Dagens Industri. Shareholders who are entered in the register of shareholders held by Euroclear, on the record day, and who have notified the company in time of their intention to participate in the meeting are entitled to participate and vote for their shareholdings at the general meeting.

The 2016 AGM was held on 24 May at Piren restaurant in Ludvika, Sweden. The report from the AGM is published on the company's website. The AGM resolved to re-elect the following Board members: Jonas Bengtsson, Sigrun Hjelmquist, Johnas Jansson and Ryan Huff. Sigrun Hjelmquist was elected Chairman of the Board. Anders Bengtsson, Tomas Olofsson and Gustav Bolin were re-elected Board deputies.

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 2016, 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. At the most recent general meeting of shareholders, four Board members and three deputies were elected. The company's Board of Directors currently consists of two Board members, with two deputies since three members stepped down from the Board during the financial year.

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 within the framework of the Board as a whole.

According to the rules of procedure, the Board is to hold at least six meetings in addition to the statutory meeting. In 2016, the Board held 12 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 24 May 2016.

Information about the Board and senior executives is available on the company's website www.nordicironore.se under the heading Corporate governance, Articles of Association and information about the Board and senior executives. Reports from general meetings are available under Press Releases. Information about fees paid to the Board is provided in Note 7 of 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.

Paul Marsden has been Managing Director of the company since September 2015. He was previously the company's Technical Sales and Marketing Director. The Managing Director is presented in more detail on the company's website under About us/Organisation/Management. Information about remuneration of the Managing Director is presented in the notes to the financial statements.

INSIDER REGISTER AND INSIDER POLICY

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

AUDIT

The auditor reviews the company's Annual Report and accounts, and the administration of the Board of Directors and Managing Director in accordance with the Swedish Companies Act and generally accepted auditing standards in Sweden.

The 2016 AGM re-elected the company's auditor Öhrlings PricewaterhouseCoopers AB, with Annika Wedin as auditor-in-charge for the period until the 2017 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. The company strive to follow disclosure requirements governed by legal provisions, and the Nasdaq First North Rulebook.

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

ENVIRONMENT AND SUSTAINABILITY

Mining operations are subject to stringent environmental and regulatory requirements, including restrictions on noise and emissions, the handling of hazardous substances and other health and safety risks.

Nordic Iron Ore's stated ambition is to minimise the company's impact on the environment, local residents and society in general. Issues related to the environment and sustainability are therefore central, and include the external environment, energy use and occupational health and safety.

PROPOSED APPROPRIATION OF PROFITS

Funds at the disposal of the AGM:

	Amounts in SEK
Retained earnings	-80,260,808
Share premium reserve	176,610,003
Loss for the year	-8,729,490
Total	**87,619,705**

The Board proposes that the profit, SEK 87,619,705, 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	2016	2015
Other operating income		100	100
Income		**100**	**100**
Other external costs	6, 7	-6,718	-6,869
Personnel costs	7	-601	-4,164
Depreciation, amortisation and impairment of property, plant and equipment, and intangible assets	10,11	-120	-170
Operating expenses		**-7,439**	**-11,203**
Operating loss		**-7,339**	**-11,103**
Financial income		5	1
Financial expenses		-1,396	-1,807
Net financial expense		**-1,391**	**-1,806**
Loss after financial items		**-8,730**	**-12,909**
Tax	8	–	–
LOSS FOR THE YEAR		**-8,730**	**-12,909**
OTHER COMPREHENSIVE INCOME		–	–
Attributable to:			
Parent Company shareholders		-8,730	-12,909
Number of shares			
No. shares at year-end		36,545,550	32,460,954
Average number of shares (before dilution)		36,467,429	16,289,394
Average number of shares (after dilution)		36,467,429	16,289,394
Earnings per share	9		
Earnings per share, weighted-average:			
basic, SEK		-0.24	-0.79
diluted, SEK		-0.24	-0.79

