

NIO

2019



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# Nordic Iron Ore in brief

Nordic Iron Ore is a mining development company in the southern Dalarna region of Sweden whose main ambition is to resume mining operations at Ludvika Mines, comprising the previously operational mines Blötberget and Håksberg, and the intermediate Väsman field, which is considered to hold significant potential. The company has received all of the necessary permits for the initial project in Blötberget, and will be able to produce extremely high-grade iron ore. This positions the company extremely well in a market where demand for high-grade iron ore with high iron content is increasing.

## Vision

Nordic Iron Ore will be a major Swedish producer of high-grade iron ore products.

## Business concept

Nordic Iron Ore's business concept is to own iron ore deposits in the mining district known as Bergslagen either under its own auspices or with other operators, and to develop them into operational mines with sound long-term profitability that can supply high-grade products to steelworks in Europe and other parts of the world.

## Strategy

Nordic Iron Ore aims to realise our business concept through:

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

## Objectives

The company's operational objectives are to:

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

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

## Nordic Iron Ore as an investment

- Feasibility study shows good commercial potential
- All necessary permits ready
- Efficient logistics solutions secured
- Brownfield with surrounding infrastructure
- Will produce highly enriched iron ore products, which are in great demand and sell at premium prices
- Potential for expansion and significant synergies

# Summary of 2019

## First quarter 2019

- Definitive feasibility study for Blötberget continues
- Mineral resource estimate approved for the feasibility study

## Second quarter 2019

- SRK Consulting engaged to conduct a general study of the expansion potential in the Väsman field.
- Exploration permit for Ludvikafältet No. 1 granted by the Mining Inspectorate of Sweden
- Golder Associates announces that the study will be delayed by just over a month.
- A short-term SEK 10 million loan was received from the two largest owners.
- Timo Lindborg was elected to the Board at the Annual General Meeting
- An exploration permit application for an area immediately to the south-west of Blötberget was filed with the Mining Inspectorate of Sweden.

## Third quarter 2019

- A short-term loan of SEK 5 million was raised in July.
- Golder presents a complete draft of the feasibility study to the company

## Fourth quarter 2019

- Definitive feasibility study for Blötberget published.
- A conceptual study for the Väsman field was completed.
- A rights issue of SEK 25 million was oversubscribed.

# Asset portfolio

## of current mineral resources, reserves and permits

The company's current permits, mineral resources and mineral reserves are detailed below. The estimate of the Blötberg mine's mineral resources was performed by DMT Consulting Ltd, with Timothy Horner as the lead Qualified Person. The estimates for the Southern Väsman field and the Håksberg mine were performed by GeoVista, with Thomas Lindholm as the lead Qualified Person.

Estimates of the mineral reserves at Blötberg are from the feasibility study published by consulting firm Golder Associates in October 2019.

A summary of the feasibility study as well as reports on mineral resources are available on the company's website ([www.nordicironore.se](http://www.nordicironore.se)).

In late February this year (2020), Nordic Iron Ore was granted a new exploration permit by the Mining Inspectorate of Sweden for Blötberg No. 4. As per the Minerals Act, the exploration permit grants exclusive evaluation rights for the area in question and is valid for three years.

### EXPLOITATION CONCESSIONS

NAME	MUNICIPALITY	MINERAL	VALIDITY PERIOD	SHARE	AREA (HA)
Blötbergsgruvan K No. 1	Ludvika	apatite, iron, lanthanum	30 Aug 2011 – 30 Aug 2036	100%	126.43
Blötbergsgruvan K No. 2	Ludvika	apatite, iron, lanthanum	14 Aug 2017 – 14 Aug 2042	100%	38.65
Håksbergsgruvan K No. 1	Ludvika	gold, iron, copper	15 Dec 2011 – 15 Dec 2036	100%	136.30
Southern Väsman field K No. 1	Ludvika	iron	21 Dec 2017 – 21 Dec 2042	100%	115.39

### EXPLORATION PERMIT

NAME	MUNICIPALITY	MINERAL	VALIDITY PERIOD	SHARE	AREA (HA)
Ludvikafältet No. 1	Ludvika	apatite, iron	6 May 2019 – 6 May 2022	100%	913.65
Blötberg No. 4 <sup>1</sup>	Ludvika	apatite, iron	20 Feb 2020 – 20 Feb 2023	100%	453.72

Permit granted in February 2020, thus not included in the accounts for the end of 2019.



## Classification of mineral resources

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

### Measured mineral resources

A measured mineral resource is the part of a mineral resource for which quantity, content density, shape and physical properties are so well known that they can be assessed with an accuracy that is sufficient to allow the appropriate application of the technical and economic parameters required for calculating mineral reserves, establishing a mining plan and evaluating the economic viability of the deposits.

The assessment is based on detailed and reliably compiled exploration and testing data obtained through appropriate techniques from outcrops, trenches, test pits, quarry grindings and drill holes that are sufficiently close to confirm that geological and grade continuity exists.

### Indicated mineral resources

An indicated mineral resource is the part of a mineral resource for which the tonnage, grade and mineral content, density, shape and physical characteristics can be assessed with a reliability that is sufficient to

permit the application of the technical and economic parameters required for calculating mineral reserves, drawing up a mining plan and evaluating the economic viability of the deposits. The estimate is based on detailed exploration and testing data, reliably compiled and gathered through appropriate techniques from locations such as outcrops, trenches, test pits, quarry grindings and drill holes that are sufficiently proximate to each other that it is reasonable to assume geological and grade continuity.

### Inferred mineral resources

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

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

## MINERAL RESOURCES

PROJECT	MEASURED		INDICATED		INFERRED		CLASSIFICATION
	MT	% FE	MT	% FE	MT	% FE	ACCORDING TO
Blötberget	45.4	41.7	9.6	36.2	11.8	36.1	JORC 2012
Häksberg	–	–	25.4	36.4	11.6	36.0	JORC
Väsman			7	38.5	85.9	38.4	JORC



## Mineral reserves

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

### Probable mineral reserves

A probable mineral reserve is the part of an indicated mineral resource, in some cases a measured mineral resource, which through at least one pre-feasibility study has proven economically viable to mine. This study must include adequate information on mining, concentration, metallurgy, economic and other relevant factors that demonstrate that extraction is profitable.

### Proven mineral reserves

Proven mineral reserves are a part of a measured mineral resource that, through at least one pre-feasibility study, has proven economically viable to mine. This study must include adequate information on mining, concentration, metallurgy, economic and other relevant factors that demonstrate that extraction is profitable.

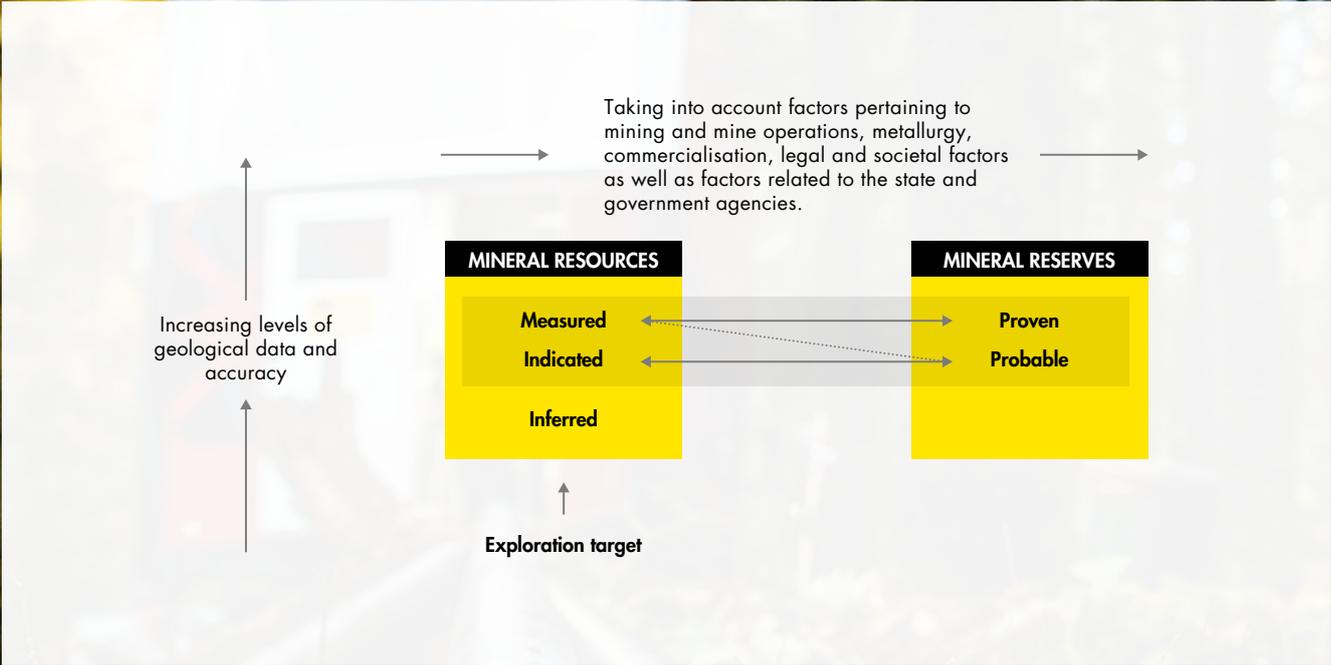
## MINERAL RESERVES

PROJECT	PROVEN		PROBABLE		TOTAL	
	MT	% FE	MT	% FE	MT	% FE
Blötberget	29.4	37.32	4.67	29.72	34.1	36.26

### Calculating exploration results

The figure on the next page illustrates the relevant framework for how mineral resources and mineral reserves are classified. Mineral resources are estimated and classified by a Qualified Person – usually an experienced geologist – based on geological information collected from core drilling, surface observations, geophysical surveys, etc. With increasing certainty in estimates, mineral resources are classified as inferred, indicated or measured. Mineral reserves are calculated based on the indicated and measured mineral

resources with regard to, for instance, technical and economic considerations for mining and concentration as well as matters of a legal nature. Calculations include ore losses and waste rock in mining. Normally, indicated mineral resources are converted to probable mineral reserves and measured mineral resources to proven mineral reserves. Uncertainty regarding any of the assessment factors leads to the measured mineral resources being converted to probable mineral reserves.



# Statement from the Managing Director

**During a year with a volatile though nonetheless strong market for iron ore, we have finally completed the feasibility study for our first sub-project, Blötberget, and a conceptual study for our major expansion potential in the Väsman field. The year ended with a successful rights issue.**

The major theme for 2019 was completing studies. After several months of delays, we could finally publish the results of the feasibility study for Blötberget. The results of the study were immensely satisfying, indicating good preconditions for a profitable project. Using the estimates that Golder based its calculations on (a product price of around USD 100/tonne), the operating margin is 44 per cent and the present net value of the project is around SEK 1 billion.

This study outcome makes investigating a mine in the Väsman field, which can make great use of the investments in Blötberget, even more compelling. The conceptual study of a mine in the Väsman field conducted by SRK Consulting is, largely, based on the financial calculations from the Blötberget study. Even if the numbers are adjusted for estimated differences between Blötberget and Väsman regarding mining and ore quality, it still provides the Väsman study a solid foundation.

In the study, SRK assumes a quick start of a smaller mine in the areas of the concession located in southern Väsman where we have the best geological data. The outcome of the study indicates that there is good reason to continue exploration of the Väsman field. Exploration of the entire Väsman field at a level that enables detailed mine planning is a comprehensive job and needs to be conducted as a separate project.

If the exploration of Väsman turns up what we're expecting and hoping for, a feasibility study for the deposits at Väsman connected to Håksberg will lead to a collective project at an entirely new level compared to Blötberget in terms of both annual production volumes and lifetime.

Concerning the latter, we have made additional hires in the assumption that Blötberget's lifetime is longer than the one given in the feasibility study. Our participation in the research project Smart Exploration is beginning to yield interesting geological information about Blötberget. The results presented thus far indicate that our inferred mineral resources will increase. We're now waiting for more refined models to be developed during the year, which will provide a better foundation for planning the continued exploratory drilling at Blötberget.

## The market

The iron ore market was somewhat volatile in 2019, but overall prices remained relatively high. While the premium for high-grade ore (products with an iron content of at least 65 per cent) also varied, the price for high-grade iron ore remained at favourable levels for the entire year.

The exact price trend for iron is harder to calculate than for metals traded and priced on the London Metal Exchange. Unlike base metals, iron is not a homogeneous product. Quality, and therefore price, varies between different suppliers.

There are several iron price indices with some variation between them depending on the exact method of calculation, but all are based in large part on an estimation of the price of ore delivered to ports in China.

**“The results presented thus far indicate that our inferred mineral resources will increase.”**

It is therefore not entirely simple to determine the exact market price for a product, though based on the specifications from process testing of ore from Blötberget, it is estimated that NIO will produce one of the world's highest quality products that is likely to be in demand and traded at premium prices.