Consolidated Balance Sheet

Amounts in SEK 000	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure pertaining to exploration and evaluation	10	113,366	109,219
		113,366	**109,219**
Property, plant and equipment			
Machinery and equipment	11	102	221
		102	**221**
Financial assets			
Other non-current receivables	12	31	32
		31	**32**
Total non-current assets		**113,499**	**109,472**
Current assets			
Other receivables	15	340	458
Prepaid expenses and accrued income	16	335	201
Cash and cash equivalents	17	970	12,696
Total current assets		**1,645**	**13,355**
TOTAL ASSETS		**115,143**	**122,827**
EQUITY			
Equity attributable to Parent Company shareholders			
Share capital		6,338	6,338
Other paid-in capital		176,610	176,622
Retained earnings including comprehensive income for the year		-84,852	-76,121
Total equity		**98,096**	**106,839**
LIABILITIES			
Non-current liabilities			
Borrowings	19	14,414	12,991
		14,414	**12,991**
Current liabilities			
Accounts payable		672	585
Other liabilities	20	1,060	133
Accrued expenses and deferred income	21	901	2,279
		2,633	**2,997**
TOTAL EQUITY AND LIABILITIES		**115,143**	**122,827**

Consolidated Statement of Changes in Equity

	Attributable to Parent Company shareholders			
Amounts in SEK 000	**Share capital**	**Other paid-in capital**	**Retained earnings incl. profit/loss for the year**	**Total equity**
Opening equity, 1 Jan 2015	**2,516**	**159,635**	**-63,212**	**98,940**
Comprehensive income for the year	–	–	-12,909	-12,909
Unregistered share capital	708	3,376	–	4,085
New share issue	3,113	14,837	–	17,950
Issue costs	–	-1,227	–	-1,227
Closing equity, 31 Dec 2015	**6,338**	**176,622**	**-76,121**	**106,839**
Opening equity, 1 Jan 2016	**6,338**	**176,622**	**-76,121**	**106,839**
Comprehensive income for the year	–	–	-8,730	-8,730
Issue costs	–	-12	–	-12
Closing equity, 31 Dec 2016	**6,338**	**176,610**	**-84,852**	**98,096**

Consolidated Cash Flow Statement

Amounts in SEK 000	Note	31 Dec 2016	31 Dec 2015
Operating activities			
Loss for the year		-8,729	-12,909
Adjustment for non-cash items:			
Depreciation, amortisation and impairment		119	170
		-8,610	**-12,739**
Cash flow from changes in working capital			
Increase (-) Decrease (+) in operating receivables		-16	1,986
Increase (-) Decrease (+) in operating liabilities		47	-3,101
Cash flow from operating activities		**-8,579**	**-13,854**
Investing activities			
Acquisition of intangible assets		-4,147	-10,743
Cash flow from investing activities		**-4,147**	**-10,743**
Financing activities			
New share issue, net of issue costs		–	14,678
Borrowings		1,000	6,750
Repayment of debt		–	-3,847
Cash flow from financing activities		**1,000**	**17,581**
Cash flow for the year		**-11,726**	**-7,016**
Opening cash and cash equivalents		12,696	19,712
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**970**	**12,696**

Income statement – Parent Company

Amounts in SEK 000	Note	2016	2015
Operating income			
Other operating income		100	100
Total income		**100**	**100**
Operating expenses			
Other external costs	6, 7	-6,718	-6,869
Personnel costs	7	-601	-4,164
Depreciation, amortisation and impairment	10,11	-120	-170
Total operating expenses		**-7,439**	**-11,203**
Operating loss		**-7,339**	**-11,103**
Loss from financial Items			
Interest income		5	1
Interest expenses		-1,396	-1,807
Loss from financial Items		**-1,391**	**-1,806**
Loss after financial items		**-8,730**	**-12,909**
Tax	8	0	0
LOSS FOR THE YEAR		-8,730	-12,909
STATEMENT OF COMPREHENSIVE INCOME			
Other comprehensive income		–	–
Total comprehensive income for the year		**-8,730**	**-12,909**

Balance sheet – Parent Company

Amounts in SEK 000	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets			
Capitalised expenditure pertaining to exploration and evaluation	10	113,366	109,219
		113,366	**109,219**
Property, plant and equipment			
Machinery and equipment	11	102	221
		102	**221**
Financial assets			
Participations in Group companies	13	50	50
Other non-current receivables	12	31	32
		81	**82**
Total non-current assets		**113,549**	**109,522**
Current assets			
Current receivables			
Other receivables	15	340	458
Prepaid expenses and accrued income	16	335	201
Cash and bank balances		927	12,652
Total current assets		**1,602**	**13,312**
TOTAL ASSETS		**115,151**	**122,834**
EQUITY			
Restricted equity			
Share capital	18	6,338	6,338
Reserve for development expenditures		4,146	–
		10,484	**6,338**
Non-restricted equity			
Share premium reserve		176,610	176,622
Retained earnings		-80,261	-63,205
Loss for the year		-8,729	-12,909
		87,620	**100,508**
Total equity		**98,104**	**106,845**
Liabilities			
Non-current liabilities			
Borrowings	19	14,414	12,991
		14,414	**12,991**
Current liabilities			
Accounts payable		672	585
Other current liabilities	20	1,060	133
Accrued expenses and deferred income	21	901	2,279
Total current liabilities		**2,633**	**2,997**
Total liabilities		**17,047**	**15,988**
TOTAL EQUITY AND LIABILITIES		**115,151**	**122,834**

Changes in Equity – Parent Company

	Restricted equity		Non-restricted equity			
Amounts in SEK 000	**Share capital**	**Reserve for development expenditures**	**Share premium reserve**	**Retained earnings**	**Loss for the year**	**Total equity**
Opening equity, 1 Jan 2015	**2,516**	**–**	**159,635**	**-40,673**	**-22,533**	**98,946**
Appropriation of profits	–	–	–	-22,533	22,533	–
New share issue	3,113	–	14,837	–	–	17,950
Issue costs	–	–	-1,227	–	–	-1,227
Unregistered share capital	708	–	3,376	–	–	4,085
Loss for the year	–	–	–	–	-12,909	-12,909
Closing equity, 31 Dec 2015	**6,338**	**–**	**176,622**	**-63,206**	**-12,909**	**106,845**
Opening equity, 1 Jan 2016	**6,338**	**–**	**176,622**	**-63,206**	**-12,909**	**106,845**
Appropriation of profits	–	–	–	-12,909	12,909	–
Issue costs	–	–	-12	–	–	-12
Capitalization of development expenditures	–	4,146	–	-4,146	–	–
Loss for the year	–	–	–	–	-8,729	-8,729
Closing equity, 31 Dec 2016	**6,338**	**4,146**	**176,610**	**-80,261**	**-8,729**	**98,104**

Cash Flow statement – Parent Company

Amounts in SEK 000	Note	31 Dec 2016	31 Dec 2015
Operating activities			
Loss for the year		-8,729	-12,909
Adjustment for non-cash items:			
Depreciation, amortisation and impairment		119	170
		-8,610	**-12,739**
Cash flow from changes in working capital			
Increase (-) Decrease (+) in operating receivables		-16	1,986
Increase (-) Decrease (+) in operating liabilities		47	-3,101
Cash flow from operating activities		**-8,579**	**-13,854**
Investing activities			
Acquisition of intangible assets		-4,147	-10,743
Cash flow from investing activities		**-4,147**	**-10,743**
Financing activities			
New share issue, net of issue costs		–	14,678
Borrowings		1,000	6,750
Repayment of debt		–	-3,847
Cash flow from financing activities		**1,000**	**17,581**
Cash flow for the year		**-11,725**	**-7,016**
Opening cash and cash equivalents		12,652	19,668
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**927**	**12,652**

Notes

Note 1 General information

Nordic Iron Ore AB is a mining and exploration company with its main operations consisting of exploration and mining activities principally through the management and refinement of the exploration permits 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, 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 Vendevagen 85 A, SE-182 91 Danderyd, Sweden. All amounts are stated in Swedish kronor (SEK) unless specified otherwise. The information in parentheses pertains to the preceding year. The Board approved the publication of the annual accounts and consolidated financial statements on 28 April 2017.