#### Looking ahead

We now have several important tasks to carry out in tandem before we can really dig in: we need to prepare for construction by converting the feasibility study into a detailed development plan, choose our suppliers, expand our organisation and secure financing. The study will be converted in consultation with different suppliers. Needing to choose between very skilled suppliers who are interested in working with us is a very pleasant problem to have.

The long-term effects of the spread of the coronavirus are still difficult to predict. What we can say so far is that it has led to concerns and therefore turbulence in the financial markets. At the same time, it's important to note that in the end, prospective investors are primarily interested in the project's financial potential, which we have immense confidence in.

*Stockholm, April 2020*

**LENNART ELIASSON**

**Managing Director, Nordic Iron Ore AB**



# Market and products

**The international iron ore market was turbulent in the first half of 2019, with drastically increased prices after the dam collapse in Brazil. Prices have since returned to normal, and expectations for price and production trends for the next few years are modest.**

#### The international iron ore market

Prices fell somewhat on the international iron ore market in the end of 2018 due to a rapid increase in production in China and the threat of a trade war between the US and China, but then increased dramatically during the first half of 2019. This was due to a dam collapse at a mine in south-eastern Brazil, which impacted the international offering. The wildfires in Australia also contributed to high price levels, since the fires destroyed transportation within Australia, thus reducing exports. Both Australia and Brazil are among the largest iron ore producers in the world, and disruptions in the offering from both countries had global repercussions.<sup>1</sup>

The price for 62 per cent iron ore during the summer was over USD 120 per tonne (monthly average), representing a doubling in just one year.

The price has since fallen somewhat, and at the end of the year it was just under USD 100 per tonne. This means that the price, despite the decrease in the second half of the year, is still 35 per cent higher year-on-year. It is noteworthy that the price premium for high-quality iron ore increased in the end of 2019 and continued to rise in the beginning of 2020.

Before 2020 and the coming years, mild trends were predicted for production and prices. The offering stabilised once Brazilian production started again. There is uncertainty regarding Chinese demand, which can have a dampening effect on prices. China is the world's largest importer of iron ore, and forecasts predicting slower growth in China were a contributing factor to the falling price of ore during the second half of 2019, as well as forecasts indicating unchanged, if not lower, prices from 2020 to 2021. The effects of the coronavirus outbreak are uncertain and hard to determine, but could lead to price pressure, at least in the short term.<sup>2</sup>

Forecasts indicate a measurable annual increase in total international production of 0.5 per cent from 2018 to 2027. This can be compared with the period from 2008 to 2017, where the annual increase was 5 per cent. The major driver was a rapid increase in production and demand in China.<sup>3</sup>

The world's largest iron ore producer is China, followed by Australia and Brazil in second and third place, respectively. Sweden occupies spot number 11 in the list of the world's largest producers. Over 2 billion tonnes of iron ore are produced annually and annual sales are worth around USD 250 billion.<sup>4</sup>

#### A higher price premium for high-grade iron ore

The price for ore with higher iron content did not demonstrate the same negative trend as the price for lower quality iron ore in the second half of 2019. This led to an increased price premium for higher quality iron ore, and in the beginning of 2020 the premium was at the same high level it was one year ago.

1. [Metallochgruvor.se/Investing Networks](https://metallochgruvor.se/Investing-Networks)

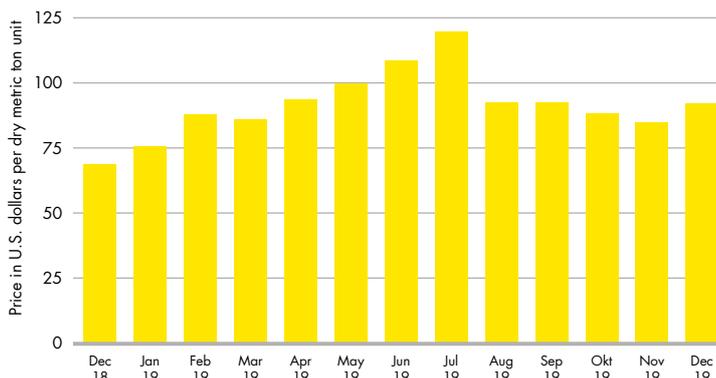
2. [Investingnews.com/S&P Global Platts](https://investingnews.com/S&P-Global-Platts)

3. [Mining.com/Iron Ore Mining Outlook](https://mining.com/Iron-Ore-Mining-Outlook)

4. US Geological Survey

## Iron ore price, monthly average (for ore with 62% iron content)

Source: The Statistics Portal, 2019



This was primarily due to more stringent environmental policies, not least in China. Lower-grade ore contains other minerals that must also be smelted, which requires additional energy. This energy often comes from coal and coke, resulting in higher environmentally hazardous emissions. This leads to an underlying demand for higher quality iron ore.

Besides the environmental aspect, there are other reasons that demand for high-quality iron ore is expected to increase, including increased productivity through using raw materials with higher iron content.<sup>5</sup>

This market trend has also increased demand for pellets, which is also an iron ore product made of ore with high iron content.

Forecasts indicate an increase in the pellet market from USD 63 billion (2018) to USD 96 billion by 2026, representing an increase of over 50 per cent over eight years.<sup>6</sup>

All together, this suggests that the market in the segments where Nordic Iron Ore will operate will remain strong. The company will be able to produce products with up to 71 per cent iron content, with an average around 69 per cent.

### Products

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

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

Nordic Iron Ore will primarily produce fine concentrate, a fine-grained ore concentrate with an iron content around 69 per cent, for delivery to the steel industries in Europe, the Middle East and China.

### Pricing

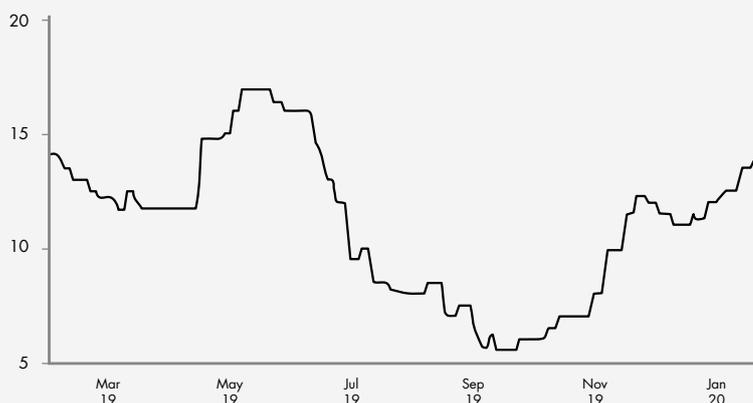
The price of iron ore under long-term contracts before 2010 was determined in traditional annual pricing negotiations between the major ore and steel producers. These published prices then served as guides for other contracts. Over the last few years, a spot market has emerged in China. Today, contract prices are primarily set on a quarterly basis in relation to the spot price for 62 per cent ore concentrate delivered to Chinese ports. Products with a higher iron content trade at a premium. A price index for 65 per cent Fe has recently been established.

5. Global Market Insight 2019/Bloombergs News

6. Global Market Insight 2019

## Price premium for iron ore with 65 per cent iron content (compared with iron ore with 62 per cent iron content)

Source: S&P Global Platts



# Market and products, cont.

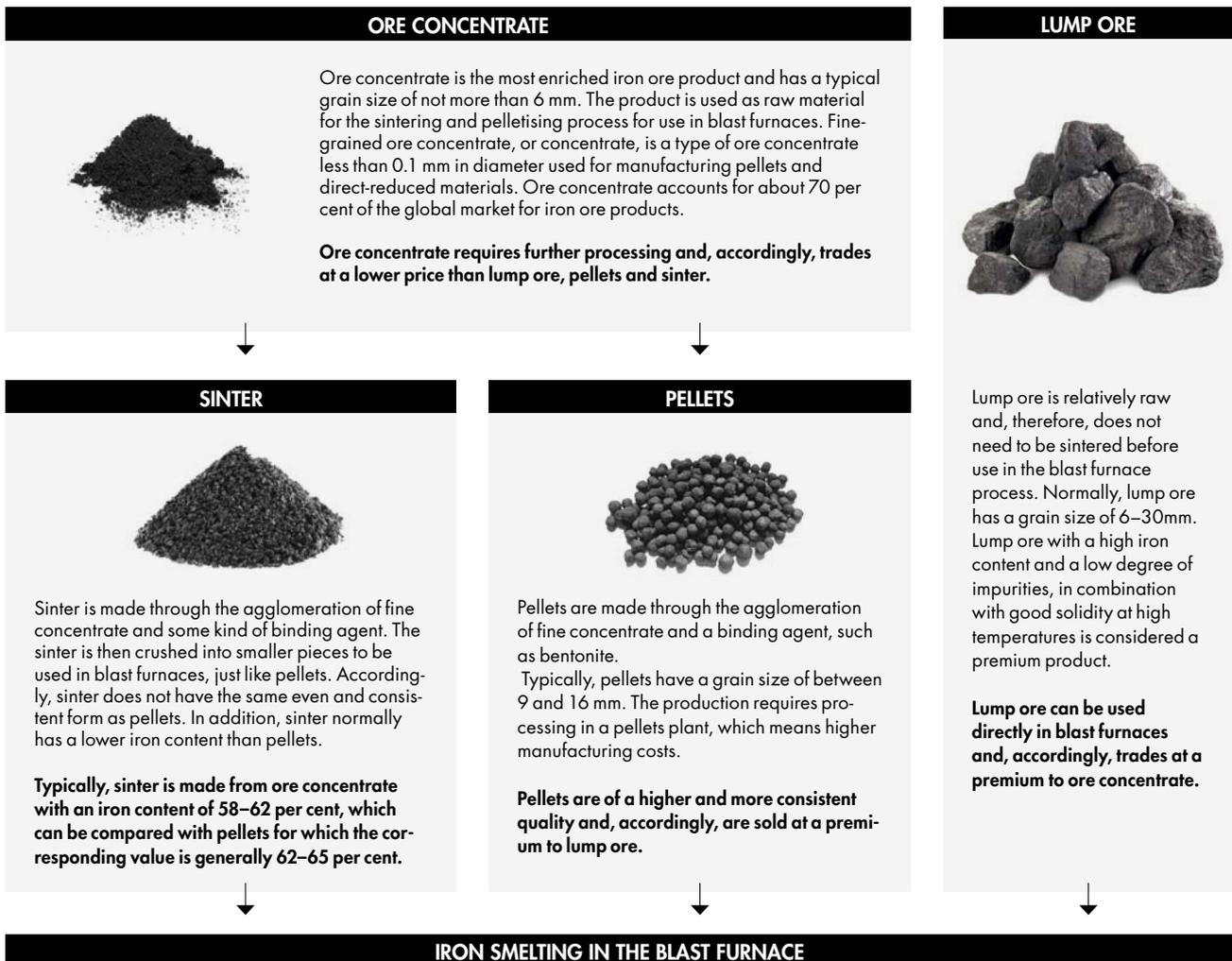


**Sweden: the largest producer in the EU**

Sweden is the largest iron ore producer in the EU (the largest in Europe aside from Russia and Ukraine), and the eleventh largest in the world. The Swedish share of global production amounts to 1.3 per cent. By far the largest producer in Sweden is LKAB, which is owned by the Swedish state and mines approximately 80 per cent of all the iron ore in the EU. In 2019, LKAB produced 27.2 million tonnes of iron ore and sales amounted to SEK 31.3 billion. Over 80 per cent of the company's sales consist of pellets.

## Iron ore products

Nordic Iron Ore plans to produce ore concentrate intended for the production of pellets or sinter with a high iron content and that is well suited for the market in Europe and nearby markets like Turkey and the MENA region as well as Asia. In Europe, the product is likely to be used as a composite component for sintering, since its high iron content boosts productivity. For the Turkish and MENA markets, fine-grained concentrate for pellet and DRI pellet production is most likely. In Asia, there will likely be demand for fine-grained pellets from steel producers with pellet plants.



Source: Cuervo Resources, Raw Materials Group

**“Nordic Iron Ore will be a supplier of some of the world’s best ore concentrate.”**



## **“Nordic Iron Ore operates in the segment that is growing the fastest”**

**After the conclusion of the feasibility study, Nordic Iron Ore is well positioned to take advantage of growing demand for high-quality iron products. The company is also far ahead in its development, reducing the operation’s technical and financial risks.**

Paul Marsden is Nordic Iron Ore’s Advisor in Marketing and Product Development. He has over 40 years behind him in mining operations, steel manufacturing and mineral processing, and has held senior positions at several international mining companies.

Marsden has no doubts when assessing the potential for Nordic Iron Ore.

“The company will be operating in a segment with quickly growing demand. In the future, the steel industry will focus on increasing the quality of input goods, including pellets and sinter. Nordic Iron Ore will be a supplier of some of the world’s best ore concentrate, with the opportunity to expand production. Most pellet plants,

especially DRI pellet plants, and steelworks with sintering facilities will improve product quality and environmental impact with Nordic Iron Ore’s premium products,” says Marsden, adding that increased environmental consideration is also driving the market.

“Using high quality iron ore requires less energy to manufacture iron and steel products, which leads to lower environmentally hazardous emissions. The increased focus on environmental impact can be seen in new directives from China, which manufactures half of all the steel in the world.

Today, no one invests in mines that produce lower quality iron ore,” says Marsden, and continues:

“It’s worth noting that Nordic Iron Ore is also ahead of other companies in the premium segment. Mining operations can begin just a couple years after we start construction. For most of our competitors who are trying to enter the



**Paul Marsden**

market segment, production is at least ten years in the future.”

Marsden says that the lack of projects with the potential to produce iron ore of the absolute highest quality within the next few years means prices will remain high.

“All together, this and the positive results of the feasibility study indicate that the financial risk in Nordic Iron Ore is low for a mining project.”

# Operations

## Ludvika Mines

**The mining company Nordic Iron Ore aims to resume mining operations at Ludvika Mines, which is a collective name for the deposits at Blötberget, the Väsman field and Håksberg in southern Dalarna. An important milestone was achieved in the past year was the presentation of the feasibility study, which showed profitable mining operations are possible at Blötberget. Nordic Iron Ore is also planning to start mining operations at Väsman and Håksberg.**

Ludvika Mines have a long history that even includes Nordic Iron Ore. Iron ore began to be mined in the area as far back as the 1600s, with large-scale operations beginning in the year 1900. Stora Kopparbergs Bergslags AB took over operations at Blötberget in the middle of the last century, but ceased operations in 1979 due to low iron ore prices and a weak economy. In 2008, the permit was transferred to Nordic Iron Ore, which planned to restart the mine, starting in Blötberget and then expanding to Väsman and Håksberg.

In total, Nordic Iron Ore controls measured and indicated mineral resources of 87.4 million tonnes with an iron content of 36.2–41.7 per cent, and inferred mineral resources of 109.3 million tonnes with an iron content of 36.0–38.4 per cent according to the JORC standard. The minimum potential lifetime of Blötberget is 12 years, based on the indicated and inferred mineral resources at Blötberget that can be upgraded to at least 34 million tonnes of mineable reserves according to the feasibility study.

### Definitive feasibility study for Blötberget

Results from the comprehensive feasibility study conducted by Golder Associates were announced in 2019. They were very positive and showed that profitable operations were possible at Blötberget. Golder Associates calculates that Blötberget can reach an operating margin of 44 per cent and an internal rate of return of 15 per cent before tax. The net present value is estimated at over SEK 1 billion with an 8 per cent discount rate. Given these assumptions, all investments are expected to have paid for themselves after a little over 5.5 years of mining.

Based on these encouraging results, Nordic Iron Ore is proceeding in its work to start mining operations at Blötberget. During the autumn, potential investors and lenders were contacted to evaluate different strategic and financial opportunities.

### Start at Blötberget

Nordic Iron Ore's plan to restart mining is divided into three phases.

Phase 1 comprises the start of mining at Blötberget with a first production line at the ore concentrating plant. Phase 2 consists of the deposits at the Väsman field, as Phase 3 is related to the mine at Håksberg. By beginning at Blötberget, where the company already has all of the necessary permits in place, the company will receive revenue from sales. This capital can be used for investments in Phases 2 and 3, significantly reducing the amount of capital that must be raised to finance these investments.

## Financial summary of the feasibility study for Blötberget

- Annual EBITDA of approximately SEK 600 million at full operation
- EBITDA for the entire project amounts to approximately SEK 6.6 billion with an EBITDA margin of 44 per cent
- Payback period for investments is estimated to be 5.5 years after production starts
- Calculations are based on a production cost of USD 56.9/tonne per product with an average iron content of just over 69 per cent
- The net present value before tax (NPV) discounted at 8 per cent interest for the basic option amounted to SEK 1.1 billion and to SEK 2.1 billion discounted at 4 per cent interest
- The project's internal rate of return (IRR) for the basic option is estimated as 15.4 per cent before tax regarding assumptions about the expected price of iron ore in the future.
- Total investments until production start are estimated at USD 255 million (SEK 2.4 billion).
- The mine's financial lifetime, as calculated in the study, is 12 years

# An excellent starting point

# 1 2 3

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 ensures business is profitable. Logistics, product quality and production efficiency are three key areas that must be optimised to ensure a successful business. Nordic Iron Ore has all of these in its favour.

### Logistics in place

In the logistics area, the company has access to a pre-existing, efficient railway system that connects to the deep-water port in Oxelösund.

### High product quality

Nordic Iron Ore will stand out in the steel industry, since the company will supply one of the highest quality iron ores in the world with up to 71 per cent iron content.

### Efficient production

Rapid technological development in the mining industry provides Nordic Iron Ore with good opportunities to acquire highly efficient extraction and processing equipment. The company's operating costs are expected to decline as a result of more modern extraction methods.

A modern ore train can transport nearly 3,000 tonnes of iron ore. This corresponds to 90 fully loaded heavy goods vehicles with trailers.



## Blötberget's history

<b>1900</b>	Bergverks AB Vulcanus starts large-scale mining operations
<b>1944</b>	Stora Kopparberg Bergslags AB begins preparations for mining in nearby mining districts. The Bergslag shaft is drilled and the modern industrial area is established
<b>1949</b>	Stora Kopparberg Bergslags AB buys the Vulcanus mine from the Swedish government
<b>1950–1966</b>	The mining area is integrated and both the Vulcanus mine and the Bergslag shaft are used. Annual production reaches around 400 kilotons of crude ore and 220 kilotons of ore concentrate products
<b>1986–1975</b>	The Bergslag shaft is drawn down and levelled to 570 metres, the skip is upgraded to an annual capacity of 600 kilotons and the new facility begins operations in 1975
<b>1978</b>	SSAB is founded and Stora Kopparberg Bergslags AB surrenders the Blötberget mine
<b>1979</b>	Operations cease
<b>1980</b>	Permits and mining rights revert to the state
<b>2007</b>	Application for a new exploration permit is approved
<b>2008</b>	The permit is transferred to Nordic Iron Ore



Map of Ludvika Mines. Orange indicates exploitation concessions at Blötberget, Väsman and Håksberg. Purple indicates planned industrial areas and tailings dams.

The double dotted lines indicate planned tunnels that will connect the mining areas with ore concentrating plants.

## Smart Exploration

**Nordic Iron Ore is a partner in the EU-funded Smart Exploration project, which has performed measurements in the mining area at Blötberget and the Väsman field. Emma Bäckström is working on the project at Nordic Iron Ore.**

Smart Exploration is the name of an EU-funded collaboration between universities and companies from eleven different countries. An important goal for Smart Exploration is to develop environmentally-friendly methods of geophysical exploration.

“In practical terms, it means using technology like seismology and electromagnetism instead of drilling and digging,” explains Emma Bäckström.

Smart Exploration has conducted a total of three evaluations at Ludvika mines. Seismology (sound waves) were used in May and September, and in June an electromagnetic evaluation was performed via helicopter.

“The seismic evaluations at Blötberget indicate that the ore continues to depth of 1,200 metres. We’ve collected a lot of data and analysis is under way.”

The advantage of the helicopter evaluation was that

data for Blötberget, Väsman and Håksberg could be collected in just a few days.

“The method is very effective and we’ll have a good overview of what’s there. Then we can move on to drilling.”

Another aspect of the project is explaining operations to the general public. Emma Bäckström, together with her colleagues, has visited schools and lectured about the mining industry, Smart Exploration, geology and the geophysical methods that students later examine in the field.

“There was a seismic evaluation going on when we were out in the field. The students got to try placing equipment in the earth and testing their own seismic sources after they all jumped at the same time,” explains Emma Bäckström.



**Emma Bäckström**

# Blötberget has enough ore for at least twelve years of mining

Ludvika Mines consists of Blötberget, the Väsman field and Håksberg. Blötberget is the first deposit that Nordic Iron Ore will process. The scoping study indicated that Blötberget alone can achieve an operating margin of 44 per cent and that all investments can be repaid after 5.5 years of mining.

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

#### Average iron content near 70 per cent

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

#### Blötberget's resources

#### VALID EXPLOITATION CONCESSIONS

NAME	MINERAL	VALIDITY PERIOD	AREA (HA)
Blötbergsgruvan K No. 1	Iron, lanthanum, lanthanides, apatite	30 Aug 2011 – 30 Aug 2036	126.4
Blötbergsgruvan K No. 2	Iron, lanthanum, yttrium, scandium, apatite	14 Aug 2017 – 14 Aug 2042	38.7

#### MINERAL RESOURCES

	MEASURED		INDICATED		INFERRED		CLASSIFICATION
	MT	% FE	MT	% FE	MT	% FE	ACCORDING TO
Blötberget	45.4	41.7	9.6	36.2	11.8	36.1	JORC 2012

#### The Blötberget ore field and mineral resources

Mineral resources at Blötberget have been identified down to the 800 metre level, and have been estimated at 45.4 million tonnes with 41.7 per cent Fe, which are classified as measured, and 9.6 million tonnes with 36.2 per cent Fe classified as indicated. An additional 11.8 million tonnes with 36.1 per cent Fe are classified as inferred mineral resources. Of these, 34.1 million tonnes are classified as mineable reserves.

The majority of mining operations at the Blötberg mine prior to its closure in 1979 were conducted above the 240 metre level. Nordic Iron Ore plans to restart mining operations below previously exhausted areas, using the 420 metre level as the new main level.

The Blötberg field consists mainly of three mineralised bodies:

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

# Väsman field – an interesting expansion opportunity

People have known about the magnetite mineralisations under Lake Väsman since the 1800s. For Nordic Iron Ore, the Väsman field is an extremely exciting opportunity to further expand operations after mining at Blötberget is under way.

The Väsman field has a very favourable geographic location. The field is close to the Blötberget mine and its planned industrial areas and is a direct southern continuation of the iron mineralisations in the Håksberg field. This means that, in terms of logistics and infrastructure, the Väsman field may benefit from the logistics and concentration investments planned for Blötberget.

### The Väsman field's mineral resources

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

### The Väsman field's resources

#### EXPLOITATION CONCESSIONS

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

#### MINERAL RESOURCES

	INDICATED		INFERRED		CLASSIFICATION
	MT	% FE	MT	% FE	ACCORDING TO
Väsman	7.0	38.5	85.9	38.4	JORC

## “Results from the study were positive, to say the least”

The Väsman field provides Nordic Iron Ore with an interesting expansion opportunity, to say the least. The consulting firm SRK has performed a conceptual study, also called a scoping study.

Jyri Meriläinen works as a senior geologist at Nordic Iron Ore, with a focus on exploration planning and mineral resource estimation.

“Results from the study were positive, to say the least. It concluded that future exploration possibilities are very good and that mining can be profitable,” explains Jyri Meriläinen.

### The results speak for themselves

The study estimated annual production volume at 3.4 million tonnes in full operation. Lifetime is estimated at seven years, providing a net present value of approximately USD 70.9 million (SEK 690 million).

SRK based its estimates on a quick start in a smaller mine in southern Väsman.

“This is where we have the best geological data and it’s where we’re now focusing our efforts.”

Now Jyri Meriläinen and his colleagues are planning supplemental

exploration drillings, continuing with additional evaluations and preparing new mineral resource estimates. They are focusing on the southern areas of the Väsman field to start with, and then the northern areas where potential is probably even greater.

SRK’s scoping study can not be compared with the feasibility study conducted for Blötberget, which was much more comprehensive. Instead, this was an initial study for the continued development of the entire Väsman field.

“If it goes as we expect, then we’ll continue with a feasibility study, and when that’s ready we’ll take the next step. The goal is to substantially extend the life of all of the Ludvika mines and increase their production.”



Jyri Meriläinen

# Håksberg – a field with a long history

**Håksberg is Ludvika Mines' third field with a long history. The area was mined from the 1700s until 1979. Nordic Iron Ore has been granted both an exploitation concession and an environmental permit for Håksberg.**

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

The indicated mineral resources at the Håksberg field down to the 350 metre level have been estimated at 25.4 million tonnes with an average iron content of 36.4 per cent. Previously completed drilling campaigns indicate that the potential for identifying additional tonnage at depth is substantial.

Below the 350-meter level, historical deep-hole drilling down to around 800 metres suggests that the ore bodies continue to depth. Current mineral resource estimates indicate at least 11.6 million tonnes with an iron content of around 36.0 per cent. The estimates were performed by Thomas Lindholm of GeoVista AB, a Qualified Person according to the JORC standard.