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 Swedish 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.

New standards, amendments and interpretations applied by the Group

None of the new standards, amendments or interpretations that became effective for the 2016 financial year have had any material impact on the consolidated financial statements.

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

None of the IFRS or IFRIC interpretations that are not yet effective are expected to have any material impact on the Group.

CONSOLIDATED FINANCIAL STATEMENTS

The acquisition method is used to recognize 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 Gruvor will no longer be classified as exploration and evaluation assets. Reclassification will then be performed, whereupon recognition will be according to IAS 16 Property Plant and Equipment, and IAS 38 Intangible Assets, depending on how the assets have been classified.

Amortisation

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

Impairment

Licences and exploration and evaluation assets are tested for impairment 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 a 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 of other assets, in order to distribute their cost down to the calculated residual value, is performed on a straight-line basis over the estimated useful life as follows:

Machinery and equipment 5 years

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

FINANCIAL INSTRUMENTS

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

General policies

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

Loans receivable and accounts receivable, and other financial liabilities, are recognised after the date of acquisition at amortised cost using the effective interest method.

Loans receivable

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

Other financial liabilities

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

CALCULATION OF FAIR VALUE

The carrying amount, after any impairment, of loans receivable, and 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 issuing of new shares are recognised, net of tax, in equity as a deduction from the issue proceeds.

Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to 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 in comprehensive income or 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 basically 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 costs when they fall due for payment. Prepaid contributions are recognised as an asset insofar as cash repayment or a reduction in future payments can accrue to the Group.

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
Leases are classified in the consolidated financial statements as either finance or operating leases. A finance lease essentially transfers the economic risks and rewards associated with ownership to the lessee; any other case is an operating lease. For operating leases, lease payments are expensed across the 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.

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.

Borrowing costs
All borrowing costs are expensed as incurred.

Equity
Effective 1 January 2016, an amount corresponding to the expenses capitalised as Capitalised expenditure pertaining to exploration and evaluation is recognised in a restricted fund known as the Development Expenditures Fund.

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

Note 3 Financial risk factors

In its operations, the Group is exposed to a range of different financial risks - market risk (comprising: currency risk, interest risk in cash flow and price risk), credit risk and liquidity risk. The Group's financial policy/risk-management policy focuses on minimising 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 carefully monitors forecasts for the Group's liquidity reserve to ensure that the Group has sufficient funds to meet the needs of operating activities. At 31 December 2016, the Group had a cash balance of SEK 970 thousands (12,696). The Group has no credit facilities.

Additional capital needs to be raised to restart production in Blötberget. Issue proceeds from the rights issue at the start of 2017 will primarily be used to finance the important definitive feasibility study (DFS) for mining and production planning. This study is expected to be completed in the summer of 2017. During the year, NIO plans to raise additional capital in order to finance the completion of the DFS and cover costs for the build-up of the organisation ahead of the start of construction and market listing.

Maturity analysis

At 31 December 2016	Within 1 year	Between 1 and 5 years	More than 5 years
Interest on long-term borrowings	-	4,414	
Amortisation on long-term borrowings	-	10,000	
Interest on short-term loan	12		-
Amortisation on short-term loan	1,000		-
Accounts payable	672		-

Capital risk
To secure the financial resources required to maintain momentum in the project, the company completed a round of financing in February 2017 in the form of a new share issue with pre-emptive rights for existing shareholders. As stated above, the company needs to raise additional capital in 2017 to complete the ongoing study.

Note 4 Critical accounting estimates and assumptions

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 2016, the value of intangible assets, capitalised exploration and evaluation expenditure, amounted to SEK 113,366 thousands (109,219). 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 during the 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 2016, Nordic Iron Ore AB operated within one operating segment, that is, exploration for and evaluation of mineral resources. The operations are conducted in Sweden. The operating segment identified in Nordic Iron Ore AB thus coincides with reporting for the Group as a whole. Additional information regarding revenue from external customers and non-current assets for geographic areas, as well as information about major customers, is not applicable to the Group because operations are only conducted in Sweden and the Group has not yet reported any revenue.

Note 6 Auditors' fees

Audit fees pertain to 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.

Audit fees

Amounts in SEK 000	2016	2015
Group and Parent Company		
Öhrlings PricewaterhouseCoopers AB		
Audit engagement	200	303
Other services	10	23
Total	**210**	**327**

Note 7 Remuneration of employees, etc.

Average number of employees	2016	2015
Group and Parent Company		
Average number of employees	3	4
Group total	**3**	**4**

Board members – number on balance-sheet date	2016	2015
Group and Parent Company		
Board members		
Number of Board members	2	4
of whom women	-	1
Total	2	4

Senior executives – number on balance-sheet date	2016	2015
Group and Parent Company		
Managing Director and other senior executives		
Men	3	3
Women	-	-
Total	3	3

Salaries, other remuneration and social security contributions	2016	2015
Group and Parent Company		
Board, Managing Director and company management	4,020	1,957
Other employees	737	2,376
Total	**4,756**	**4,333**
Social security contributions	330	1,229
Pension expenses for the Board and Managing Director	-	177
Pension expenses, other employees	10	211
Total	**340**	**1,617**

SEK 792,000 of personnel costs were capitalised.

2016

Amounts in SEK 000	Fees	Salaries	Other benefits and remuneration	Pension expenses	Total remuneration
Sigrun Hjelmqvist, Board member until July 2016	210				210
Tomas Olofsson, Board member	17				17
Paul Marsden, Managing Director		1,576			1,576
Jonas Bengtsson, Board member	75				75
Johnas Jansson, Board member	75				75
Ryan Huff, Board member	38				38
Other senior executives, 2 individuals		2,130			2,130
Total	**415**	**3,706**	**-**	**-**	**4,121**

2015

Amounts in SEK 000	Fees	Salaries	Other benefits and remuneration	Pension expenses	Total remuneration
Sigrun Hjelmqvist, Chairman of the Board from 1 Dec 2015	100				100
Sigrun Hjelmqvist, Board member	38				38
Göran Ekdahl, Chairman of the Board until 1 Nov 2015	100				100
Christer Lindqvist, Board member and Managing Director until 31 Aug 2015		1,000		177	1,177
Paul Marsden, Managing Director from 1 Sep 2015		532			532
Jonas Bengtsson, Board member	75				75
Johnas Jansson, Board member	75				75
Ryan Huff, Board member	38				38
Other senior executives, 2 individuals		2,869		199	3,068
Total	**425**	**4,401**	**-**	**376**	**5,202**

Note 8 Income tax/tax on profit for the year

Amounts in SEK 000	%	2016	%	2015
Group				
Pre-tax loss		-8,730		-12,909
Tax according to applicable tax rate for Parent Company	22.0%	1,921	22.0%	2,840
Tax effect of				
Non-deductible expenses		-16		-9
Non-taxable income		-		1
Issue costs		-3		207
Tax effect of net loss/gain from operations not recognised as deferred tax assets		-1,902		-3,038
Recognised current tax expense	**0.0%**	**-**	**0.0%**	**-**