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

## Håksberg's resources

### EXPLOITATION CONCESSIONS

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

### MINERAL RESOURCES

	INDICATED		INFERRED		CLASSIFICATION ACCORDING TO
	MT	% FE	MT	% FE	
Håksberg	25.4	36.4	11.6	36.0	JORC

**“When the time comes, we'll only have to press a button”**



**Markus Karlsson**

**Markus Karlsson is Project Director and Site Manager at Nordic Iron Ore in Ludvika, and it is no exaggeration to say that his work changed drastically in 2019, largely due to the completion of the feasibility study – and its positive results.**

“Now we can work more concretely with preparations for building the new facility. We can also plan more precisely and get in touch with

future suppliers. The plan is, when the funding is secured, to start work immediately. When the time comes, it'll only be a matter of pressing a button.”

Markus Karlsson is confident and immensely satisfied with the major step towards starting production that the company took during the year.

“There's no longer any doubts. Everyone who's been working on this project has been convinced of the mine's potential. Now we have profitability calculations from an independent third party, proof that we were entirely right. Indications from the technical study of Väsman have also been positive. We have

continued support from the authorities and the public here in Ludvika as the development increases.”

Markus Karlsson has extensive experience from several different mine development projects around the world, which makes it easy for him to name the specific advantages Nordic Iron Ore has.

“We're far along in the process. This isn't just about the technical aspects, but also having all of the permits ready. Add to this our close local contacts. There aren't any immediate, challenging obstacles to overcome. From an international perspective, this is really quite unique.”

# Modern sustainable mining

**Nordic Iron Ore strives to be part of developing a more sustainable society. Mining operations are designed with modern technology so that impact in the form of noise, vibrations and emissions into the air and water are minimised. The company has close communication with the County Administrative Board, the municipality and local residents.**

Sustainable development means meeting the needs of the present without compromising the ability of future generations to meet their own 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.

When the company plans the coming operations, these three sustainability aspects will be high priorities. Within financial sustainability, we will use efficient and modern mining methods and machines that consume as little fuel as possible, meaning that Nordic Iron Ore will help save resources.

In social sustainability, the company aims to develop the area around Ludvika. The first operation at Blötberget alone is expected to employ over 200 people. When the planned operations at Väsman and Håksberg are under way, the positive effects on society will be even greater.

Environmental sustainability is central. Several factors will be weighed in the planning prior to the start of production, such as electric vehicles instead of diesel and minimising emissions into waterways. Because mining is underground, no lasting damage is done to the landscape. Over time, the company intends to certify its operations in accordance with ISO 14001, and intends its environmental work to use the environmental objectives of Dalarna as its beacon.

## Management of sustainability efforts

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

## Nordic Iron Ore's policies and guidelines

### Sustainability policy

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

### Personnel policy

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

### Environmental policy

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

### Code of Conduct

A set of rules providing guidance on the company's responsibilities and conduct as a good business partner, employer and corporate citizen. The company has prioritised three areas in its environmental work:

- Minimising the impact on the natural environment in its sphere of operations
- Minimising emissions to the air and water
- Creating a safe working environment

## Environmental permit

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

In 2014, the Land and Environment Court at Nacka District Court handed down its judgement in support

of the company’s application for an environmental permit. In 2015, an important condition of the judgement was met when the County Administrative Board in Dalarna approved the company’s compensation plan for natural values that will be lost at the restart of production at the Blötberget and 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.

## “We have close communication with residents as well as the municipality”

**There are many important environmental factors that need to be taken into consideration before restarting mining operations at Ludvika Mines. Monica Schön is one of several employees at Nordic Iron Ore who work with a number of issues related to sustainable mining operations.**

All industrial operations, including Nordic Iron Ore, affect the environment. A long-term sustainability project has been ongoing for several years to minimise the company’s environmental impact when operations are under way. The company has, inter alia, a

control program for groundwater as well as surface water (lakes and waterways).

“We have regular water tests, measure groundwater levels and conduct streamflow measurements in waterways, all so that later, when operations have started, we have a baseline for comparison,” explains Monica Schön, Nordic Iron Ore’s geologist.

The County Administrative Board in Dalarna is the supervisory authority and Monica Schön and her colleagues are in continuous dialogue with Ludvika municipality on water issues, among others. When the mine is eventually pumped, that

will affect the groundwater levels in local wells.

“We have close communication with residents as well as the municipality. In addition to measuring groundwater levels, we investigate the water quality in drinking water wells, which the municipality is interested in surveying,” says Monica Schön, explaining that the company will hold several information meetings with municipality residents.

“People are positive, but obviously they wonder how well water will be affected. It’s an important issue and we’re collaborating with the municipality to find the best solution.”

Monica Schön will also work with the coming control program for areas of natural value that might be affected when mining begins.

“Compensation for loss of nature is another important area and we’ll work hard to protect biological diversity.”



**Monica Schön**

# Share capital and ownership structure

Nordic Iron Ore's share was listed on Nasdaq First North Stockholm on 1 October 2018. At 31 December 2019, the company's market capitalisation was SEK 92.6 million. The last price paid for Nordic Iron Ore's share in 2019 was SEK 3.09.

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

**Ticker:** NIO

**ISIN code:** SE0011528017

## Dividend policy

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



## Owners at January 2020

### SHAREHOLDERS 31 JANUARY 2020

Shareholders	No. of shares	Share of votes and capital
Bengtssons Tidnings AB	7,799,238	25.68%
Ludvika Holding AB	4,453,483	14.66%
Insurance company Avanza Pension	1,869,091	6.15%
Skålpussen AB	1,106,000	3.64%
Kopparinvest AB	884,160	2.91%
Emil Nilsson	795,204	2.62%
Nord Fondkommission AB	599,792	1.97%
Jonas Bengtsson	524,105	1.73%
Fredrik Lundgren	438,387	1.44%
Fredrik Attefall	395,137	1.30%
Johan Flink	345,063	1.14%
Christer Lindqvist	339,112	1.12%
Björn Israelsson	306,000	1.01%
Others	10,514,698	34.62%
<b>Total</b>	<b>30,369,470</b>	<b>100%</b>

### Development of share capital

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

#### YEAR

Year	Event	Change in No. of shares	Change in share capital, SEK	Total No. of shares	Total share capital, SEK	Quotient value, SEK*
2008	Founded	1,000	100,000.00	1,000	100,000.00	100.00
2008	Split	11,000	–	12,000	100,000.00	8.33
2010	Non-cash issue <sup>1</sup>	18,400	153,333.33	30,400	253,333.33	8.33
2010	Warrants <sup>2</sup>	14,000	116,666.76	44,400	370,000.00	8.33
2010	Bonus issue	–	400,000.00	44,400	770,000.00	17.34
2010	New share issue <sup>3</sup>	6,940	120,355.86	51,340	890,355.86	17.34
2011	New share issue <sup>4</sup>	26,500	459,572.072	77,840	1,349,927.932	17.34
2011	Split	7,706,160	–	7,784,000	1,349,927.932	0.17
2012	Offset issue <sup>5</sup>	3,708,738	643,182.042481	11,492,738	1,993,109.974481	0.17
2014	New share issue <sup>6</sup>	1,606,000	278,518.018858	13,098,738	2,271,627.993339	0.17
2014	New share issue <sup>7</sup>	745,099	129,217.619759	13,843,837	2,506,785.647201	0.17
2014	Offset issue <sup>8</sup>	610,875	105,940.034103	14,454,712	2,377,568.027442	0.17
2014	Offset issue <sup>9</sup>	56,000	9,711.711741	14,510,712	2,516,497.358942	0.17
2015	Offset issue <sup>10</sup>	3,112,501	539,780.580457	17,623,213	3,056,277.939399	0.17
2015	New share issue <sup>11</sup>	14,837,741	2,573,211.847852	32,460,954	5,629,489.787251	0.17
2016	New share issue <sup>12</sup>	4,084,596	708,364.623758	36,545,550	6,337,854.411009	0.17
2017	New share issue <sup>13</sup>	73,091,100	12,675,708.822018	109,636,650	19,013,563.233027	0.17
2018	Offset issue <sup>14</sup>	16,370,000	2,838,941.450005	126,006,650	21,852,504.683032	0.17
2018	New share issue <sup>15</sup>	73,091,100	12,675,708.822018	199,097,750	34,528,213.505050	0.17
2018	Reverse share split	-179,187,975	–	19,909,775	34,528,213.505050	1.73
2019	Warrants exercised <sup>16</sup>	68,419	118,654	19,978,194	34,646,868	1.73
2019	Rights issue <sup>17</sup>	9,991,276	17,327,213	29,969,470	51,974,081	1.73
2020	Private placement <sup>17</sup>	400,000	693,694	30,369,470	52,667,775	1.73

\* Rounded to two decimal places.

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

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

3. The subscription price was SEK 500 per share.

4. The subscription price was SEK 850 per share.

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

6. The subscription price was SEK 25 per share.

7. The subscription price was SEK 25 per share.

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

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

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

11. The subscription price was SEK 1.00 per share.

12. The subscription price was SEK 1.00 per share.

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

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

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

per share since the warrant was issued free of charge.

16. The subscription price was SEK 10.00 per share.

17. The subscription price was SEK 2.50 per share.

# Corporate governance report 2019

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

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. The company's shares have been admissible for trading on Nasdaq First North Growth Market since 1 October 2018. Since this trading venue is not on a regulated market, the company is not required to apply the Code. However, the company's aim is to gradually apply measures to comply with the rules of the Code at a rate deemed reasonable based on the stage and scope of the operations.

The company has appointed Wildecos Ekonomisk Information AB as its Certified Advisor in order to fulfil the requirements for listing on Nasdaq First North Growth Market.

### The share

The share capital at the end of the financial year totalled SEK 51,974,081 distributed among 29,969,470 shares, with a quotient value of SEK 1.734 per share.

The company's Articles of Association stipulate a share capital of not less than SEK 34,000,000 and not more than SEK 136,000,000, and a maximum number of shares totalling 76,000,000. No limitations apply to the transferability of shares under the Articles of Association or applicable legislation. At the 2019 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 2019 AGM was held on 22 May at Kajkrogen restaurant in Ludvika, Sweden. The report from the AGM is published on the company's website. The AGM resolved to re-elect Board members Jonas Bengtsson, Gösta Bergman and Tomas Olofsson, and to elect Timo Lindborg as a new member. Tomas Olofsson was also elected Chairman of the Board.

### 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 2019, 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 comprise between three and ten members with not



more than ten deputies. The Board of the company currently consists of four Board members and no deputies.

The Board of Nordic Iron Ore comprises expertise and experience in areas that are important to the company. The Board consists of members with expertise and experience in management, business development in the mining industry 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 2019, the Board held ten meetings including telephone meetings at which minutes were taken. At its ordinary meetings, the Board addressed the fixed items on the agenda of each Board meeting pursuant to the Board's rules of procedure, such as the Managing Director's report on significant events since the previous meeting and financial reports.

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

The current rules of procedure, financial reporting instructions and the delegation of authority were adopted by the Board on 22 May 2019.

Information about the Board and senior executives is available on the company's website [www.nordicironore.se](http://www.nordicironore.se) under the heading Corporate governance, Articles of Association and information about the Board and senior executives. Information about fees paid to the Board is provided in the notes to the Annual Report.

#### **Managing Director**

The Managing Director reports to the Board and bears the main responsibility for operating activities, including personnel, financial and accounting issues, regular contact with the company's stakeholders (such as authorities and the financial market) and for providing the Board with the information required to make

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

Lennart Eliasson has been Managing Director of the company since September 2018. He was previously the company's Chief Financial Officer. The Managing Director is presented in more detail on the company's website under About us/Organisation/Management. Information about remuneration for the Managing Director is presented in the notes to the Annual Report.

#### **Insider register and insider policy**

Before listing of the company's share on Nasdaq First North, the Board of Directors has adopted an information policy that includes rules for managing insider information. The policy regulates procedures for the periods during which people in senior positions and other insiders are not permitted to trade shares or other financial instruments issued by the company.

#### **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 2019 AGM re-elected the company's auditor Ohrlings PricewaterhouseCoopers AB, with Annika Wedin as auditor-in-charge for the period until the 2020 AGM.

#### **Information for the stock market**

Since the company has such a large number of owners, Nordic Iron Ore aims to keep the share market continuously informed about the company's operations, to ensure that the market's requirements regarding disclosure and timely information are adequately met. Requirements with respect to the company's disclosure of information are mainly set forth by law and NASDAQ OMX rules for First North Growth Market.

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.

# Board of Directors and Management

## Nordic Iron Ore's Board of Directors

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



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

**Born:** 1968

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

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

**Holdings in the company:** 4,453,483 shares through companies.



**JONAS BENGTSSON**  
Board member since 2011

**Born:** 1969

**Education:** MBA, Stockholm University.

**Other assignments:** Chairman of the Board of Kiai Properties AB and JB Defense AB. Board member of Bengtssons Tidnings AB and subsidiaries, Jonas Bengtsson Invest AB, Zensum AB, as well as several assignments in property projects.

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

**Holdings in the company:** 524,105 shares directly and 7,799,238 through companies..



**TIMO LINDBORG**  
Board member since 2019

**Born:** 1955

**Education:** PhD and MSc in Civil Engineering, Water and Environmental Engineering, BSc in Geology and Adjunct Professor, Business Processes of the Mining Industry, at the University of Oulu in Finland.

**Other assignments:** Timo Lindborg is an independent consultant and Managing Director of Arkkitehti- ja ympäristösuunnittelu Hentilä & Lindborg Oy.

**Background:** Timo Lindborg has more than 35 years of experience in mining projects and mining companies in the Nordic region, including Managing Director of Sotkamo Silver AB, Endomines AB (publ), Endomines Oy and Kalvinit Oy. Timo Lindborg is independent in relation to the company and its management and in relation to its major shareholder.

**Holdings in the company:** 55,300 shares through companies.



**GÖSTA BERGMAN**  
Board member since August 2018

**Born:** 1950

**Education:** LL.B, Stockholm University.

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

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

**Holdings in the company:** –

**The company's management consists of the following senior executives.**



**LENNART ELIASSON**

**Managing Director** since September 2018.

**Born:** 1956

**Education:** MBA, Uppsala University.

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

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

**Holdings in the company:** 45,500 shares.



**MARKUS KARLSSON**

**Project Director** since September 2018.

**Born:** 1973

**Education:** Mining Engineer, Helsinki University of Technology

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

**Holdings in the company:** –



**HANS THORSHAG**  
**CTO** since 2011.

**Born:** 1950

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

**Background:** Hans Thorshag has over 40 years' experience from the mining industry as a project manager, production manager and mining specialist at companies such as LKAB, Boliden, Midroc Gold and Lundin Mining. He is also a designated Qualified Person as defined by SveMin's regulatory framework.

**Other assignments:** Board member, Mitheko AB.

**Holdings in the company:** 14,000 shares.



**PAUL MARSDEN**  
**Advisor** in Marketing and Product Development

**Born:** 1957

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

**Background:** Paul Marsden has been Nordic Iron Ore's Technical Sales and Marketing Director since 2011, and previously held various executive positions over five years at Northland Resources including as VP, Business Development. Prior to this, Paul Marsden was engaged as a consultant in the international mining, iron and steel industry for almost 30 years, including nearly 27 years with Corus Consulting (formerly British Steel Consultants Ltd). Paul Marsden's most recent position at Corus Consulting, as project manager, included responsibility for preliminary studies and the global marketing of iron ore. Paul Marsden is also a designated Qualified Person according to The Institute of Materials, Metals and Mining (IOM) and its regulatory framework.

**Other assignments:** No other assignments.

**Holdings in the company:** 17,740 shares.

# Administration Report

The Board of Directors and Managing Director of Nordic Iron Ore AB (publ), Corp. Reg. No. 556756-0940, hereby submit the following Annual Report and consolidated financial statements for the financial year from 1 January 2019 to 31 December 2019.

## OPERATIONS

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

### Significant events during the financial year

#### *Project development*

The feasibility study for Blötberget was published. It indicated favourable profitability for the project given certain assumptions, such as:

- A total investment of USD 260 million
- A total production cost/tonne product of USD 56.9
- A market price of approximately USD 100/tonne
- A USD to SEK conversion rate of 9.46
- 34 million tonnes of mineable reserves
- No consideration for residual value after 12 years of operations

The study is the basis for deciding on funding the project and therefore prioritised verifiable costs and, for this reason, is not based on the latest technological developments in the mining industry. The company is now working together with potential suppliers to finalise the design of the facilities.

During the year the consulting firm SRK Consulting completed its preliminary study on the mining operations planned for the Väsman field. The report concluded with a presentation available on the company's website. The study concluded that it is possible to start a profitable mine even if operations are limited to the southern part of the field where the company has been granted an exploitation concession.

Water is continuously tested and analysed, and water levels are continuously controlled. A control program to follow before and during operation of the mine is currently being designed in consultation with the County Administrative Board, who will approve it.

#### *Funding*

During the year the company carried out a rights issue of SEK 25 million, which was oversubscribed by the existing owners. The issue proceeds were used to settle existing short-term loans and the remaining funds to cover operating costs during the ongoing work to secure financing for the construction work.

#### *Customers*

The company maintains ongoing contact with major international companies that have shown interest in marketing the company's

future production. This confirms that NIO will produce an in-demand product that can sell at a premium price.

#### Permits

The company has four exploitation concessions, of which three include environmental permits and detailed development plans registered with the municipality for constructing industrial areas.

During the year, another exploration permit was granted that ties the company's exploitation concessions together. After the end of the year, an exploration permit was also granted for an area immediately to the south-west of Blötberget's exploitation concessions.

#### EVENTS AFTER THE END OF THE FINANCIAL YEAR

The company completed a smaller new share issue to offset a portion of previously raised loans.

The company gave the power grid owner, Västerbergslagens Elnät AB, the task of moving and adapting the existing overhead 50 kV power lines. Work is ongoing to prepare the site for the coming construction at the planned industrial area.

The world-pandemic in the first part of 2020 had a negative impact on the company's efforts to secure financing as well as evaluating and holding discussions with potential suppliers. The severity of problems and delays that will arise depends on how the crisis develops and how long it will last.

#### EMPLOYEES

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

#### FINANCIAL POSITION, CASH BALANCE AND FUTURE CAPITAL REQUIREMENTS

On the balance-sheet date, the Group had liquidity of SEK 13.0 million. The equity/assets ratio was 88.85%. Consolidated equity was SEK 147.8 million, corresponding to SEK 4.93 per share.

The start of construction will require extensive financial resources comprising equity and borrowings. The current assessment is that the company's investments leading up until the start of production will amount to around USD 200 million. The difference from the assessment in the study is due to factors such as the possibility of outsourcing parts of operations to contractors. The required financing will be estimated closer to when work on the detailed development plan begins.

Market trends due to the coronavirus crisis mean that the Board will not exercise its current authorisation to raise additional capital as originally planned. Instead, the Board will propose that the coming AGM grant a new authorisation to raise capital during the second half of 2020.

#### RISKS AND UNCERTAINTIES

In addition to the risks associated with future global market prices for iron ore products and the exchange rate between SEK and USD, which affect the profitability of the project and the technical risks, the possibility of starting up operations depends on the requisite permits from authorities and on meeting the substantial requirement for capital. Nordic Iron Ore has obtained all the necessary permits, but implementation of the project requires that the company raise the necessary capital.

#### FUTURE PROGRESS

Expanding our ownership base and securing financing for construction are our most important ongoing activities. At the same time, work is ongoing to produce the feasibility study to optimise the assumptions made and support them with tenders from suppliers as well as to evaluate the possibilities for leveraging the latest technological developments in the mining industry in order to make the mine more environmentally friendly and more profitable. The goal is to raise money in several stages, the first of which will finance completion of these detailed studies.

The pandemic and its consequences for the financial markets is currently making financing difficult. It is impossible to determine how long-term and comprehensive these consequences will be, but the round of capital raising planned for the first half of 2020 will have to be delayed to the second half of the year.

#### PROPOSED APPROPRIATION OF PROFITS

Funds at the disposal of the AGM:

	<b>Amounts in SEK</b>
Retained earnings	-144,285,813
Share premium reserve	211,146,388
Loss for the year	-11,203,065
<b>Total</b>	<b>55,657,509</b>

The Board proposes that the profit, SEK 55,657,509, 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	2019	2018
Other external costs	6, 8	-4,961	-6,982
Personnel expenses	8	-3,724	-2,203
Depreciation, amortisation and impairment	11, 12, 13	-827	-13
<b>Total operating expenses</b>		<b>-9,512</b>	<b>-9,198</b>
<b>Operating profit/loss</b>		<b>-9,512</b>	<b>-9,198</b>
Financial income		-	-
Financial expenses		-1,643	-966
<b>Net financial income/expense</b>		<b>-1,643</b>	<b>-966</b>
<b>Profit/loss after financial items</b>		<b>-11,155</b>	<b>-10,164</b>
Tax	9	-	-
<b>Profit/loss for the year</b>		<b>-11,155</b>	<b>-10,164</b>
<b>Other comprehensive income</b>			
<b>Attributable to:</b>			
Parent Company shareholders		-11,155	-10,164

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000	Note	2019	2018
Loss for the year		-11,155	-10,164
Other comprehensive income		-	-
<b>Total other comprehensive income</b>		<b>-11,155</b>	<b>-10,164</b>
<b>No. of shares</b>			
No. of shares at year end		29,969,470	19,909,775
Average No. of shares (before dilution)		20,191,563	15,238,299
Average No. of shares (after dilution)		20,191,563	15,238,299
<b>Earnings per share</b>	10		
Earnings per share, weighted average before dilution, SEK		-0.55	-0.67
Earnings per share, weighted average after dilution, SEK		-0.55	-0.67

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in SEK 000	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Intangible assets</b>			
Capitalised expenditure pertaining to exploration and evaluation	11	149,364	137,099
<b>Property, plant and equipment</b>			
Machinery and equipment	12	–	–
Right-of-use assets	13	3,248	–
<b>Financial assets</b>			
Other non-current receivables	15	31	31
<b>Total non-current assets</b>		<b>152,644</b>	<b>137,130</b>
<b>Current assets</b>			
Other receivables	15, 16	434	806
Prepaid expenses and accrued income	17	342	212
Cash and cash equivalents	16, 19	12,964	9,153
<b>Total current assets</b>		<b>13,740</b>	<b>10,171</b>
<b>TOTAL ASSETS</b>		<b>166,384</b>	<b>147,301</b>
<b>EQUITY</b>			
<b>Equity attributable to Parent Company shareholders</b>			
Share capital	20	51,974	34,528
Other contributed capital		211,148	206,263
Retained earnings including comprehensive income for the year		-115,295	-104,140
<b>Total equity</b>		<b>147,827</b>	<b>136,651</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	16, 21	–	7,407
Lease liabilities	13	2,590	–
		<b>2,590</b>	<b>7,407</b>
<b>Current liabilities</b>			
Borrowings	16, 21	8,808	–
Lease liabilities	13	770	–
Accounts payable	16	2,689	717
Other liabilities	16, 22	145	141
Accrued expenses and deferred income	16, 23	3,555	2,384
<b>Total current liabilities</b>		<b>15,966</b>	<b>3,242</b>
<b>Total liabilities</b>		<b>18,557</b>	<b>10,649</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>166,384</b>	<b>147,301</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK 000	Attributable to Parent Company shareholders			Total equity
	Share capital	Other contributed capital	Retained earnings incl. profit/loss for the year	
<b>Opening equity, 1 Jan 2018</b>	<b>19,014</b>	<b>181,209</b>	<b>-93,976</b>	<b>106,246</b>
Profit/loss for the year			-10,164	<b>-10,164</b>
Other comprehensive income			-	-
New share issue	15,514	29,107		<b>44,621</b>
Issue costs		-4,053		<b>-4,053</b>
<b>Closing equity, 31 Dec 2018</b>	<b>34,528</b>	<b>206,263</b>	<b>-104,140</b>	<b>136,651</b>
<b>Opening equity, 1 Jan 2019</b>	<b>34,528</b>	<b>206,263</b>	<b>-104,140</b>	<b>136,651</b>
Profit/loss for the year			-11,155	<b>-11,155</b>
Other comprehensive income			-	-
New share issue	17,446	8,211		<b>25,657</b>
Issue costs		-3,326		<b>-3,326</b>
<b>Closing equity, 31 Dec 2019</b>	<b>51,974</b>	<b>211,148</b>	<b>-115,295</b>	<b>147,827</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in SEK 000	Note	2019	2018
<b>Operating activities</b>			
Profit/loss for the year		-11,155	-10,164
Adjustment for non-cash items			
Depreciation, amortisation and impairment		112	13
		<b>-11,043</b>	<b>-10,151</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		279	-612
Increase (+)/Decrease (-) in operating liabilities		3,806	-834
<b>Cash flow from operating activities</b>		<b>-6,958</b>	<b>-11,597</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-12,106	-14,884
<b>Cash flow from investing activities</b>		<b>-12,106</b>	<b>-14,884</b>
<b>Financing activities</b>			
New share issue, net of issue costs and offsetting		14,875	30,261
Borrowings		12,000	8,350
Debt repayment		-4,000	-5,350
<b>Cash flow from financing activities</b>		<b>22,875</b>	<b>33,261</b>
<b>Cash flow for the year</b>		<b>3,811</b>	<b>6,780</b>
Opening cash and cash equivalents		9,153	2,373
<b>Closing cash and cash equivalents</b>		<b>12,964</b>	<b>9,153</b>