Amounts in SEK 000	%	2016	%	2015
Parent Company				
Pre-tax loss		-8,730		-12,909
Tax according to applicable tax rate for Parent Company	22.0%	1,921	22.0%	2,840
Tax effect of				
Non-deductible expenses		-16		-9
Non-taxable income		-		1
Issue costs		-3		207
Tax effect of net loss from operations not recognised as deferred tax assets		-1,902		-3,038
Recognised current tax	**0.0%**	**-**	**0.0%**	**-**

Tax loss carry-forwards

Amounts in SEK 000	2016	2015
Parent Company		
Tax loss carry-forwards	99,455	90,787
Group		
Tax loss carry-forwards	99,462	90,794

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 9 Earnings per share

Amounts in SEK 000	2016	2015
Basic earnings per share		
Earnings attributable to Parent Company shareholders	-8,730	-12,909
Average number of shares	36,467,429	16,289,394
Number of shares when calculating basic earnings per share	**36,467,429**	**16,289,394**
Diluted earnings per share		
Earnings attributable to Parent Company shareholders	-8,730	-12,909
Average number of shares	36,467,429	16,289,394
Number of shares when calculating diluted earnings per share	**36,467,429**	**16,289,394**

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 36,467,429 (16,289,394).

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 adjusted by any expenses for convertible loans.

Note 10 Intangible assets

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group and Parent Company		
Accumulated cost		
At the start of the year	109,219	98,507
Acquisitions during the year	4,147	10,743
Sales and disposals	-	-31
Closing carrying amount	**113,366**	**109,219**

Capitalised expenditure pertaining to exploration and evaluation

Capitalised expenditure for exploration and evaluation work pertains to costs that arose in connection with investigative work relating to the planned start of mining operations, chiefly drilling. During the year, all items associated with exploration were capitalised, including personnel costs.

Note 11 Property, plant and equipment

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
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	-475	-336
Depreciation and impairment for the year	-120	-139
Closing accumulated depreciation and impairment	-594	-475
Carrying amounts	**102**	**221**

Depreciation

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

Impairment testing

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

Note 12 Other non-current receivables

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
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 13 Shares and participations in subsidiaries

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
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, Sweden	50	100	43	50	-

Note 14 Financial instruments by category

31 Dec 2016

Amounts in SEK 000	Loans and accounts receivable	Other financial liabilities	Total carrying amount	Fair value
Group				
Deposits and restricted bank balances	31		31	31
Other receivables	186		186	186
Cash and cash equivalents	970		970	970
Total	**1,187**	**-**	**1,187**	**1,187**
Borrowings		15,426	15,426	15,426
Accounts payable and other liabilities		672	672	672
Total	**-**	**16,098**	**16,098**	**16,098**

31 Dec 2015

Amounts in SEK 000	Loans and accounts receivable	Other financial liabilities	Total carrying amount	Fair value
Deposits and restricted bank balances	32		32	32
Other receivables	312		312	312
Cash and cash equivalents	12,696		12,696	12,696
Total	**13,039**	**-**	**13,039**	**13,039**
Borrowings		12,991	12,991	12,991
Accounts payable and other liabilities		585	585	585
Total	**-**	**13,576**	**13,576**	**13,576**

Note 15 Other receivables

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group and Parent Company		
Recoverable VAT	192	183
Other items	148	275
Total	**340**	**458**

Note 16 Prepaid expenses and accrued income

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group and Parent Company		
Prepaid rental expenses	200	158
Prepaid insurance expenses	11	11
Other items	125	33
Total	**335**	**201**

Note 17 Cash and cash equivalents

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group		
Cash and bank balances	970	12,696
Total	**970**	**12,696**
Parent Company		
Cash and bank balances	927	12,652
Total	**927**	**12,652**

Note 18 Share capital and other paid-in capital

According to the Articles of Association for Nordic Iron Ore AB, share capital shall amount to at least SEK 5,700,000 and a maximum of SEK 22,800,000. The number of shares shall be at least 33,000,000 and a maximum of 132,000,000. At 31 December 2016, the company's registered share capital was SEK 6,337,854 distributed between 36,545,550 shares with a quotient value of SEK 0.17 per share.