## PARENT COMPANY INCOME STATEMENT

Amounts in SEK 000	Note	2019	2018
<b>Operating expenses</b>			
Other external costs	6, 7, 8	-5,866	-6,982
Personnel expenses	8	-3,724	-2,203
Depreciation, amortisation and impairment	11, 12, 13	-	-13
<b>Total operating expenses</b>		<b>-9,590</b>	<b>-9,198</b>
<b>Operating profit/loss</b>		<b>-9,590</b>	<b>-9,198</b>
<b>Profit/loss from financial items</b>			
Interest income		-	-
Interest expenses		-1,613	-966
<b>Total profit/loss from financial items</b>		<b>-1,613</b>	<b>-966</b>
<b>Profit/loss after financial items</b>		<b>-11,203</b>	<b>-10,164</b>
Tax	9	-	-
<b>Profit/loss for the year</b>		<b>-11,203</b>	<b>-10,164</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000	Note	2019	2018
Profit/loss for the year		-11,203	-10,164
Other comprehensive income		-	-
<b>Total other comprehensive income</b>		<b>-11,203</b>	<b>-10,164</b>

## PARENT COMPANY BALANCE SHEET

Amounts in SEK 000	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
<i>Intangible assets</i>			
Capitalised expenditure pertaining to exploration and evaluation	11	149,205	137,099
		<b>149,205</b>	<b>137,099</b>
<i>Property, plant and equipment</i>			
Machinery and equipment	12	-	-
		-	-
<i>Financial assets</i>			
Shares in subsidiaries	14	50	50
Other non-current receivables	15	31	31
		<b>81</b>	<b>81</b>
<b>Total non-current assets</b>		<b>149,286</b>	<b>137,180</b>
<b>Current assets</b>			
Other receivables	17	434	806
Prepaid expenses and accrued income	18	342	212
Cash and bank balances	19	12,921	9,110
<b>Total current assets</b>		<b>13,697</b>	<b>10,128</b>
<b>TOTAL ASSETS</b>		<b>162,983</b>	<b>147,308</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	20	51,974	34,528
Reserve for development expenditures		40,154	28,063
		<b>92,128</b>	<b>62,591</b>
<i>Non-restricted equity</i>			
Share premium reserve		211,148	206,263
Retained earnings		-144,286	-122,031
Profit/loss for the year		-11,203	-10,164
		<b>55,659</b>	<b>74,068</b>
<b>Total equity</b>		<b>147,787</b>	<b>136,659</b>
<b>Non-current liabilities</b>			
Borrowings	21	-	7,407
		-	<b>7,407</b>
<b>Current liabilities</b>			
Borrowings	20.21	8,808	-
Accounts payable		2,689	717
Other current liabilities	22	145	141
Accrued expenses and deferred income	23	3,555	2,384
<b>Total current liabilities</b>		<b>15,197</b>	<b>3,242</b>
<b>Total liabilities</b>		<b>15,197</b>	<b>10,649</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>162,983</b>	<b>147,308</b>

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK 000	Restricted equity		Non-restricted equity			Total equity
	Share capital	Reserve for development expenditures	Share premium reserve	Retained earnings	Profit/loss for the year	
<b>Opening equity, 1 Jan 2018</b>	<b>19,014</b>	<b>12,847</b>	<b>181,209</b>	<b>-97,691</b>	<b>-9,124</b>	<b>106,255</b>
Appropriation of profits				-9,124	9,124	-
New share issue	15,514		29,107			44,621
Issue costs			-4,053			-4,053
Capitalisation of development expenditures		15,216		-15,216		-
Comprehensive income for the year					-10,164	-10,164
<b>Closing equity, 31 Dec 2018</b>	<b>34,528</b>	<b>28,063</b>	<b>206,263</b>	<b>-122,031</b>	<b>-10,164</b>	<b>136,659</b>
<b>Opening equity, 1 Jan 2019</b>	<b>34,528</b>	<b>28,063</b>	<b>206,263</b>	<b>-122,031</b>	<b>-10,164</b>	<b>136,659</b>
Appropriation of profits				-10,164	10,164	-
New share issue	17,446		8,211			25,657
Issue costs			-3,326			-3,326
Capitalisation of development expenditures		12,091		-12,091		-
Comprehensive income for the year					-11,203	-11,203
<b>Closing equity, 31 Dec 2019</b>	<b>51,974</b>	<b>40,154</b>	<b>211,148</b>	<b>-144,286</b>	<b>-11,203</b>	<b>147,787</b>

## PARENT COMPANY CASH FLOW STATEMENT

Amounts in SEK 000	Note	2019	2018
<b>Operating activities</b>			
Profit/loss for the year		-11,203	-10,164
Adjustment for non-cash items			
Depreciation, amortisation and impairment		-	13
		<b>-11,203</b>	<b>-10,151</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		279	-612
Increase (+)/Decrease (-) in operating liabilities		3,966	-834
<b>Cash flow from operating activities</b>		<b>-6,958</b>	<b>-11,597</b>
<b>Investing activities</b>			
Acquisition of intangible assets		-12,106	-14,884
<b>Cash flow from investing activities</b>		<b>-12,106</b>	<b>-14,884</b>
<b>Financing activities</b>			
New share issue, net of issue costs and offsetting		14,875	30,261
Borrowings		12,000	8,350
Debt repayment		-4,000	-5,350
<b>Cash flow from financing activities</b>		<b>22,875</b>	<b>33,261</b>
<b>Cash flow for the year</b>		<b>3,811</b>	<b>6,780</b>
Opening cash and cash equivalents		9,110	2,330
<b>Closing cash and cash equivalents</b>		<b>12,921</b>	<b>9,110</b>

# Notes to the financial statements

## Note 1 General information

Nordic Iron Ore AB (publ) is a mining and exploration company with its main operations consisting of exploration and mining activities principally through the management and refinement of the exploration permits and the exploitation concessions held by the company for iron-ore deposits in Västerbergslagen (a geographical area in the south of Dalarna).

In addition to the Parent Company Nordic Iron Ore AB (publ), the Nordic Iron Ore Group consists of the wholly owned subsidiary

Ludvika Gruvor AB. The Parent Company is a limited liability company registered in Sweden and domiciled in the municipality of Ludvika. The street address of the head office is Vendeavagen 85 A, SE-182 91 Danderyd, Sweden. All amounts are stated in thousands of Swedish kronor (TSEK) unless otherwise specified. The information in parentheses pertains to the preceding year. The Board approved the publication of the annual accounts and consolidated financial statements on 24 April 2020.

## Note 2 Summary of important accounting policies

### BASIS FOR PREPARING THE STATEMENTS

The following accounting and valuation policies pertain to both the consolidated financial statements and the Parent Company's annual accounts unless otherwise specified. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission for application within the EU. The most important accounting policies applied in the preparation of these consolidated financial statements are presented below. The consolidated financial statements have also been prepared in compliance with Swedish law and the application of RFR 1, Supplementary Accounting Regulations for Groups, as published by the Swedish Financial Reporting Board. The consolidated financial statements have been prepared in accordance with the cost method. The Parent Company accounts have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Annual Accounts Act. In cases where the Parent Company applies accounting policies that differ from those of the Group, this is described separately under the heading Parent Company's accounting policies. Preparing financial statements that comply with IFRS requires the use of certain critical accounting estimates. Management is also required to make certain judgements in the application of the Group's accounting policies. The areas that require a higher degree of judgement or complexity, or such areas where assumptions and estimates are of material importance to the consolidated financial statements, are described separately. Refer to Note 4.

### New accounting policies from 1 January 2019

#### IFRS 16 Leases

IFRS 16 has been applied by the Group from 1 January 2019. IFRS 16 has replaced IAS 17 and under the new standard, the lessee recognises the obligation to make lease payments as a lease liability in the balance sheet. The right to use the underlying asset over the lease period is recognised as an asset. Depreciation of the asset is recognised in profit or loss as is the interest payable on the lease liability. Lease payments are recognised partly as the payment of interest and partly as repayment of the lease liability. Payments on short-term leases (leases with a term under 12 months) and low-value leases are exceptions. The Group has chosen to recognise the transition to IFRS 16 according to the simplified approach and has not restated the comparison year.

Lease costs comprise rent for premises and land leases.

### CONSOLIDATED FINANCIAL STATEMENTS

The acquisition method is used to recognise the Group's business combinations. The Group's only subsidiary was formed under the Group's own auspices and thus not acquired.

### EFFECTS OF EXCHANGE-RATE CHANGES

#### Functional currency and reporting currency

Group companies have the Swedish krona (SEK) as their functional currency and reporting currency.

#### Transactions and balance-sheet items

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rate prevailing on the transaction date. Exchange-rate gains and losses resulting from settlement of such transactions and from the translation of accounts receivable and accounts payable in foreign currency are recognised in profit and loss.

### INTANGIBLE ASSETS

#### Capitalised expenditure pertaining to exploration and evaluation

Expenditure relating exploration to and evaluation of mineral resources is recognised according to IFRS 6 Exploration for and Evaluation of Mineral Resources. Exploration and evaluation efforts are measured at cost and refer to all expenditure directly attributable to the exploration for and evaluation of mineral resources.

Capitalised expenditure for exploration and evaluation assets includes expenditure for geological and technical surveys, test drilling and laboratory analyses. Indirect expenses such as expenses for administration and premises and other operating costs as well as expenses arising prior to obtaining exploration permits are recognised directly as an expense in the period in which they arise. Once technically and commercially feasible, capitalised development expenditure attributable to Ludvika Mines will no longer be classified as exploration and evaluation assets. Reclassification will then be performed, whereupon recognition will be according to IAS 16 Property Plant and Equipment, and IAS 38 Intangible Assets, depending on how the assets have been classified.

#### Amortisation

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

#### Impairment

Exploration and evaluation assets are tested for impairment when reclassified to tangible or intangible assets, or whenever facts and circumstances indicate that the carrying amount might exceed its recoverable amount. An impairment loss is recognised as an expense

in profit or loss. One or more of the following factors and circumstances indicate the need for impairment testing:

- The period during which the company is entitled to explore the specified area has expired or will expire within the near future, and has not been renewed.
- Significant expenditure for further exploration for and evaluation of mineral resources in the area in question are neither planned nor budgeted.
- Exploration for and evaluation of mineral resources in the area in question have not led to the discovery of mineral resources in commercially viable quantities and the company has decided to cease such operations in the area in question.
- There is sufficient information to indicate, despite the probable continuation of development in the area in question, that the carrying amount of the exploration and evaluation asset can probably not be recovered in its entirety through successful development or sale.

Capitalised expenses in the form of exploration and evaluation assets and exploration permits 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 the asset's cost down to the calculated residual value, is performed on a straight-line basis over the estimated useful life as follows:

#### Machinery and equipment 5 years

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

### FINANCIAL INSTRUMENTS

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

#### Recognition and derecognition from the balance sheet

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

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

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

#### Recognition and measurement

On initial recognition, financial assets are recognised at fair value through profit or loss, amortised cost or fair value through other comprehensive income. Recognition is based on the Group's business model for the administration of the financial assets and the nature of the contractual cash flows from the financial asset. A financial asset is measured at amortised cost if it is held with the aim of collecting contractual cash flows and the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. If the financial asset is held with the objective of both collecting contractual cash flows

and selling financial assets, it is measured at fair value through other comprehensive income. Financial assets that are not measured at amortised cost of through other comprehensive income, are measured at fair value through profit or loss.

All financial assets are measured at amortised cost.

All financial liabilities are recognised and measured at amortised cost.

### CALCULATION OF FAIR VALUE

The carrying amount, after any impairment, of loans receivable and accounts receivable, and other liabilities, is assumed to equal their fair value because such items are current in nature. The Group does not have any financial instruments measured at fair value in the balance sheet.

### CASH AND CASH EQUIVALENTS

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

### SHARE CAPITAL

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares are recognised in equity as a deduction from the issue proceeds.

#### Earnings per share

Basic earnings per share are calculated by dividing earnings for the year attributable to Parent Company shareholders by a weighted average number of outstanding shares during the period. In calculating diluted earnings per share, the average number of shares is adjusted for all shares with a potential dilution effect.

### ACCOUNTS PAYABLE

Accounts payable are undertakings to pay for expenses and capitalised expenditure. Accounts payable are classified as current liabilities if they fall due within one year or earlier. Accounts payable are recognised at their nominal amount. The carrying amount of accounts payable is assumed to equal its fair value, because this item is current in nature.

### BORROWINGS

Borrowings are initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost and any difference between the amount received (net of transaction costs) and the repayment amount is recognised in profit and loss distributed over the loan period and applying the effective interest method.

### BORROWING COSTS

Borrowing costs pertaining to the construction of qualifying assets are capitalised as a part of the qualifying asset's cost. A qualifying asset is an asset that necessarily take a substantial period of time to prepare. For the Group, capitalisation of interest pertains to exploration and evaluation.

### CURRENT AND DEFERRED TAX

Income tax comprises current tax and deferred tax. Income tax is recognised in profit and loss except when an underlying transaction is recognised directly in equity.

#### Current tax

Current tax is tax payable or receivable with respect to the current financial year and any adjustment of tax with respect to preceding income years. The current tax expense is estimated according to the

tax rate applicable to the tax assessment. In the balance sheet, the tax asset or tax liability for current tax is recognised as current.

### Deferred tax

Deferred tax is calculated on the difference between the carrying amounts and taxable values of the company's assets and liabilities. Deferred tax is recognised according to the balance-sheet method. Deferred tax is recognised on essentially all temporary differences arising between the taxable values of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is calculated by applying tax rates (and laws) decided or announced as per the balance-sheet date, and which are expected to apply when the applicable deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future tax surpluses will be available, against which the temporary differences can be utilised. There are currently no differences between taxable values and carrying amounts in the company's balance sheet and, accordingly, no temporary differences that could lead to deferred tax assets/liabilities.

### CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method. Cash and cash equivalents include cash and bank balances.

### REMUNERATION OF EMPLOYEES

#### Pension obligations

Nordic Iron Ore AB only has defined-contribution plans. For these, Nordic Iron Ore AB pays fees to pension insurance plans, administered by the public or private sector, on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the fees have been paid. The fees are recognised as personnel expenses when they fall due for payment. Prepaid contributions are recognised as an asset insofar as cash repayment or a reduction in future payments can accrue to the Group.

### PROVISIONS

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation ensuing from a transpired event, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate can be performed.

### REVENUE RECOGNITION

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

### PARENT COMPANY'S ACCOUNTING POLICIES

#### 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

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.

### Leases

The Parent Company recognises all leases according to the rules for operating leases in accordance with the exemption in RFR 2. This means that the Parent Company's accounting policy for leases is unchanged.

### Recognition and measurement of financial instruments

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

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

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

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

### Borrowing costs

The Parent Company continuously expenses borrowing costs.

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 price risk, but when operations begin the Group will be exposed to fluctuations in the price of iron ore, since even more long-term delivery agreements are connected to the price index, which varies.
- Interest risk is only limited at present since raised loans carry a fixed interest rate.

### Credit risk

Credit risk is the risk of a counterparty in a financial transaction failing to meet its obligations on the due date. Credit risks arise through bank balances including restricted bank balances. Only banks and financial institutions with a high credit rating are accepted by the Group.

**Liquidity risk**

Liquidity risk is the risk of the Group lacking sufficient cash and cash equivalents to meet its financial liabilities. The company continually monitors the Group's liquidity reserve to ensure that the Group has sufficient funds to meet the needs of operating activities. At 31 December 2019, the Group had a cash balance of TSEK 12,964 (9,153). The Group has no credit facilities and therefore needs to strengthen its payment capacity in the second half of 2020.

**Maturity analysis**

At 31 December 2019	Within 1 year	Between 1 and 5 years	More than 5 years
Interest on long-term borrowings	-619	-	-
Amortisation on long-term borrowings	-8,189	-	-
Accounts payable	-2,689	-	-
Lease liabilities	-917	-1,184	-2,307

**Note 4 Critical accounting estimates and assumptions for reporting purposes**

Estimates and assumptions are regularly evaluated and are based on experience and other factors, including expectations about future events deemed reasonable in the prevailing circumstances. The Group makes estimates and assumptions about the future. The resulting accounting estimates will, by definition, rarely match the actual outcome. The estimates and assumptions involving a significant risk of material adjustments in the carrying amounts of assets and liabilities in the following financial years are outlined below.

*(a) Impairment testing for exploration and evaluation work*

Exploration and evaluation assets are impairment tested, based on the requirements in IFRS 6, when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, measurement, classification and disclosures are provided pursuant to the requirements in IAS 36 – Impairment of Assets. At 31 December 2019, the value of intangible assets, capitalised exploration and evaluation expenditure, amounted to TSEK 149,364 (137,099). 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,

**Capital risk**

To secure the financial resources required to maintain momentum in the project, the company completed a share issue with pre-emptive rights for existing shareholders in December 2019. A further round of capital financing will be required during the second half of 2020.

and facts and circumstances arise to indicate that an impairment test is required, the value may need to be impaired.

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

*(b) Assessment of potential capitalisation of loss carry-forwards*

Unutilised loss carry-forwards are booked as deferred tax assets to the extent it is probable that they can be used to offset surpluses in future taxation. Because the Group has not yet commenced commercial sales, the company management is of the opinion that loss carry-forwards shall not be capitalised at this point. Assessment thereof shall be made at the close of each reporting period.

No time limit applies to the utilisation of loss carry-forwards in the Group today.

*(c) Assessment of provision for restoration costs*

Meeting the requirements of environmental legislation may require substantial expenses, including fees for restoring land and for damage due to land contamination. Since the company has not commenced mining operations and only carried out limited exploration, no provision for restoration costs has been recognised.

**Note 5 Segment reporting**

Operating segments are reported such that they match the internal reporting submitted to the chief operating decision maker (CODM). The CODM is the function responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the Managing Director. Until the end of 2019, Nordic Iron Ore AB (publ) operated within one operating segment, that is, exploration for and evaluation of mineral resources.

The operations are conducted in Sweden. The operating segment identified in Nordic Iron Ore AB thus coincides with reporting for the Group as a whole. Additional information regarding revenue from external customers and non-current assets for geographic areas, as well as information about major customers, is not applicable to the Group because operations are only conducted in Sweden and the Group has not yet reported any revenue.

**Note 6 Auditors' fees**

Audit fees pertain to examination of the annual accounts and the accounting records, the administration of the Board of Directors and the Managing Director, other duties incumbent upon the company's auditors and advisory or other services arising from observations made during such examination or the performance of other such duties. Everything else is defined as other assignments.

Amounts in SEK 000	2019	2018
<b>Group and Parent Company</b>		
PWC		
Audit engagement	495	253
Audit-related services	46	14
Other assignments	-	20
<b>Total</b>	<b>541</b>	<b>287</b>

**Note 7 Leases**

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Parent Company</b>		
<i>All expensed lease payments for the year amount to</i>		
Lease payments regarding rental expenses for premises and land leases	911	902
<i>Future lease payments fall due for payment as follows:</i>		
Within 1 year	917	905
Between 2 and 5 years	1,184	1,875
Later than 5 years	2,307	2,539

**Note 8 Remuneration of employees, etc.****Average number of employees**

	2019	2018
<b>Group and Parent Company</b>		
Average number of employees	3	3
<b>Group total</b>	<b>3</b>	<b>3</b>

**Board members – number on balance-sheet date**

	2019	2018
<b>Group and Parent Company</b>		
Board members		
Number of Board members	4	4
of whom women	–	–
<b>Total</b>	<b>4</b>	<b>4</b>

**Senior executives – number on balance-sheet date**

	2019	2018
<b>Group and Parent Company</b>		
Managing Director and other senior executives		
Men	4	4
Women	–	–
<b>Total</b>	<b>4</b>	<b>4</b>

**2019**

Amounts in SEK 000	Fees	Salaries	Other benefits and remuneration	Pension expenses	Total remuneration
Tomas Olofsson, Chairman of the Board	200				200
Lennart Eliasson, Managing Director		1,440			1,440
Jonas Bengtsson, Board member	75				75
Johnas Jansson, Board member	75				75
Michael Mattsson, Board member	75				75
Other senior executives, 3 individuals	1,391				1,391
<b>Total</b>	<b>1,816</b>	<b>1,440</b>	–	–	<b>3,256</b>

**2018**

Amounts in SEK 000	Fees	Salaries	Other benefits and remuneration	Pension expenses	Total remuneration
Tomas Olofsson, Chairman of the Board	200				200
Paul Marsden, Managing Director until 31 Aug 2018	637				637
Lennart Eliasson, Managing Director from 1 Sep 2018		551			551
Jonas Bengtsson, Board member	75				75
Johnas Jansson, Board member	75				75
Anders Bengtsson, Board member	75				75
Other senior executives, 2 individuals	1,700				1,700
<b>Total</b>	<b>2,762</b>	<b>551</b>	–	–	<b>3,313</b>

**Salaries, other remuneration and social security contributions**

	2019	2018
<b>Group and Parent Company</b>		
Board, Managing Director and company management	3,256	3,313
Other employees	1,250	1,257
<b>Total</b>	<b>4,506</b>	<b>4,570</b>
Social security contributions	985	787
Pension expenses for the Board and Managing Director	329	138
Pension expenses	53	58
<b>Total</b>	<b>1,366</b>	<b>983</b>

TSEK 801 of personnel expenses were capitalised. The fees for the Board, Managing Director and company management include invoiced fees that are recognised among Other external costs and are ineligible for capitalisation.

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

**Note 9** Income tax/tax on profit for the year

Amounts in SEK 000	%	2019	%	2018
<b>Group</b>				
Pre-tax loss		-11,155		-10,164
Tax based on the applicable tax rate for the Parent Company	21.4%	2,387	22.0%	2,236
Tax effect of				
Non-deductible expenses		-4		-6
Non-taxable income		-		-
Issue costs		712		892
Tax effect of net loss/gain from operations not recognised as deferred tax assets		-3,095		-3,122
<b>Recognised current tax expense</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>

Amounts in SEK 000	%	2018	%	2017
<b>Parent Company</b>				
Pre-tax loss		-11,203		-10,164
Tax based on the applicable tax rate for the Parent Company	21.4%	2,397	22.0%	2,236
Tax effect of				
Non-deductible expenses		-4		-6
Non-taxable income		-		-
Issue costs		712		892
Tax effect of net loss from operations not recognised as deferred tax assets		-3,106		-3,122
<b>Recognised current tax</b>	<b>0.0%</b>	<b>-</b>	<b>0.0%</b>	<b>-</b>

**Tax loss carry-forwards**

	2019	2018
<b>Parent Company</b>		
Tax loss carry-forwards	138,283	123,726
<b>Group</b>		
Tax loss carry-forwards	138,290	123,733

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 21.4% (22%).

**Note 10** Earnings per share

Amounts in SEK 000	2019	2018
<b>Basic earnings per share</b>		
Earnings attributable to Parent Company shareholders	-11,203	-10,164
Average number of shares	20,191,563	15,238,299
<b>Number of shares when calculating basic earnings per share</b>	<b>20,191,563</b>	<b>15,238,299</b>
<b>Diluted earnings per share</b>		
Earnings attributable to Parent Company shareholders	-11,203	-10,164
Average number of shares	20,191,563	15,238,299
<b>Number of shares in calculating diluted earnings per share</b>	<b>20,191,563</b>	<b>15,238,299</b>

**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 20,191,563 (15,238,299).

**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.

**Note 11** Intangible assets

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group</b>		
<i>Accumulated cost</i>		
At the start of the year	137,099	122,215
Acquisitions during the year	12,266	14,905
Divestments	-	-21
<b>Closing carrying amount</b>	<b>149,365</b>	<b>137,099</b>
<b>Parent Company</b>		
<i>Accumulated cost</i>		
At the start of the year	137,099	122,215
Acquisitions during the year	12,106	14,905
Divestments	-	-21
<b>Closing carrying amount</b>	<b>149,205</b>	<b>137,099</b>

**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 directly associated with exploration were capitalised, including personnel expenses. Borrowing costs in the Group have been capitalised.

**Note 12** Property, plant and equipment

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group and Parent Company</b>		
<i>Accumulated cost</i>		
At the start of the year	696	696
<b>Closing accumulated cost</b>	<b>696</b>	<b>696</b>
<i>Accumulated depreciation and impairment</i>		
At the start of the year	-696	-683
Depreciation and impairment for the year	-	-13
<b>Closing accumulated depreciation and impairment</b>	<b>-696</b>	<b>-696</b>
<b>Carrying amounts</b>	<b>-</b>	<b>-</b>

**Depreciation and amortisation**

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

**Note 13** Right-of-use assets

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group</b>		
<i>Opening accumulated cost</i>		
Additional leases	4,075	-
<b>Closing accumulated cost</b>	<b>4,075</b>	<b>-</b>
<i>Opening depreciation</i>		
At the start of the year	-	-
Depreciation for the year	-827	-
<b>Closing accumulated depreciation</b>	<b>-827</b>	<b>-</b>
<b>Closing carrying amounts</b>	<b>3,248</b>	<b>-</b>

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group</b>		
Opening lease liabilities	-	-
Additional leases	4,075	-
Loan repayments made	-715	-
<b>Closing lease liabilities</b>	<b>3,360</b>	<b>-</b>
<i>Future lease payments fall due for payment as follows:</i>		
Within 1 year (undiscounted)	929	-
Between 2 and 5 years (undiscounted)	971	-
Later than 5 years (undiscounted)	2,307	-

Leases comprise rented premises and land leases. The lease for the premises in Danderyd runs until 31 March 2022, with the option to extend after it expires. The lease for the premises in Grängesberg is extended one year at a time. The land lease for the coming mine has a planned useful life up to and including the year 2033. Future lease payments are tied to developments in the CPI, though to a limited extent when changes are negative. Index adjustments are included in the lease liability as soon as they are applicable, at which point the right-of-use asset is adjusted.