2015	Number of shares	Share capital, SEK	Other paid-in capital
Opening balance, 1 January 2015	14,510,712	2,516,497	159,635,044
New share issue	17,950,242	3,112,992	13,610,788
Unregistered share capital	4,084,596	708,364	3,376,231
Closing balance, 31 December 2015	36,545,550	6,337,854	176,622,063

2016	Number of shares	Share capital, SEK	Other paid-in capital
Opening balance, 1 January 2016	36,545,550	6,337,854	176,622,063
New share issue			-11,881
Closing balance, 31 December 2016	36,545,550	6,337,854	176,610,182

Note 19 Borrowings

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group and Parent Company		
Non-current liability to Copperstone Resources AB	14,414	12,991
Total	**14,414**	**12,991**

The loan falls due for payment in November 2018, unless previously offset against new loans or, alternatively, shares in Nordic Iron Ore AB.

Apart from these loan contracts, no related-party transactions took place during the financial year.

Note 20 Other liabilities

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group and Parent Company		
Withholding tax	21	79
Employer's contributions	27	54
Short-term loans	1,012	-
Total	**1,060**	**133**

Note 21 Accrued expenses and deferred income

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
Group and Parent Company		
Accrued salaries and fees	287	356
Accrued capitalised expenses	232	1,548
Accrued pension expenses	2	99
Other items	380	276
Total	**901**	**2,279**

Note 22 Pledged assets and contingent liabilities

Amounts in SEK 000	31 Dec 2016	31 Dec 2015
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	32
Total contingent liabilities and pledged assets	**31**	**32**

Note 23 Related-party transactions

Amounts in SEK 000	2016		2015	
	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: Bengtssons Tidnings AB	500	-	-	-
Owner: Elbolaget i Ludvika AB	250	-	-	-
Owner: Mecapto AB	**250**	-	-	-
Total	**1,000**	-	-	-

Note 24 Significant events after the end of the financial year

The Board decided to implement a new share issue with pre-emptive rights for existing shareholders. The issue was significantly oversubscribed and the company received SEK 18.3 M in proceeds before issue costs. Based on the share issue, some 73.1 million shares were added to the company, after which the total number of shares amounts to 109,636,650.

The Board of Directors and the Managing Director certify that the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and that they provide a true and fair view of the Group's financial position and performance. The annual accounts have been prepared in accordance with generally accepted accounting principles, and provide a true and fair view of the Parent Company's financial position and performance. The Directors' Report for the Group and the Parent Company 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 Parent Company and the companies in the Group.

The income statement and balance sheet will be submitted to the AGM for adoption on 22 May 2017.

Ludvika 25 April 2017

Jonas Bengtsson

Johnas Jansson

Paul Marsden
Managing Director

Our audit report was submitted on 27 April 2017.

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 consolidated accounts

Opinions
We have audited the annual accounts and consolidated accounts of Nordic Iron Ore AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 20-40 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 parent company as of 31 December 2016 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 2016 and their 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 group.

Basis for Opinions
We conducted our audit in accordance with International Standards on Auditing (ISA) and 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.

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-19. The Board of Directors and the Managing Director are responsible for the other information.

Our opinion on the annual accounts and 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
Without impacting our opinions stated above, we wish to bring attention to the section, Financial position, liquidity and future capital requirements in the Administration Report and Note 3 of the annual accounts and consolidated accounts where it can be seen that, during 2017, the company undertook further capital acquisition with the aim of financing the completion of the feasibility study, and in order to cover the costs of the build-up of the organisation prior to initiation of construction and a listing of the company.

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 intends 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.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.

• Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions. We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

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 2016 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 proposal for appropriations 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 organization and 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 organization 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 fulfill 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 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.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Gävle 27 April 2017
Öhrlings PricewaterhouseCoopers AB

Annika Wedin
Authorized Public Accountant

NARVA

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