**Note 14** Participations in Group companies

Amounts in SEK 000	31 Dec 2019	31 Dec 2018			
<b>Parent Company</b>					
<i>Accumulated cost</i>					
At the start of the year	50	50			
<b>Closing balance</b>	<b>50</b>	<b>50</b>			
<b>Subsidiaries/Corp. Reg.</b>					
<b>No./Reg. Office</b>	<b>No. of shares</b>	<b>Share in %</b>	<b>Equity Carrying amount</b>		<b>Result</b>
Ludvika Gruvor AB 556856-2994 Ludvika	50	100	43	50	-

**Note 15** Other non-current receivables

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group</b>		
<i>Deposit under the Minerals</i>		
Act issued to the Mining Inspectorate of Sweden	31	31
<b>Total</b>	<b>31</b>	<b>31</b>
<b>Parent Company</b>		
<i>Deposit under the Minerals</i>		
Act issued to the Mining Inspectorate of Sweden	31	31
<b>Total</b>	<b>31</b>	<b>31</b>

**Note 16** Financial instruments by category

31 Dec 2019

Amounts in SEK 000	Financial assets recognised at amortised cost	Liabilities recognised at amortised cost	Total carrying amount	Fair value
<b>Group</b>				
Deposits and restricted bank balances	31		31	31
Other receivables	434		434	434
Cash and cash equivalents	12,964		12,964	12,964
<b>Total</b>	<b>13,429</b>	<b>-</b>	<b>13,429</b>	<b>13,429</b>
Borrowings		8,808	8,808	8,808
Lease liabilities		3,360	3,360	3,360
Accounts payable and other liabilities		2,834	2,834	2,834
<b>Total</b>		<b>15,002</b>	<b>15,002</b>	<b>15,002</b>

31 Dec 2018

Amounts in SEK 000	Financial assets recognised at amortised cost	Liabilities recognised at amortised cost	Total carrying amount	Fair value
<b>Group</b>				
Deposits and restricted bank balances	31		31	31
Other receivables	832		832	832
Cash and cash equivalents	9,153		9,153	9,153
<b>Total</b>	<b>10,016</b>	<b>-</b>	<b>10,016</b>	<b>10,016</b>
Borrowings		7,407	7,407	7,407
Accounts payable and other liabilities		859	859	859
<b>Total</b>		<b>8,266</b>	<b>8,266</b>	<b>8,266</b>

**Note 17** Other receivables

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group and Parent Company</b>		
Recoverable VAT	375	795
Other items	59	11
<b>Total</b>	<b>434</b>	<b>806</b>

**Note 18** Prepaid expenses and accrued income

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group and Parent Company</b>		
Prepaid rental expenses	237	186
Other items	105	26
<b>Total</b>	<b>342</b>	<b>212</b>

**Note 19** Cash and cash equivalents

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group</b>		
Cash and bank balances	12,964	9,153
<b>Total</b>	<b>12,964</b>	<b>9,153</b>
<b>Parent Company</b>		
Cash and bank balances	12,921	9,110
<b>Total</b>	<b>12,921</b>	<b>9,110</b>

**Note 20** Share capital and other contributed capital

The Articles of Association of Nordic Iron Ore AB (publ) stipulate a share capital of not less than SEK 34,000,000 and not more than SEK 136,000,000. The minimum number of shares is 19,000,000 and the maximum 76,000,000. At 31 December 2019, the

company's registered share capital was SEK 51,974,081.012629 distributed between 29,969,470 shares with a quotient value of SEK 1.734 per share.

**2018**

	Number of shares	Share capital, TSEK	Other contributed capital, TSEK
Opening balance, 1 January 2018	10,963,665	19,013	181,209
New share issue	8,946,110	15,515	25,053
<b>Closing balance, 31 December 2018</b>	<b>19,909,775</b>	<b>34,528</b>	<b>206,262</b>

**2019**

	Number of shares	Share capital, TSEK	Other contributed capital, TSEK
Opening balance, 1 January 2019	19,909,775	34,528	206,262
New share issue	10,059,695	17,446	4,884
<b>Closing balance, 31 December 2019</b>	<b>29,969,470</b>	<b>51,974</b>	<b>211,146</b>

**Note 21** Borrowings

Amounts in SEK 000	31 Dec 2019	31 Dec 2018
<b>Group and Parent Company</b>		
Convertible loan	7,808	7,407
<b>Total</b>	<b>7,808</b>	<b>7,407</b>

The loan carries an interest rate of 5.5 per cent and holders of the convertible have the right to request conversion from 11 June 2019 until the maturity date 11 June 2020. On the maturity date, the company owns the right to request conversion of all or part of the loan, including interest. The conversion price is SEK 9.14 per share.

**Note 22 Other liabilities**

<b>Amounts in SEK 000</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Group and Parent Company</b>		
Withholding tax	78	77
Employer's contributions	67	65
<b>Total</b>	<b>145</b>	<b>141</b>

**Note 23 Accrued expenses and deferred income**

<b>Amounts in SEK 000</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Group and Parent Company</b>		
Accrued salaries and fees	778	712
Accrued holiday pay	471	294
Accrued capitalised expenses	100	185
Accrued pension expenses	140	48
Other items	2,066	1,144
<b>Total</b>	<b>3,555</b>	<b>2,384</b>

**Note 24 Pledged assets and contingent liabilities**

<b>Amounts in SEK 000</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
<b>Group and Parent Company</b>		
Contingent liabilities	None	None
<i>Pledged assets</i>		
Restricted bank balances, SHB, pledged to the benefit of the County Administrative Board of the County of Värmland regarding a commitment to restore land	31	31
<b>Total contingent liabilities and pledged assets</b>	<b>31</b>	<b>31</b>

**Note 25 Related-party transactions**

Related parties are defined as subsidiaries included in the Group, members of the company's Board of Directors and senior executives of the Group including close family members of such individuals. At the balance-sheet date, Nordic Iron Ore had no liabilities to related parties. During the year, the company borrowed SEK 3.5 million from Ludvika Holding AB. The remainder of the loan has been offset as payment for issued shares. The company borrowed SEK 3.5 million from Bengtssons Tidnings AB. The remainder of the loan has been offset as payment for issued shares. Refer to Note 8 for remuneration to Board members.

**Note 26 Significant events after the end of the financial year**

The company completed a smaller new share issue to offset a portion of previously raised loans.

The company gave the power grid owner, Västerbergslagens Elnät AB, the task of moving and adapting the existing overhead 50 kV power lines. Work is ongoing to prepare the site for the coming construction at the planned industrial area.

The world-pandemic in the first part of 2020 had a negative impact on the company's efforts to secure financing as well as evaluating and holding discussions with potential suppliers. The severity of problems and delays that will arise depends on how the crisis develops and how long it will last.

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

the Group's and Parent Company's operations, financial position and performance and describes the material risks and uncertainties faced by the companies in the Group.

Ludvika, 22 April 2020

Tomas Olofsson  
Chairman of the Board

Jonas Bengtsson

Gösta Bergman

Timo Lindborg

Lennart Eliasson  
Managing Director

Our auditor's report was submitted on 23 April 2020.  
Öhrlings PricewaterhouseCoopers AB

Annika Wedin  
Authorised Public Accountant

## Auditor's Report

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

### REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED ACCOUNTS

#### Opinions

We have audited the annual accounts and consolidated accounts of Nordic Iron Ore AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 30–48 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2019 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 2019 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory Administration Report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the statement of comprehensive income and balance sheet for the Group.

#### Basis for Opinions

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

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

#### Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts, and can be found on page 51. The Board of Directors and the Managing Director are responsible for the other information.

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

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

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

#### Emphasis of Matter

We would like to draw attention to the Financial position, cash balance and future capital requirements section in the Administration Report, which states that the start of construction will require extensive financial resources comprising equity and borrowings. The current assessment is that the company's investments leading up until the start of production will amount to around USD 200 million.

Trends in the financial markets due to the coronavirus crisis mean that the Board will not exercise its current authorisation to raise additional capital as originally planned. Instead, the Board will propose that the coming AGM grant a new authorisation to raise capital during the second half of 2020.

Our opinion is not modified in respect of this matter.

#### Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description is part of the auditor's report.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Nordic Iron Ore AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Administration Report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

### Basis for Opinions

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

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

### Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organisation and for the administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the Group's financial situation and ensuring that the company's organisation is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the on-going administration according to the Board of Directors' guidelines

and instructions and, among other matters, take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

### Auditor's responsibilities

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

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

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

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

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

Gävle, 23 April 2020

Öhrlings PricewaterhouseCoopers AB

Annika Wedin  
Authorised Public Accountant

# Glossary

## Apatite

A mineral composed of calcium phosphate mixed with either calcium fluoride or calcium chloride. However, the apatite that occurs in Sweden is almost entirely a mixture of calcium phosphate and calcium fluoride, and it exists as a component of, for example, granite, gneiss and iron ore.

## Exploitation concession

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

## Brownfield

In this Annual Report "brownfield" is used together with project or exploration. Brownfield exploration normally means exploration in an area where mines have been operating in the past and where the geological conditions are well known. For a brownfield project, relevant information is already available which facilitates further exploration and minimises risks.

## Mining

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

## Cut-off

The lowest level that is acceptable for inclusion in calculations of tonnage and average content.

## Diabase

Fine to medium-size grains, dark grey to black hypabyssal rock, which to a volume of 65–35% is composed of calcium-rich plagioclase (labradorite-bytownite) and to 35–65% of pyroxene; olivine can also occur.

## Feasibility study

Scoping study/feasibility study. A study with sufficient accuracy to serve as the basis for an investment decision.

## Flotation

A concentration process whereby mineral grains in a liquid are lifted to the surface and skimmed off.

Geophysical measurements Measurements with instruments that identify the physical properties of the rock types (ores and tectonic structures).

## Haematite

Mineral with the chemical composition  $\text{Fe}_2\text{O}_3$ . Mined for the extraction of iron. Also previously called red iron ore.

## JORC (Australasian Joint Ore Reserves Committee)

Internationally accepted standard setting minimum standards for public reporting of exploration results and mineral resources.

The standard is prepared by the Australasian Joint Ore Reserves Committee, which gave its name to the standard.

## Core drilling

Rotary drilling used to extract a core from the bedrock.

## Magnetite

Mineral with the chemical composition  $\text{Fe}_3\text{O}_4$ . Mined for the extraction of iron. Also referred to as black ore.

## Ore

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

## Blast furnace

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

## Metavolcanite

Volcanic rock types that have undergone metamorphism.

## Environmental permit

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

## Mineralisation

Concentration of potentially economically interesting mineral deposits in the bedrock.

## Mineral reserves

Mineral reserves are calculated based on the indicated and measured mineral resources with regard to, for instance, technical and economic considerations for mining and concentration as well as matters of a legal nature.

## Mineral resources

Refers to mineralisations of such quality and quantity as to enable commercial extraction of metals or minerals.

The mineral resources are classified based on the extent of geological knowledge about them, i.e. inferred, indicated or measured mineral resources. Mineral resources are calculated and classified by a Qualified Person.

## Mtpa

Million tonnes per annum.

## NPV

Net present value. Net present value is the estimated value of an investment's future cash flows, both positive and negative, discounted with respect to a given interest-rate calculation.

## Drift

Mining tunnel.

## Pegmatite

Igneous rocks with exceptionally coarse and variable grain size.

## Preliminary feasibility study (PFS)

A PFS is less detailed than a feasibility study but more extensive than a preliminary economic assessment (PEA) from which it differs by, for instance, only including measured and indicated mineral resources in the calculations.

## Preliminary economic assessment (PEA)

A preliminary economic assessment and early evaluation of a mining project aimed at objectively identifying the strengths and weaknesses of the project and highlighting the relevant opportunities and threats, the resources required for implementation and, finally, the prospects of success.

## Exploration

The search for ore.

## Shaft

Usually, a vertical drift that was used for the transport of ore and workers.

## Sinter

Coarser product for charging to the blast furnace made of fine-grained iron-ore concentrate.

## Sintering

Reduction processes that produce large pieces of ore, sinter, through partial fusion.

## Skip

Ore lifting cage.

## Ore concentrate

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

## Inclined trackway

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

## Raise

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

## Stoping

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

## Lump ore

Iron ore product obtained when dressing.

## Exploration permit

Permit from the Mining Inspectorate of Sweden to operate.



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